

>>> ISC2 | 2023 Annual Report





# Growing Together: Strengthening Our Impact

Dear ISC2 Members, Associates and Candidates,

Thanks to you, 2023 featured exponential growth and new beginnings for ISC2 and the entire cybersecurity profession.

The most visible indicator of change is ISC2's growing community, which more than doubled in size to 635,000 professionals. The long-term impact of this transformation is a stronger community that is:

- Better able to internationally defend information and systems
- Tackling the workforce and skills gaps head-on
- Leading in professionalizing the sector
- And so much more

Thank you for being a driving force behind our collective success. With your support, we will continue to propel ISC2 and the cybersecurity profession for years to come.

Fueled by the ISC2 Candidate program and the One Million Certified in Cybersecurity pledge, our investment in the next generation of cybersecurity professionals resulted in more than 44,000 individuals earning the Certified in Cybersecurity certification. Meanwhile, we grew the ranks of CISSPs to nearly 170,000 worldwide.

As we grew in 2023, so did our impact.

We led as advocates for the cybersecurity profession, engaging with policymakers, regulators, governments and entities around the world to discuss the issues of greatest concern to our members, including workforce and skills shortages, lack of harmonization of proliferating global standards, unintended consequences of rushed policymaking, and the threat — real and perceived — of licensure of cybersecurity professionals.

We built our collective defense by taking an ecosystem approach to meeting the needs of members and the profession. In 2023:

- We strengthened our relationships with the U.S. Office of the National Cyber Director, the UK Cyber Security Council, the EU Digital Skills Academy, the Cyber Security Agency (CSA) of Singapore and many others.
- We hosted an inaugural DEI Summit, which engaged professionals in the government, nonprofits, academia and the private industry to discuss how to amplify impact and advance diversity, equity, inclusion and belonging (DEIB) in cybersecurity.
- We reassured the marketplace about the profession's ability to secure AI and we raised our voices about the safe and ethical use of AI.

To support a growing community and foster new connections and collaborations, we worked to extend our reach geographically. Whether that was through chapter engagements, professional development training, virtual events and conferences, ISC2 members had the opportunity to engage and unite around some of the greatest challenges impacting the industry while discussing ways to drive change in the profession. As your partner, ISC2 was there to help.

- We launched new educational offerings, such as our Spotlight online event series and 43 Skill-Builder courses, to explore emerging topics and support your professional development.
- We introduced a new series of ISC2 Workshops in major cities worldwide focusing on AI security for actionable strategies to strengthen your organization's security posture and build cyber efficiencies by harnessing the power of AI.
- We partnered with leaders in the field such as IBM and Coursera, the Linux Foundation and the Open Source Security Foundation, Crest and Tokio Marine dR to foster a more robust cybersecurity ecosystem.

Together, we have achieved remarkable success in 2023. We are confident that our collective efforts will continue to inspire progress and excellence in the years ahead. Thank you for your unwavering commitment to a safe and secure cyber world. You inspire us daily, and we are privileged to support you.

We are proud to have you as part of this community.

**Jill Slay, CISSP**  
2023 ISC2 Board of Directors Chair

**Clar Rosso, CC**  
ISC2 CEO

635,000  
strong

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# ISC2 Board of Directors

Thank you to the 2023 ISC2 Board of Directors, who guided ISC2 through a year of unprecedented growth with their steadfast dedication to members, associates, candidates and the entire cybersecurity profession.



**Jill Slay**  
CISSP, Chair  
(Australia)



**James Packer**  
CISSP, CCSP,  
Vice Chair  
(U.K.)



**Laurie-Anne  
Bourdain**  
CISSP, Secretary  
(Belgium)



**Dan Houser**  
ISSAP, ISSMP,  
CISSP, CCSP, CSSLP, CC,  
Treasurer (U.S.)



**Edward Farrell**  
CISSP, SSCP  
(Australia)



**Nalneesh Gaur**  
ISSAP, CISSP  
(U.S.)



**Rachel Guinto**  
CISSP  
(Canada)



**Eiji Kuwana**  
CISSP  
(Japan)



**Samara Moore**  
CISSP  
(U.S.)



**Guy Ngambeket**  
CISSP  
(Qatar)



**Lori Ross O'Neil**  
CISSP  
(U.S.)



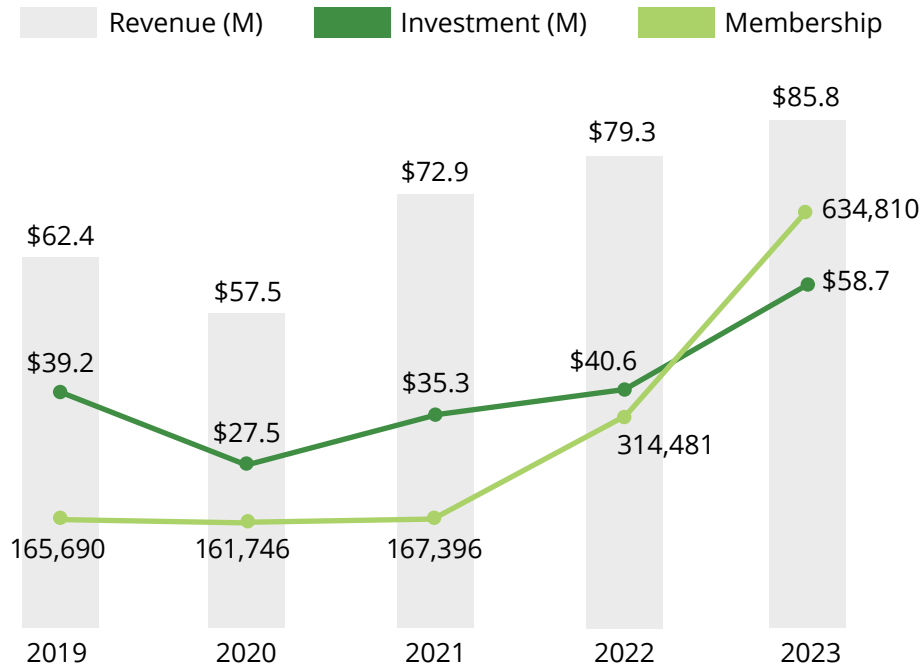
**Lisa Young**  
CISSP  
(U.S.)

Learn more about the ISC2 Board of Directors at [www.ISC2.org/about/board-of-directors](http://www.ISC2.org/about/board-of-directors).

# Investing in You

ISC2 invests in our members and the future of the cybersecurity profession. Our financial performance over the past several years demonstrates this commitment.

## Financially Strong and Investing in the Future



While ISC2 once again attained record revenue of \$85.8 million in 2023, we also invested a record \$58.7 million into programs to better support members. From ensuring our certifications maintain their premier stature around the world, to creating professional development opportunities to support members' career growth, to enabling the next generation of cybersecurity professionals, ISC2's financial strength supports a growing community of members, associates and candidates now and in the future.

ISC2's full audited financial statements are provided on page 25. Our strong reserves underscore the financial strength of our association, which enables us to plan and budget for strategic investment years like 2022 and 2023.



# Key Investments

## One Million Certified in Cybersecurity

The ISC2 One Million Certified in Cybersecurity pledge continued to gain momentum and introduce more people to a cybersecurity career. The program offers free Certified in Cybersecurity (CC) online self-paced training enrollment and an exam to one million people worldwide.

## Enabling the Next Generation of Cyber Professionals\*

332K+

CC Course Enrollments

90K+

CC Exams Administered

44K+

CC Certifications Earned

30%

of students who earned the CC are now employed; 38% are in cybersecurity roles and 48% are in IT jobs.

29%

of job seekers who obtained CC are now employed; 44% are in cybersecurity roles.

17%

of CC holders said they are already pursuing another ISC2 certification.

59%

of CC holders are planning to pursue another ISC2 certification in the next 6–12 months.

For more information, visit [www.ISC2.org/1mcc](http://www.ISC2.org/1mcc).

\*Based on cumulative One Million Certified in Cybersecurity participation through December 31, 2023, and a 2023 ISC2 survey of CC holders.

# The New ISC2

(ISC)<sup>2</sup> became ISC2 in 2023, ushering in an exciting, modern and more accessible brand for the world's leading member organization for cybersecurity professionals. The new ISC2 is guided by our renewed vision, mission and purpose.



## Our Vision

A safe and secure cyber world.

## Our Mission

ISC2 strengthens the influence, diversity and vitality of the field through advocacy, expertise and workforce empowerment that accelerates cyber safety and security in an interconnected world.

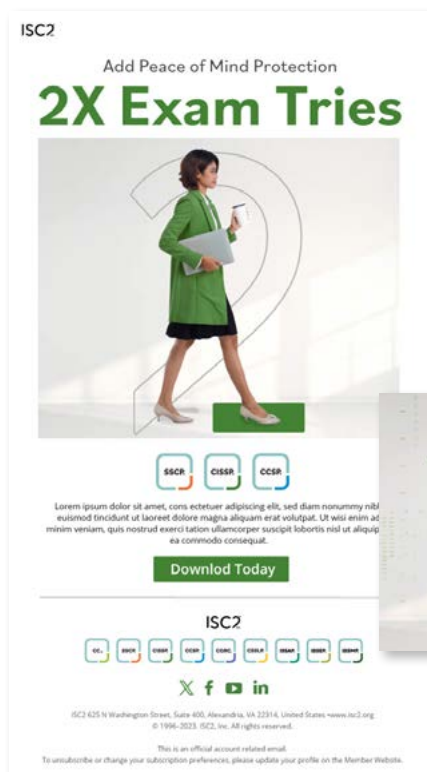
## Our Purpose

ISC2 serves to educate, empower, embrace and engage our members through every step of their careers.



## A New Look. A New Voice.

Our new brand mirrors our evolution as an organization. More people will see themselves in our imagery and language, and the brand reflects where we are today and where we are going tomorrow.





# Supporting a Growing Community

ISC2 employs a geographically distributed, fully remote workforce that is committed to delivering excellence to our more than 635,000 members, associates and candidates.

# 20%

of the ISC2 workforce now holds an ISC2 certification, enabling Team ISC2 to better appreciate the challenges and opportunities facing members.

As ISC2's community more than doubled, we scaled our workforce by 20% to support it. This increase was carefully planned to prioritize global coverage and new skills to represent and advocate for a larger and more diverse membership.

## Strengthening Support Through New Technology

Ensuring we provide a seamless experience and easier access to professional development and member benefits is always a top priority. Our new website and other technology improvements were designed to make it easier to access the career-building resources ISC2 offers, as well as get the answers and support members may need.

These investments are just the beginning, enabling us to build upon a stronger, more robust infrastructure to continually improve the online member experience.

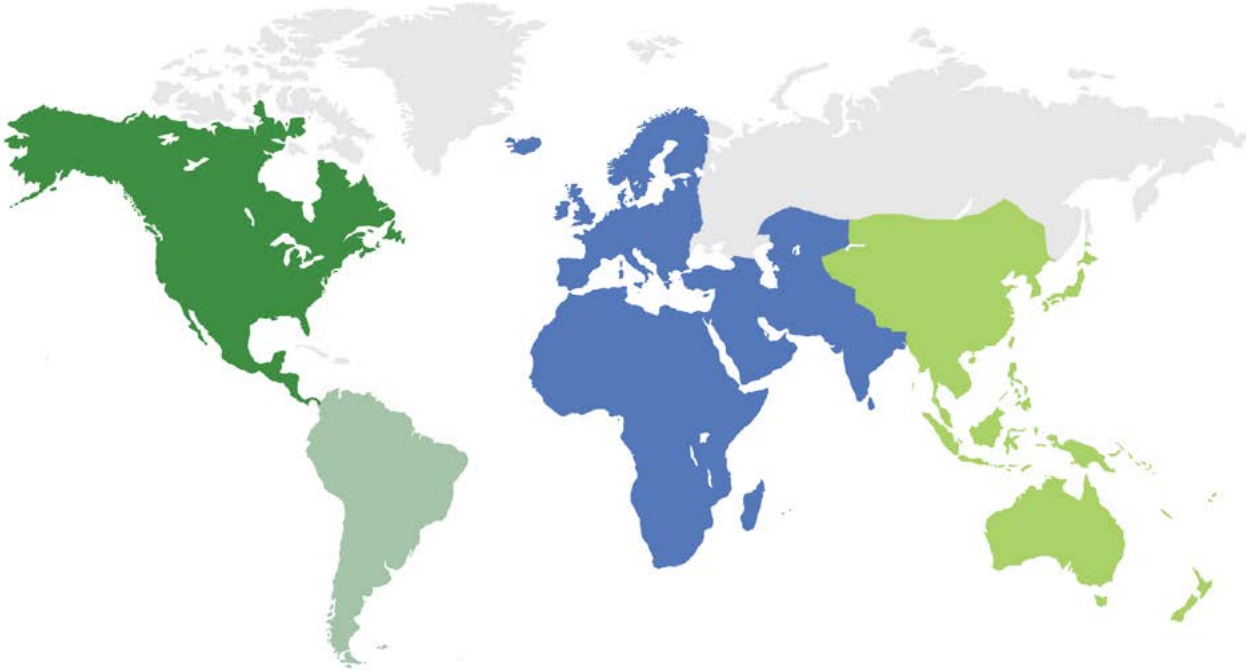
## New Global Headquarters

ISC2's new headquarters in the Washington, D.C., area provides tremendous benefit to the organization. Located near our largest concentration of members, our new office enables us to:

- Hold Board of Directors meetings when convening in North America
- Host Annual Meetings of the membership
- Host members and others for in-person classes and workshops
- Easily advocate for members and smart cybersecurity policy in the U.S.

# Growing Around the World

Programs like ISC2 Candidates and the One Million Certified in Cybersecurity pledge continue to fuel the growth of the ISC2 community across the globe.



## ISC2 Members, Associates and Candidates

As of December 31, 2023

Region	Members	Associates	Candidates
<b>Global</b>	<b>222,058</b>	<b>4,578</b>	<b>408,174</b>
■ North America	135,175	3,081	178,219
■ Latin America	4,246	14	22,943
■ Europe, Middle East, Africa	43,934	714	108,583
■ Asia-Pacific	38,703	769	98,429

## A Thriving Online Community



53,507  
users  
+25%



348,068  
followers  
+49%



92,740  
followers  
+17%












27,763  
followers  
+19%



# 2023 Certification Counts

The following reflects the number of active ISC2 certifications per credential as of December 31, 2023.

 CISSP	168,642
 CC™	44,292
 CCSP	17,501
 SSCP	8,789
 CGRC	4,421
 CSSLP	3,414
 ISSAP	2,406
 ISSMP	1,563
 ISSEP	1,421

# Our Success Framework

Four strategic priorities guide our work. They provide a framework for what's most important for ISC2 and our members.



## Amplify the Core

Strengthen business model and certifications to ensure ISC2 expertise meets global marketplace and individual demands.

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## Promote Global Competence

Deliver comprehensive and innovative products, services and experiences to help stakeholders stay relevant and engage in lifelong learning.

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## Advocate for Members and the Profession

Advance ISC2 as the leading global cyber and information security professional association.

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## Enhance the Experience

Enhance the ISC2 experience for members, the greater cybersecurity community and stakeholders.



# Amplify the Core

Strengthen business model and certifications to ensure ISC2 expertise meets global marketplace and individual demands.



## Certifications and Exams

Demand for ISC2 certifications remains strong with ISC2 again achieving record exam deliveries worldwide.

# 116,942

Exams Delivered Worldwide,  
a 188% Increase Compared to 2022

# 76,915

CC Exams Delivered



## Members Drive Exam Development

Thank you to all exam development volunteers who ensure our exams reflect the latest practices in the field.

# 109

Item development workshops

# 1,994

Volunteers

# 69,480

Exam items created or improved

## Maintaining the Highest Standards

The ISC2 CC certification received accreditation from the ANSI National Accreditation Board (ANAB), meeting ANSI/ISO/IEC Standard 17024. This recognition confirms the CC certification program was developed and will be maintained to the same rigorous standards as all ISC2 certifications.





## New Pathways to ISSAP, ISSEP and ISSMP Certification

Cybersecurity professionals looking to demonstrate advanced and specialized expertise can now pursue ISC2's architecture, engineering and management certifications without first earning the CISSP.



## HCISPP Certification Sunset

The HCISPP certification was discontinued and will be designated an inactive credential in 2026. Cybersecurity professionals working in healthcare can demonstrate their expertise securing the sector's technology and navigating its regulatory and privacy requirements with the ISC2 Healthcare Certificate program.



## Greater Accessibility

2023 saw the introduction of Chinese, English, German, Japanese and Spanish for CC, CCSP, CISSP and SSCP exams.

## Telling Your Story

Cybersecurity remains a hot topic with the media. ISC2 continues to build awareness and educate key journalists on how the cybersecurity workforce is critical to solving our collective security challenges. Our efforts generated more than 650 pieces of media coverage, a 33% increase compared to the previous year.

THE WALL STREET JOURNAL.

Forbes

POLITICOMAGAZINE

FORTUNE

NIKKEI

FT  
FINANCIAL  
TIMES



# Research-Driven Thought Leadership

ISC2 research helps tell members' stories. The insights it provides are in high demand among policymakers around the world as they grapple with their own workforce issues.



## The 2023 Cybersecurity Workforce Study

A record 14,865 cybersecurity professionals shared their unique perspectives on the state of the workforce. Our annual workforce study revealed a growing workforce gap of 4 million, in-demand skills, evolving career pathways, the impact of AI and more.

## Global Approaches to Cyber Policy, Legislation and Regulation: A Comparative Overview

ISC2 and the Royal United Services Institute (RUSI) collaborated on a report about global cybersecurity policies and legislation. The report included data from six jurisdictions. While many common themes emerged, it's clear that more work is needed to harmonize worldwide cybersecurity practices.

Learn more at [www.ISC2.org/research](https://www.ISC2.org/research).

# Promote Global Competence



Deliver comprehensive and innovative products, services and experiences to help stakeholders stay relevant and engaged in lifelong learning.

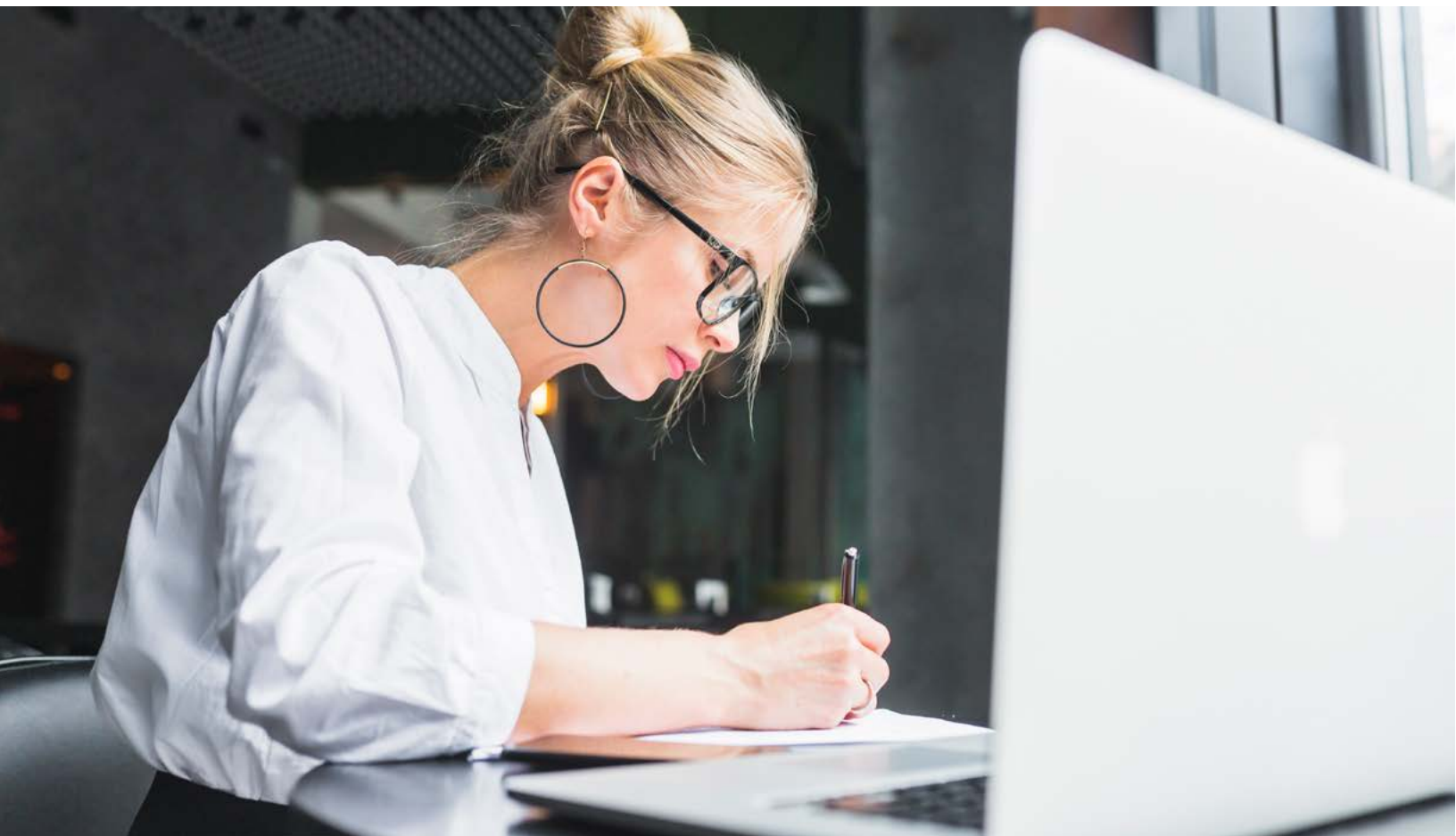
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The cybersecurity field is one of constant change, and it is accelerating with the rise of AI and other emerging technologies. ISC2's continuing education portfolio helps members stay ahead of the latest threats, keep up with technology and learn best practices to better secure their organizations.

**30%**  
Faster Course  
Completion

## Focused Learning

To help new and future members, ISC2's new adaptive learning for CISSP and CCSP focuses candidates' time on the subject matter they need to learn while building their confidence where knowledge is strong.







## New in 2023

43  
(29.5 CPE Credits)

### Skill-Builders

Short-format, online learning modules are FREE for ISC2 members

10  
(36 CPE Credits)

### Certificates

Earn recognition for mastering in-demand skills with certificates

## ISC2 Members Commit to Career-Long Learning

38K+  
Skill-Builder Enrollments

2,402  
Certificate Program Enrollments

### New Events Introduced

In-person and virtual events and workshops to learn about emerging topics

#### New Workshops

- Securing AI Series

#### New Spotlight Series

- Modernizing Security Operations
- Secure Software Development
- Governance, Risk and Compliance

# Advocate for Members and the Profession



Advance ISC2 as the leading global cyber and information security professional association.

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## Advocating for Members

Policymakers, lawmakers and regulators around the world have never been more focused on cybersecurity than they are now. They are looking for guidance on how to secure critical infrastructure, to defend our economies, small businesses and consumers and to close the workforce gap.

ISC2 advocacy strives to amplify the influential and respected voice of our members. Together, we shape meaningful and impactful policies, guidance, frameworks, regulations and laws across the globe. As a leader in the field, we strive to ensure the profession has the support it needs to grow and accomplish its mission.

In Canada, the E.U., Japan, Singapore, the U.K., the U.S. and beyond, the ISC2 advocacy team is engaging in conversations about breach disclosure rules, cybersecurity licensure, workforce development, education pathways, skills frameworks, certification requirements, ethics, standards of practice and more.



# Advocating for Smart and Effective Policy

## United States



ISC2 was a key partner on the rollout of the National Cyber Workforce and Education Strategy with the Office of the National Cybersecurity Director.

ISC2 provided Congressional Testimony to House Homeland Security's Cybersecurity Subcommittee.

ISC2 is leading the certification coalition regarding DoD 8140 implementation.

ISC2 held meetings with the SEC rule makers determining corporate board readiness.

ISC2 held meetings with the Department of Defense regarding the DoD National Cyber Strategy.

ISC2 provided Congressional Testimony to Future of Work Caucus.

## European Union



ISC2 gained representation on ENISA's ad hoc working group on European Cybersecurity Skills Framework (ECSF).

ISC2 participated in ENISA's second annual skills conference.

ISC2 was the first organization to make a pledge to the EU Cybersecurity Skills Academy.

ISC2 ran a thought leadership roundtable on EU legislations that was attended by key MEPs, civil servants and the policy influencers.

ISC2 was invited by the Swedish Presidency of the Council of the EU to participate in the annual Digital Assembly.

## United Kingdom



ISC2 successfully delivered the pilots for the UK Cyber Security Council on security architecture and the risk management and was selected to pilot secure operations specialism.

ISC2 provided policy positions on a range of topics relevant to the UK cybersecurity sector and profession, including cyber resilience of CNI and securing software.

## Canada



ISC2 is a leading resource for the Canadian Communications Security Establishment and the Ministry of Public Safety and National Security on Bill C-26.

ISC2 is positioned as an international partner between the Canadian Ministry of Public Procurement and NIST in the US regarding NIST and NICE framework harmonization.



# Diversity, Equity and Inclusion

ISC2 is committed to ensuring the cybersecurity profession is a more diverse, equitable and inclusive field. We do this by sharing resources that professionals and their employers can use to guide their adoption of DEI practices, as well as convening thought leaders and partnering with other organizations focused on serving underrepresented groups.



## ISC2 Global DEI Summit | July 12, 2023 | Washington D.C.

ISC2 gathered professionals from across governments, nonprofits, academia and private industries to discuss the state of diversity and the challenges and strategic steps we all must take to ensure a more diverse cybersecurity workforce.

### Fostering a More Diverse Future

ISC2 sponsored and hosted a CC training event in Kumasi, Ghana, and Accra, Ghana, helping students to complete the CC training and prepare for their exams.

420  Students Reached

### Guide to Inclusive Language in Cybersecurity

ISC2 and the Chartered Institute of Information Security created an alternative vocabulary guide that replaces noninclusive terms with more inclusive words and phrases. Inclusive terminology is a way to cultivate a sense of belonging.



ISC2 expanded its DEI Partner network to reach even more career hopefuls through the One Million Certified in Cybersecurity pledge. New partners include:





Building a global  
cyber community  
*for good*

The Center for Cyber Safety and Education, the charitable arm of ISC2, is on a mission to grow the cybersecurity profession by fostering a diverse pipeline of cybersecurity professionals and building a global cyber community for good.

\$224,000

in scholarships granted to  
71 individuals in 12 countries

3,422

volunteer hours donated to help  
the Center achieve its goals

### Safe and Secure Online

Refreshed program to educate our communities about cybersecurity best practices.

465 Volunteers in 53 Countries

### Cybersecurity Health Check

The Center began piloting a program that pairs ISC2 volunteers with small businesses and nonprofits to assess their cyber risk.

Learn more about The Center at [iamcybersafe.org](https://iamcybersafe.org).





# Enhance the Experience

Enhance the ISC2 experience for members, the greater cybersecurity community and stakeholders.

## Anticipating Member Needs

One way ISC2 stays in tune with members and their needs is through our regional advisory councils. We reestablished groups of member volunteers to form our Latin America, Asia Pacific, U.S., U.K. and E.U. advisory councils. Members dedicate their time to sharing fresh perspectives on issues from skills and workforce development, to DEI, to regulatory challenges and more.

Additionally, we formed member task forces to focus on sharing peer-developed guidance in areas like supply chain risk management, AI and cyber insurance, with findings to be shared in 2024.

## Chapters

ISC2 chapters support members by providing a local network of peers who share knowledge, exchange resources and collaborate on projects. They connect and educate members, inspire those pursuing careers in cybersecurity, and help secure their communities through local outreach and volunteering.

40K+

Chapter Members  
Around the World

150+

Chapters

50+

Countries

## 11 New Chartering Chapters

### Africa

Algeria

Cape Town



### Asia Pacific

Cambodia

Pune, India



### Europe

Scotland

Spain



### North America

Florida Space Coast

Houston

Manitoba

Saskatchewan

Tulsa



# ISC2gether

Volunteer today, shape tomorrow.

The 2023 launch of ISC2gether Volunteer Days, in partnership with the Center and ISC2 chapters, encouraged ISC2 members, staff, family and friends to unite in charitable efforts worldwide. Volunteers completed service projects in their local communities across the globe for three days in September. Projects included civic and community engagement, environmental clean-ups, disaster relief and recovery efforts and online safety education.

152

Volunteers

391

Service Hours

\$12,434

Economic Impact



## Giving Back

From exam item writing and chapter leadership to the ISC2 Board of Directors and advisory councils to members writing for our blog and representing ISC2 in their communities and beyond, ISC2 relies on the commitment of our volunteers to help us move the profession forward.

**100,000** Member  
Volunteer Hours  
Thank You!

## Recognizing Excellence

ISC2's Global Achievement Awards program recognizes individuals whose excellence, leadership and volunteer efforts have significantly advanced the cybersecurity industry and contributed to our vision of inspiring a safe and secure cyber world.



**ISC2 GLOBAL**  
Achievement Awards

**180 nominations** were submitted by members of the cybersecurity community to recognize their peers.

**22 individuals** were honored at ISC2 Security Congress 2023 for their contributions to the field.

# Association Governance

ISC2 is an international nonprofit membership association with a vision for a safe and secure cyber world. Best known for the acclaimed Certified Information Systems Security Professional (CISSP) certification, ISC2 offers a portfolio of credentials that are part of a holistic, pragmatic approach to information and systems security.

ISC2 is a United States 501(c)(6) nonprofit professional corporation. ISC2 operations are led by the ISC2 CEO and senior leadership team under the authority and guidance of our Board of Directors, who establish association strategies. Elected by ISC2 members, the Board of Directors comprises cybersecurity professionals from around the world. Our all-volunteer Board of certified ISC2 members provides governance and oversight for the organization, establishes requirements for and grants certifications to qualifying candidates and enforces adherence to the ISC2 Code of Ethics.

Learn more at [ISC2.org/About/Governance](https://www.isc2.org/About/Governance).

## Bylaws Amendments Adopted

A periodic review of bylaws and governance is part of the ISC2 Board of Directors' legal duties and a common best practice for associations. In 2023, the Board presented revised Bylaws, which members voted upon and approved.

The new Bylaws are posted on our website, but in summary, effective January 1, 2024:

- Term limits for the Board of Directors changed to six years total per individual
- Updated language around remote participation in Board meetings to reflect modern practices
- Updated language affirming that members may vote in-person or by proxy at meetings of the membership

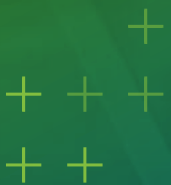
Thanks to all our members who participated, as well as those member volunteers who served on the Bylaws Committee.







Audited Financial Statements



Consolidated Financial Statements and  
Report of Independent Certified Public  
Accountants

**International Information System Security  
Certification Consortium, Inc. and Subsidiaries**

December 31, 2023 and 2022

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**REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS**

To the Board of Directors of the  
International Information System Security Certification Consortium, Inc.  
and Subsidiaries:

**Opinion**

We have audited the consolidated financial statements of the International Information System Security Certification Consortium, Inc. and Subsidiaries (the "Consortium"), which comprise the consolidated statement of financial position as of December 31, 2023, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Consortium as of December 31, 2023, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Basis for opinion**

We conducted our audit of the consolidated financial statements in accordance with auditing standards generally accepted in the United States of America (US GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Consortium and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Other matter**

The consolidated financial statements of the Consortium as of and for the year ended December 31, 2022 were audited by other auditors who expressed an unmodified opinion on those consolidated financial statements in their report dated March 23, 2023.

**Responsibilities of management for the financial statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Consortium's ability to continue as a going concern for one year after the date the consolidated financial statements are available to be issued.

#### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with US GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Consortium's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Consortium's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

#### **Supplementary information**

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating schedule of activities for the year ended December 31, 2023 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the



consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures. These additional procedures included comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with US GAAS. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

*Grant Thornton LLP*

Melville, New York  
April 26, 2024

**International Information System Security Certification  
Consortium, Inc. and Subsidiaries**

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

**December 31, 2023 and 2022**

	<b>2023</b>	<b>2022</b>
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 38,469,336	\$ 45,770,040
Accounts receivable	3,219,682	2,232,112
Certification receivables, less allowance for doubtful accounts of \$4,091,000 and \$3,331,000 in 2023 and 2022, respectively	866,435	861,938
Other receivables	836,850	2,729,360
Prepaid expenses	3,020,354	3,622,854
Total current assets	46,412,657	55,216,304
Property and equipment, net	5,152,310	2,518,139
Operating lease right-of-use assets	2,084,774	2,846,579
Investments	55,553,398	49,094,993
Examination question pool, net of amortization of \$2,486,000 and \$2,174,000 in 2023 and 2022, respectively	5,544,266	3,293,448
Other	777,332	586,918
Total assets	\$ 115,524,737	\$ 113,556,381
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	\$ 10,839,538	\$ 7,411,802
Deferred revenue	30,857,137	26,889,347
Foreign tax accrual	1,388,589	1,075,801
Operating lease liabilities - current	340,765	648,451
Total current liabilities	43,426,029	36,025,401
Accrued scholarships - non-current	9,540	2,448
Deferred compensation	998,261	501,766
Operating lease liabilities - non-current	3,807,836	4,259,419
Total liabilities	48,241,666	40,789,034
<b>Net assets</b>		
Without donor restrictions		
Undesignated	13,220,633	27,751,915
Board designated operating reserves	54,000,000	45,000,000
Total net assets without donor restrictions	67,220,633	72,751,915
With donor restrictions	62,438	15,432
Total net assets	67,283,071	72,767,347
Total liabilities and net assets	\$ 115,524,737	\$ 113,556,381

The accompanying notes are an integral part of these consolidated financial statements.

**International Information System Security Certification  
Consortium, Inc. and Subsidiaries**

**CONSOLIDATED STATEMENTS OF ACTIVITIES**

**Years ended December 31, 2023 and 2022**

	<b>2023</b>	<b>2022</b>
<b>Changes in net assets without donor restrictions</b>		
Operating support and revenue		
Educational services	\$ 25,178,051	\$ 24,538,308
Professional examinations	32,264,391	29,869,242
Certification renewal fees	24,187,424	21,980,909
In-kind contributions	1,844,450	1,206,050
Contributions	281,189	232,392
Investment return designated for current operations	1,620,508	1,162,269
Other revenue	427,838	481,874
Foreign currency exchange loss	(52,950)	(182,194)
	<b>85,750,901</b>	<b>79,288,850</b>
<b>Operating expenses</b>		
Program services	51,085,057	37,455,697
Supporting services		
Administrative	44,373,532	39,171,776
Fundraising	164,997	91,015
	<b>95,623,586</b>	<b>76,718,488</b>
Total operating expenses		
	<b>95,623,586</b>	<b>76,718,488</b>
Change in net assets without donor restrictions from operations	<b>(9,872,685)</b>	<b>2,570,362</b>
<b>Other changes</b>		
Investment return (loss) in excess of (deficient to fund) amounts designated for current operations	<b>4,341,403</b>	<b>(8,489,562)</b>
Change in net assets without donor restrictions	<b>(5,531,282)</b>	<b>(5,919,200)</b>
<b>Change in net assets with donor restrictions</b>		
Contributions	<b>47,006</b>	<b>-</b>
Change in net assets with donor restrictions	<b>47,006</b>	<b>-</b>
<b>CHANGE IN NET ASSETS</b>	<b>(5,484,276)</b>	<b>(5,919,200)</b>
<b>Net assets at beginning of year</b>	<b>72,767,347</b>	<b>78,686,547</b>
<b>Net assets at end of year</b>	<b>\$ 67,283,071</b>	<b>\$ 72,767,347</b>

The accompanying notes are an integral part of these consolidated financial statements.



**International Information System Security Certification  
Consortium, Inc. and Subsidiaries**

**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**

**Year ended December 31, 2023**

	<u>Program</u>	<u>Supporting Services</u>		<u>Total</u>
	<u>Services</u>	<u>Administrative</u>	<u>Fundraising</u>	
Employee salaries and wages	\$ 16,244,505	\$ 14,726,361	\$ 26,849	\$ 30,997,715
Employee benefits and taxes	3,073,400	3,691,884	4,484	6,769,768
Total personnel costs	<u>19,317,905</u>	<u>18,418,245</u>	<u>31,333</u>	<u>37,767,483</u>
Educational services	8,427,418	17,989	21,537	8,466,944
Professional examinations	12,967,396	-	-	12,967,396
Marketing and communications	1,184,185	6,936,776	45,944	8,166,905
Bad debt expense	-	766,553	-	766,553
Bank fees	1,918,085	3,145	1,627	1,922,857
Computer licenses and support	28,347	6,820,186	1,200	6,849,733
Contract labor	627,968	192,153	-	820,121
Impairment of intangible assets	162,648	-	-	162,648
Membership development	243,591	-	-	243,591
Other	88,021	971,932	562	1,060,515
Professional fees	3,062,628	6,254,061	61,023	9,377,712
Rent	49,777	494,235	-	544,012
Scholarships	170,276	-	-	170,276
Supplies	30,879	141,179	40	172,098
Telephone and internet	2,247	149,344	-	151,591
Training	44,655	96,703	210	141,568
Travel	595,845	1,933,325	1,372	2,530,542
Total operating expenses before depreciation, amortization and taxes	<u>48,921,871</u>	<u>43,195,826</u>	<u>164,848</u>	<u>92,282,545</u>
Amortization	2,025,169	-	-	2,025,169
Depreciation	138,017	1,177,706	149	1,315,872
Total operating expenses	<u>\$ 51,085,057</u>	<u>\$ 44,373,532</u>	<u>\$ 164,997</u>	<u>\$ 95,623,586</u>

The accompanying notes are an integral part of this consolidated financial statement.

**International Information System Security Certification  
Consortium, Inc. and Subsidiaries**

**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**

**Year ended December 31, 2022**

	<u>Program Services</u>	<u>Supporting Services</u>		<u>Total</u>
		<u>Administrative</u>	<u>Fundraising</u>	
Employee salaries and wages	\$ 11,808,477	\$ 13,222,331	\$ 13,955	\$ 25,044,763
Employee benefits and taxes	2,082,758	3,435,866	2,767	5,521,391
<b>Total personnel costs</b>	<b>13,891,235</b>	<b>16,658,197</b>	<b>16,722</b>	<b>30,566,154</b>
Educational services	7,087,251	30,964	-	7,118,215
Professional examinations	7,421,713	-	-	7,421,713
Marketing and communications	780,704	5,028,152	-	5,808,856
Bad debt expense	-	1,379,027	-	1,379,027
Bank fees	1,728,978	32,911	-	1,761,889
Computer licenses and support	12,918	6,400,611	1,200	6,414,729
Membership development	257,040	45,911	-	302,951
Other	122,916	425,353	320	548,589
Professional fees	3,270,828	5,769,615	71,909	9,112,352
Rent	67,282	1,507,602	-	1,574,884
Scholarships	162,153	-	-	162,153
Supplies	58,137	105,436	235	163,808
Telephone and internet	38,469	129,825	-	168,294
Training	20,269	70,322	273	90,864
Travel	467,089	1,077,390	27	1,544,506
<b>Total operating expenses before depreciation, amortization and taxes</b>	<b>35,386,982</b>	<b>38,661,316</b>	<b>90,686</b>	<b>74,138,984</b>
Amortization	1,665,563	-	-	1,665,563
Depreciation	263,268	357,467	329	621,064
VAT, income and other taxes	139,884	152,993	-	292,877
<b>Total operating expenses</b>	<b>\$ 37,455,697</b>	<b>\$ 39,171,776</b>	<b>\$ 91,015</b>	<b>\$ 76,718,488</b>

The accompanying notes are an integral part of this consolidated financial statement.

**International Information System Security Certification  
Consortium, Inc. and Subsidiaries**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

**Years ended December 31, 2023 and 2022**

	<b>2023</b>	<b>2022</b>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ (5,484,276)	\$ (5,919,200)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	3,341,041	2,286,627
Amortization of operating lease right-of-use assets	761,805	1,203,656
Provision for bad debts	766,553	1,379,027
Impairment of intangibles	162,648	-
(Gain) loss on disposal of assets	(12,715)	7,390
Realized and unrealized (gains) losses on investments	(4,341,403)	8,533,461
In-kind contributions	(1,844,450)	(1,206,050)
Decrease (increase) in operating assets:		
Accounts, certifications, and other receivables	133,890	(3,638,524)
Prepaid expenses	602,500	(1,112,826)
Other assets	(190,414)	(156,887)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued liabilities	3,427,736	2,303,012
Deferred revenue	3,967,790	1,511,185
Foreign tax accrual	312,788	125,266
Accrued scholarships	7,092	(13,788)
Deferred compensation	496,495	256,069
Operating lease liability	(759,269)	(1,233,144)
Net cash provided by operating activities	1,347,811	4,325,274
<b>Cash flows from investing activities:</b>		
Purchases of property and equipment	(3,937,328)	(477,976)
Question pool development costs	(2,594,185)	(1,144,229)
Purchase of investments	(32,506,739)	(24,592,332)
Proceeds from sale of investments	30,389,737	23,130,094
Net cash used in investing activities	(8,648,515)	(3,084,443)
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	(7,300,704)	1,240,831
<b>Cash and cash equivalents at beginning of year</b>	45,770,040	44,529,209
<b>Cash and cash equivalents at end of year</b>	\$ 38,469,336	\$ 45,770,040
<b>Supplementary information:</b>		
In-kind contribution of examination questions	\$ 1,844,450	\$ 1,206,050

The accompanying notes are an integral part of these consolidated financial statements.

**International Information System Security Certification  
Consortium, Inc. and Subsidiaries**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**December 31, 2023 and 2022**

**NOTE 1 - ORGANIZATION**

International Information System Security Certification Consortium, Inc. and Subsidiaries (collectively, the "Consortium") is a nonprofit organization organized in the state of Massachusetts. The Consortium establishes international standards of excellence within the field of information systems security and provides certifications to individuals in the profession. The Consortium also provides education and professional development services through in-person and online events, certificate programs, courses, seminars, workshops and more to provide cybersecurity professionals and their employers with the insights needed to stay ahead of the latest issues, trends, threats and best practices.

The accompanying consolidated financial statements include the accounts of International Information System Security Certification Consortium, Inc. ("ISC2") and its wholly-owned subsidiaries: International Information Systems Security Certification Consortium Limited, Hong Kong ("Hong Kong Company") and International Information Systems Security Certification Consortium Limited, United Kingdom ("UK Company"), as well as the Center for Cyber Safety and Education (the "Center"), International Information System Security Certification Consortium GmbH, Germany ("Germany Company") and International Information System Security Certification Consortium Pte Ltd. All intercompany transactions have been eliminated. The Hong Kong, UK, Germany and Singapore Companies were organized to enable business transactions in Hong Kong, the United Kingdom, Germany and Singapore, respectively. The Center was established exclusively for charitable purposes.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***Basis of Presentation***

The accompanying consolidated financial statements have been prepared on the accrual basis and in accordance with accounting principles generally accepted in the United States of America, which require the Consortium report information regarding its consolidated financial position and activities based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

*Net Assets Without Donor Restrictions* - Net assets available for general use and not subject to donor restrictions. The Board of Directors (the "Board") has designated a portion of net assets without donor restrictions as an operating reserve to fund future capital investments and other long-term needs.

*Net Assets With Donor Restrictions* - Net assets subject to donor-imposed restrictions. Donor-imposed restrictions are temporary in nature and will be met either by the passage of time or the accomplishment of a purpose restriction. When a donor restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, the net assets are reclassified as net assets without donor restrictions and reported in the accompanying consolidated statement of activities as net assets released from restrictions. At December 31, 2023 and 2022, net assets with donor restrictions were \$62,438 and \$15,432, respectively, and were restricted for specific programs of the Center.

***Cash and Cash Equivalents***

The Consortium considers all short-term investments with original maturities of three months or less to be cash equivalents.

***Certification and Accounts Receivable***

Certification and accounts receivable are recorded at realizable value net of an allowance for doubtful accounts. The allowance is estimated from historical performance and projection of trends. Accounts that

**International Information System Security Certification  
Consortium, Inc. and Subsidiaries**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**December 31, 2023 and 2022**

are more than 120 days past due are put on credit hold. Certification and accounts receivable are written off when deemed uncollectible. Certification and accounts receivable may be charged a fee for interest if the account remains in a delinquent status. Interest income is recorded upon billing.

***Prepaid Expenses***

Prepaid expenses consist primarily of insurance premiums, software license agreements, and software maintenance. These items are expensed pro rata over the contract period in which the Consortium receives the benefits.

***Property and Equipment***

Property and equipment with an estimated life greater than one year are recorded at cost and depreciated using the straight-line method of depreciation over the estimated useful lives of the underlying assets. Acquisitions of property and equipment equal to or in excess of \$1,000 are capitalized.

***Leases***

The Consortium determines if an arrangement is a lease at inception. All of the Consortium's leases meet the criteria for classification as operating leases. Operating leases are included in operating lease right-of-use ("ROU") assets, and operating lease liabilities in the consolidated statement of financial position.

ROU assets represent the right to use an underlying asset for the lease term and lease liabilities represent the Consortium's obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at lease commencement date based on the present value of lease payments over the lease term. As most of the Consortium's leases do not provide an implicit rate, the Consortium has used the incremental borrowing rate based on the information available at the commencement date in determining the present value of lease payments. The Consortium uses the implicit rate when readily determinable. The operating lease ROU asset excludes lease incentives. The lease terms may include options to extend or terminate the lease when it is reasonably certain that the Consortium will exercise that option. Rent expense for lease payments is recognized on a straight-line basis over the lease term.

***Assets Limited as to Use***

As of December 31, 2023 and 2022, investments include assets limited as to use representing assets held by trustees for the Consortium's 457(b) and 457(f) deferred compensation plans as more fully described in Note 9.

***Investments***

Investments consisting primarily of mutual funds and money market funds are measured at fair value based on quoted market prices. Investments also include corporate and government bonds which are measured at fair value based on quoted market prices in markets that may not be active. Gains and losses on fair value adjustments are recognized on the specific identification basis, net of investment expenses.

The Consortium's deferred compensation plan investments are measured at fair value on a recurring basis and consist primarily of mutual funds, corporate and government bonds, and money market funds.

***Examination Question Pool***

The examination question pool consists of costs for developing exam questions that are the basis for certification exams. Questions are used on a statistically determined rotating basis and are updated

**International Information System Security Certification  
Consortium, Inc. and Subsidiaries**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**December 31, 2023 and 2022**

periodically to provide exams that are statistically unique. The question pool is being amortized on a straight-line basis over an estimated life of three years.

***Impairment or Disposal of Long-Lived Assets***

The Consortium reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The Consortium assesses the recoverability of the cost of the asset based on a review of projected undiscounted cash flows. In the event an impairment loss is identified, it is recognized based on the amount by which the carrying value exceeds the estimated fair value of the long-lived asset. The Consortium recorded a loss from impairment of exam questions of \$162,648 and \$0 for the years ended December 31, 2023 and 2022, respectively.

***Revenue Recognition and Operations***

The Consortium derives revenue from educational services, professional examinations ("examinations" or "exams"), and certification renewal fees ("certification").

Educational services include revenues from seminar attendance fees, annual event attendance fees, and kit sales. The Consortium recognizes revenue for seminar attendance fees and annual event attendance fees when the service is provided to the customer, generally over the time period of the seminar or annual event. The Consortium has determined that over time recognition is appropriate because the customer receives and consumes the benefit of the services ratably over the days the seminar or annual event is held. The Consortium recognizes revenue for kit sales when the control of products has been transferred to the customer. The Consortium has determined that a point in time recognition is appropriate because the customer receives and consumes the benefit of the goods once control of the kit has been transferred to the customer.

Examination revenues include examinations and exam rescheduling fees. The Consortium recognizes examination revenue and exam rescheduling fees at a point in time when the examination has been completed by the applicant. The Consortium has determined that a point in time recognition is appropriate because the customer receives and consumes the benefit of the examination when the examination has been taken by the applicant.

Certification revenue includes fees earned from renewals of memberships and professional certifications. The Consortium recognizes certification revenue over the term of the membership. The Consortium has determined that over time recognition is appropriate because the customer receives and consumes the benefit of the certification over the term of the membership.

***Deferred Revenue***

Education service fees received in advance are deferred and recognized over the course of the training program. Professional examination fees and rescheduling fees received from certification applicants are deferred for revenue recognition purposes until the examination has been completed by the applicants. Certification renewal fees covering future periods, for which payment has been received, are deferred and recognized as revenue over the period of membership.

***Contributions***

All contributions are reflected in net assets without donor restrictions or in net assets with donor restrictions based on the existence or absence of donor restrictions. Amounts received with donor-imposed restrictions that are recorded as revenues in net assets with donor restrictions are reclassified to net assets without donor restrictions when the time or purpose restriction has been satisfied.

**International Information System Security Certification  
Consortium, Inc. and Subsidiaries**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**December 31, 2023 and 2022**

***Donated Services***

Donated services (in-kind contributions) are recognized if the services received (a) create or enhance an asset or (b) require specialized skills, are provided by individuals possessing those skills, and typically need to be purchased if not provided by donation. Unless otherwise noted, contributed services do not have donor-imposed restrictions.

For the years ended December 31, 2023 and 2022, the Consortium recognized contributed services provided by subject matter experts for the development of exam questions totaling \$1,844,450 and \$1,206,050, respectively. The value of the services and relating examination question pool assets is based on current rates for similar services.

***Advertising***

The Consortium uses external advertising resources. External advertising consists of promotions, publications, and internet advertising. The Consortium expenses advertising costs when incurred. Advertising costs incurred during 2023 and 2022 were \$7,131,850 and \$5,051,752, respectively, and are included in marketing and communications expense.

***Income Taxes***

The Consortium, excluding the Center, is generally exempt from U.S. income taxes under Section 501(c)(6) of the Internal Revenue Code. The Center is generally exempt from U.S. income taxes under Section 501(c)(3) of the Internal Revenue Code. Information returns (Forms 990) are filed with the Internal Revenue Service. The Consortium has evaluated its tax positions taken for all open tax years and does not believe it has any uncertain income tax positions as defined by accounting principles generally accepted in the United States of America for income taxes. The 2021, 2022 and 2023 tax years are open and subject to examination by the Internal Revenue Service. The Consortium is not currently under audit nor has the Consortium been contacted by the Internal Revenue Service.

Some foreign operations of the Consortium are subject to foreign income taxes. Foreign taxes are expensed when incurred. There was no income tax expense related to United Kingdom foreign operations for the years ended December 31, 2023 and 2022. The Consortium has net operating loss carryforwards of approximately \$5,501,190 in Hong Kong taxing jurisdictions. The Consortium operates in countries where foreign taxes are not paid, so there may be additional foreign tax jurisdictions that may assess income taxes to the Consortium.

***Use of Estimates***

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The most significant estimates include those used in determining the carrying value of the allowance for doubtful accounts, amortization life of examination question pool assets, in-kind contributions, and the foreign tax accrual. Although some variability is inherent in these estimates, management believes that the amounts presented are adequate.

**International Information System Security Certification  
Consortium, Inc. and Subsidiaries**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**December 31, 2023 and 2022**

***Functional Allocation of Expenses***

The costs of providing the various programs and activities and supporting services have been summarized on a functional basis in the consolidated statements of activities. The consolidated statements of functional expenses present the natural classification detail of expenses by function. Expenses directly attributable to a specific functional area of the Consortium are reported as direct expenses of those functional areas while indirect costs that benefit multiple functional areas have been allocated among the functional areas based on either time spent by employees on each functional area or based on the Consortium's square footage analysis for all indirect occupancy-related indirect costs.

***Subsequent Events***

The Consortium has evaluated subsequent events through April 26, 2024, the date the consolidated financial statements were available to be issued. The Consortium is not aware of any subsequent events which would require recognition or disclosure in the accompanying consolidated financial statements.

**NOTE 3 - LIQUIDITY AND AVAILABILITY OF RESOURCES**

The Consortium regularly monitors liquidity to meet its operating needs and other contractual commitments while also striving to maximize the investment of its available funds. The Consortium has various sources of liquidity at its disposal, including cash and cash equivalents and marketable debt and equity securities.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Consortium considers all expenditures related to its ongoing program activities as well as activities conducted to support those programs to be general expenditures. In addition to the financial assets available to meet general expenditures over the next 12 months, the Consortium operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources. Refer to the accompanying consolidated statements of cash flows which identify sources and uses of the Consortium's cash and cash equivalents and show positive cash flows generated from operations for the years ended December 31, 2023 and 2022.

As of December 31, 2023 and 2022, the Consortium's financial assets available to meet cash needs for general expenditures for the next 12 months were as follows:

	2023	2022
Financial assets		
Cash and cash equivalents	\$ 38,469,336	\$ 45,770,040
Accounts, certification and other receivables, net	4,922,967	5,823,410
Investments	55,553,398	49,094,993
Total financial assets	98,945,701	100,688,443
Less amounts unavailable for general expenditure within the next 12 months due to:		
Contractual or donor-imposed restrictions		
Donor-restricted for specific purposes	(62,438)	(15,432)
Board-designations		
Operating reserves	(54,000,000)	(45,000,000)
Financial assets available to meet cash needs for general expenditures over the next 12 months	\$ 44,883,263	\$ 56,673,011



**International Information System Security Certification  
Consortium, Inc. and Subsidiaries**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**December 31, 2023 and 2022**

**NOTE 4 - PROPERTY AND EQUIPMENT**

Property and equipment and estimated useful lives consist of the following at December 31:

	2023	2022	Estimated Useful Lives
Computer equipment and software	\$ 4,256,230	\$ 2,491,319	3-5 years
Office equipment	429,093	477,037	3 years
Website	604,527	604,527	3 years
Furniture and fixtures	423,250	497,773	7-10 years
Leasehold improvements	1,197,523	1,002,613	7 years
	<u>6,910,623</u>	<u>5,073,269</u>	
Less accumulated depreciation	(3,297,555)	(4,647,517)	
Construction in process	<u>1,539,242</u>	<u>2,092,387</u>	
	<u>\$ 5,152,310</u>	<u>\$ 2,518,139</u>	

Depreciation expense for the years ended December 31, 2023 and 2022 was \$1,315,872 and \$621,064, respectively.

**NOTE 5 - INVESTMENTS AND FAIR VALUE MEASUREMENTS**

The Consortium records fair value measurements according to accounting principles generally accepted in the United States of America, which define fair value and specify a hierarchy of valuation techniques. The disclosure of fair value estimates in the hierarchy is based on whether the significant inputs into the valuation are observable. In determining the level of hierarchy in which the estimate is disclosed, the highest priority is given to unadjusted quoted prices in active markets and the lowest priority to unobservable inputs that reflect the Consortium's significant market assumptions. The Consortium measures investments at fair value on a recurring basis.

The following is a brief description of the types of valuation information (inputs) that qualify a financial asset for each level:

- Level 1 - Unadjusted quoted market prices for identical assets or liabilities in active markets which are accessible by the Consortium.
- Level 2 - Observable prices in active markets for similar assets or liabilities, prices for identical or similar assets or liabilities in markets that are not active, market inputs that are not directly observable but are derived from or corroborated by observable market data.
- Level 3 - Unobservable inputs based on the Consortium's own judgment as to assumptions a market participant would use, including inputs derived from extrapolation and interpolation that are not corroborated by observable market data.

**International Information System Security Certification  
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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**December 31, 2023 and 2022**

Financial assets classified as Level 1 in the fair value hierarchy include mutual funds and money market funds in 2023 and 2022. These investments are traded on a daily basis in active markets and the Consortium estimates the fair value of these securities using unadjusted quoted market prices.

Corporate and government bonds are recorded as Level 2 in the hierarchy. The valuation of these bonds is based on quoted market prices in inactive markets.

A review of fair value hierarchy classification is conducted on an annual basis. Changes in the observability of valuation inputs may result in a reclassification of levels for certain securities within the fair value hierarchy.

The Consortium evaluates the various types of financial assets to determine the appropriate fair value hierarchy classification based upon trading activity and the observability of market inputs. The Consortium employs control processes to validate the reasonableness of the fair value estimates of its assets and liabilities, including those estimates based on prices and quotes obtained from independent third-party sources.

The following table sets forth by level, within the fair value hierarchy, the Consortium's assets at fair value as of December 31, 2023 and 2022:

<u>Description</u>	<u>Fair Value Measurements at December 31, 2023</u>		
	<u>Assets Measured at Fair Value</u>	<u>Observable Inputs (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>
Mutual funds			
Mid cap	\$ 75,900	\$ 75,900	\$ -
Small cap	2,819	2,819	-
Large cap	131,827	131,827	-
Stock index	3,347,305	3,347,305	-
Emerging markets	2,669,670	2,669,670	-
International	6,624,715	6,624,715	-
Equities - ETF	32,945,480	32,945,480	-
Real estate	1,068,847	1,068,847	-
Corporate bonds	6,015,520	-	6,015,520
Government bonds	2,052,873	-	2,052,873
Money market funds	618,442	618,442	-
	<u>\$ 55,553,398</u>	<u>\$ 47,485,005</u>	<u>\$ 8,068,393</u>

**International Information System Security Certification  
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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**December 31, 2023 and 2022**

<u>Description</u>	<u>Fair Value Measurements at December 31, 2022</u>		
	Assets Measured at Fair Value	Observable Inputs (Level 1)	Significant Other Observable Inputs (Level 2)
Mutual funds			
Mid cap	\$ 52,646	\$ 52,646	\$ -
Small cap	1,166	1,293	-
Large cap	90,262	90,262	-
Stock index	9,235,604	9,235,477	-
Emerging markets	1,886,744	1,886,744	-
International	468,913	468,913	-
Equities - ETF	1,959,114	1,959,114	-
Real estate	7,356,942	7,356,942	-
Corporate bonds	3,380,156	3,380,156	-
Government bonds	898,454	898,454	-
Money market funds	12,659,779	-	12,659,779
	<u>\$ 49,094,993</u>	<u>\$ 27,814,374</u>	<u>\$ 21,280,619</u>

**NOTE 6 - CONCENTRATIONS**

***Credit Risk***

The Consortium maintains cash balances at various banking institutions. The accounts are insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000. Cash balances in banks in excess of FDIC insured limits were approximately \$38.2 million at December 31, 2023 and \$45.5 million at December 31, 2022. These funds could be subject to loss if the financial institutions were to fail. Management believes the financial institutions are financially stable and that the funds are secure.

The functional currency of the majority of the Consortium's operations is the U.S. dollar; however, there are a number of transactions for which the Consortium is paid in foreign currency (British pounds or Euro).

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**December 31, 2023 and 2022**

The Consortium has included the following in cash and cash equivalents and accounts receivable, respectively at December 31:

	2023		
	Foreign Currency	Exchange Rate	U.S. Dollars
Cash			
Funds in British pounds	£	746,585	1.27 \$ 948,238
Funds in Euro	€	173,822	1.10 191,867
Accounts receivable			
Funds in British pounds	£	134,441	1.27 170,754
Funds in Euro	€	336,841	1.10 371,805
			<u>\$ 1,682,664</u>
	2022		
	Foreign Currency	Exchange Rate	U.S. Dollars
Cash			
Funds in British pounds	£	348,702	1.21 \$ 421,929
Funds in Euro	€	349,208	1.06 370,160
Accounts receivable			
Funds in British pounds	£	177,512	1.21 214,790
Funds in Euro	€	128,625	1.06 136,343
			<u>\$ 1,143,222</u>

Cash and receivables have been adjusted to reflect the current exchange rate of the U.S. dollar at December 31, 2023 and 2022. A risk of change in foreign currency rates will remain until the cash is converted to U.S. dollars or receivables are settled. This risk is not considered material to the Consortium's overall consolidated financial statements. Gains and losses that result from remeasurement are included in operating support and revenue within the accompanying consolidated statements of activities. The effects from foreign currency translation were losses of \$52,950 and \$182,194 during 2023 and 2022, respectively.

Accounts receivable at December 31, 2023 include approximately \$1,107,489 of receivables due from one significant customer.

Accounts receivable at December 31, 2022 include approximately \$822,000 of receivables due from one significant customer.

**Vendors**

During 2023 and 2022, the Consortium utilized one vendor for a significant portion of operations related to test delivery. During 2023 and 2022, the Consortium paid this vendor approximately \$13.9 million and \$7.9 million, respectively. Approximately \$1,244,000 and \$1,339,000 was payable to this vendor as of December 31, 2023 and 2022, respectively.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**December 31, 2023 and 2022**

**NOTE 7 - VALUED-ADDED TAXES**

The Consortium has recorded a liability for value-added tax for services sold in foreign countries. The bulk of services are sold through independent training partners, which insulate the Consortium from value-added tax exposure. However, there is a portion of services provided that are not provided through independent training partners and an accrual has been recorded as an estimate of tax exposure in these foreign countries. There may be additional foreign tax jurisdictions that may assess taxes to the Consortium.

In areas where the Consortium collects and remits tax, revenues are recorded net of tax.

The tax accrual for value added taxes at December 31 is as follows:

	<u>2023</u>	<u>2022</u>
United Kingdom value-added tax	\$ 188,589	\$ 175,801
Other unidentified foreign taxes	<u>1,200,000</u>	<u>900,000</u>
	<u>\$ 1,388,589</u>	<u>\$ 1,075,801</u>

As the Consortium continues to expand and to administer examinations and provide training in foreign countries, there will be tax exposure to the Consortium. Management is in a continual process of evaluating that exposure and has set aside a reserve of approximately \$1,200,000 and \$900,000 for unidentified tax liability at December 31, 2023 and 2022, respectively. While the Consortium believes that this reserve is sufficient to cover unidentified tax liabilities as of December 31, 2023 and 2022, there is the potential for additional unrecognized tax consequences.

**NOTE 8 - 401(K) RETIREMENT PLAN**

The Consortium sponsors a 401(k) retirement plan covering substantially all employees meeting certain service requirements. The Consortium makes discretionary safe harbor contributions which vest immediately. Contributions to the plan were \$1,118,482 and \$906,264 for the years ended December 31, 2023 and 2022, respectively.

**NOTE 9 - 457 NON-QUALIFIED DEFERRED COMPENSATION PLANS**

Effective November 15, 2015, the Consortium adopted a non-qualified Deferred Compensation Benefit Plan, as described in Section 457(b) of the Internal Revenue Code, for key management employees designated by the Board of Directors and Chief Executive Officer. The 457(b) plan operates on a calendar-year basis, whereby the participants are eligible to make contributions to the accounts up to a maximum amount mandated by the Internal Revenue Code. The funds set aside for the 457(b) plan remain assets of the Consortium, and are available to satisfy the claims of all general creditors of the Consortium until such time as the participant withdraws the funds in accordance with plan provisions.

Effective June 1, 2021, the Consortium adopted a non-qualified Deferred Compensation Benefit Plan, as described in Section 457(f) of the Internal Revenue Code, for key managerial and highly compensated employees. For the 457(f) plan, an annual discretionary contribution is made on the participants' behalf under Code Section 457(f). The amount is maintained on the Consortium's books in a designated account and will remain the sole property of the Consortium and is available to satisfy the claims of all general creditors of the Consortium. The participants shall have a fully vested, nonforfeitable interest in their

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**December 31, 2023 and 2022**

deferred compensation if the Consortium dissolves or if the participant (1) dies; (2) becomes disabled; or (3) is terminated from employment for reasons other than for cause.

As of December 31, 2023, the assets and corresponding liabilities of the 457(b) and 457(f) plans in the amount of \$434,583 and \$563,678, respectively, are recorded in investments and deferred compensation in the accompanying consolidated statement of financial position. As of December 31, 2022, the assets and corresponding liabilities of the 457(b) and 457(f) plans in the amount of \$278,305 and \$223,461, respectively, are recorded in investments and deferred compensation in the accompanying consolidated statement of financial position.

**NOTE 10 - OPERATING LEASES**

The Consortium has one lease for office space that expires November 2034. Lease extension and termination options have not been included in the operating lease liability calculation as the Consortium does not consider it to be reasonably certain that those options will be exercised. The lease does not include any restrictions or covenants. The Consortium accounts for lease and non-lease components as a single lease component and as such, there may be variability in future lease payments as the amount of non-lease components is typically revised from one period to the next. These variable lease payments, which are primarily comprised of common area maintenance, utilities and real estate taxes that are passed on from the lessor in proportion to the space leased, are not included in the recognition of ROU assets and related lease liabilities. These variable lease payments are recognized in the period in which the obligation for those payments was incurred.

Lease expense was comprised of the following for 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Lease costs		
Operating lease costs	\$ 975,394	\$ 1,286,566
Short-term lease costs	71,658	120,685
Variable lease costs	<u>79,300</u>	<u>167,633</u>
	<u>\$ 1,126,352</u>	<u>\$ 1,574,884</u>

Weighted average remaining lease term on operating leases at December 31, 2023 was 10 years. Weighted average discount rate on operating leases at December 31, 2023 was 5.5% and was determined by reference to the Consortium's incremental borrowing rate.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**December 31, 2023 and 2022**

Maturities of operating lease liabilities are as follows:

<u>Year Ending December 31,</u>	
2024	\$ (25,803)
2025	519,666
2026	532,658
2027	545,974
2028	559,624
Thereafter	<u>3,609,571</u>
Total lease payments	5,741,690
Less: imputed interest	<u>(1,593,089)</u>
Present value of operating lease liabilities	4,148,601
Less: current portion of operating lease liabilities	<u>340,765</u>
Operating lease liabilities, less current portion	<u>\$ 3,807,826</u>

Additional information about the Consortium's leases is as follows:

	<u>2023</u>	<u>2022</u>
Cash paid for amounts included in measurement of operating lease liabilities	\$ 761,805	\$ 1,340,155
Operating lease ROU asset obtained in exchange for lease obligations	\$ -	\$ 2,285,049

The Consortium also has lease agreements for various office equipment and office space that are payable on month-to-month terms.

**NOTE 11 - FUTURE AMORTIZATION OF INTANGIBLE ASSETS**

Intangible assets at December 31, 2023 consist of examination question pool costs. The estimated future amortization expense for these intangible assets is as follows:

<u>Year Ending December 31,</u>	
2024	\$ 2,559,514
2025	1,980,343
2026	<u>1,004,409</u>
	<u>\$ 5,544,266</u>

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**December 31, 2023 and 2022**

**NOTE 12 - CONTINGENCIES**

From time to time the Consortium is involved in legal matters that arise in the ordinary course of business. Management does not believe that the ultimate resolution of these matters will have a material impact on the Consortium's consolidated financial position or change in net assets.



SUPPLEMENTAL SCHEDULE

**International Information System Security Certification  
Consortium, Inc. and Subsidiaries**

**CONSOLIDATING SCHEDULE OF ACTIVITIES**

**Year ended December 31, 2023**

	<u>Consortium</u>	<u>Center</u>	<u>Eliminations</u>	<u>Total</u>
<b>Changes in net assets without donor restrictions</b>				
Operating support and revenue				
Educational services	\$ 25,178,051	\$ -	\$ -	\$ 25,178,051
Professional examinations	32,264,391	-	-	32,264,391
Certification renewal fees	24,187,424	-	-	24,187,424
In-kind contributions	1,844,450	-	-	1,844,450
Contributions	-	881,189	(600,000)	281,189
Investment return designated for current operations	1,620,508	-	-	1,620,508
Other revenue	427,838	-	-	427,838
Foreign currency exchange loss	(52,950)	-	-	(52,950)
	<u>85,469,712</u>	<u>881,189</u>	<u>(600,000)</u>	<u>85,750,901</u>
<b>Operating expenses</b>				
Program services				
Certification programs	50,470,318	-	-	50,470,318
Scholarship programs	-	314,267	-	314,267
Safe and Secure program	-	132,460	-	132,460
1MCC program	-	40,194	-	40,194
Outreach program	-	127,818	-	127,818
Supporting services				
Administrative	44,260,379	113,153	-	44,373,532
Fundraising	-	164,997	-	164,997
	<u>94,730,697</u>	<u>892,889</u>	<u>-</u>	<u>95,623,586</u>
Change in net assets without donor restrictions from operations	(9,260,985)	(11,700)	(600,000)	(9,872,685)
<b>Other changes</b>				
Investment return (loss) in excess of (deficient to fund) amounts designated for current operations	4,341,403	-	-	4,341,403
Change in net assets without donor restrictions	<u>(4,919,582)</u>	<u>(11,700)</u>	<u>(600,000)</u>	<u>(5,531,282)</u>
<b>Change in net assets with donor restrictions</b>				
Contributions	-	47,006	-	47,006
Change in net assets with donor restrictions	<u>-</u>	<u>47,006</u>	<u>-</u>	<u>47,006</u>
<b>CHANGE IN NET ASSETS</b>	(4,919,582)	35,306	(600,000)	(5,484,276)
<b>Net assets at beginning of year</b>	<u>72,561,579</u>	<u>205,768</u>	<u>-</u>	<u>72,767,347</u>
<b>Net assets at end of year</b>	<u>\$ 67,641,997</u>	<u>\$ 241,074</u>	<u>\$ (600,000)</u>	<u>\$ 67,283,071</u>

This schedule should be read in conjunction with the Report of Independent Certified Public Accountants and the accompanying consolidated financial statements and notes thereto.



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