

2018

Annual Report



Members First

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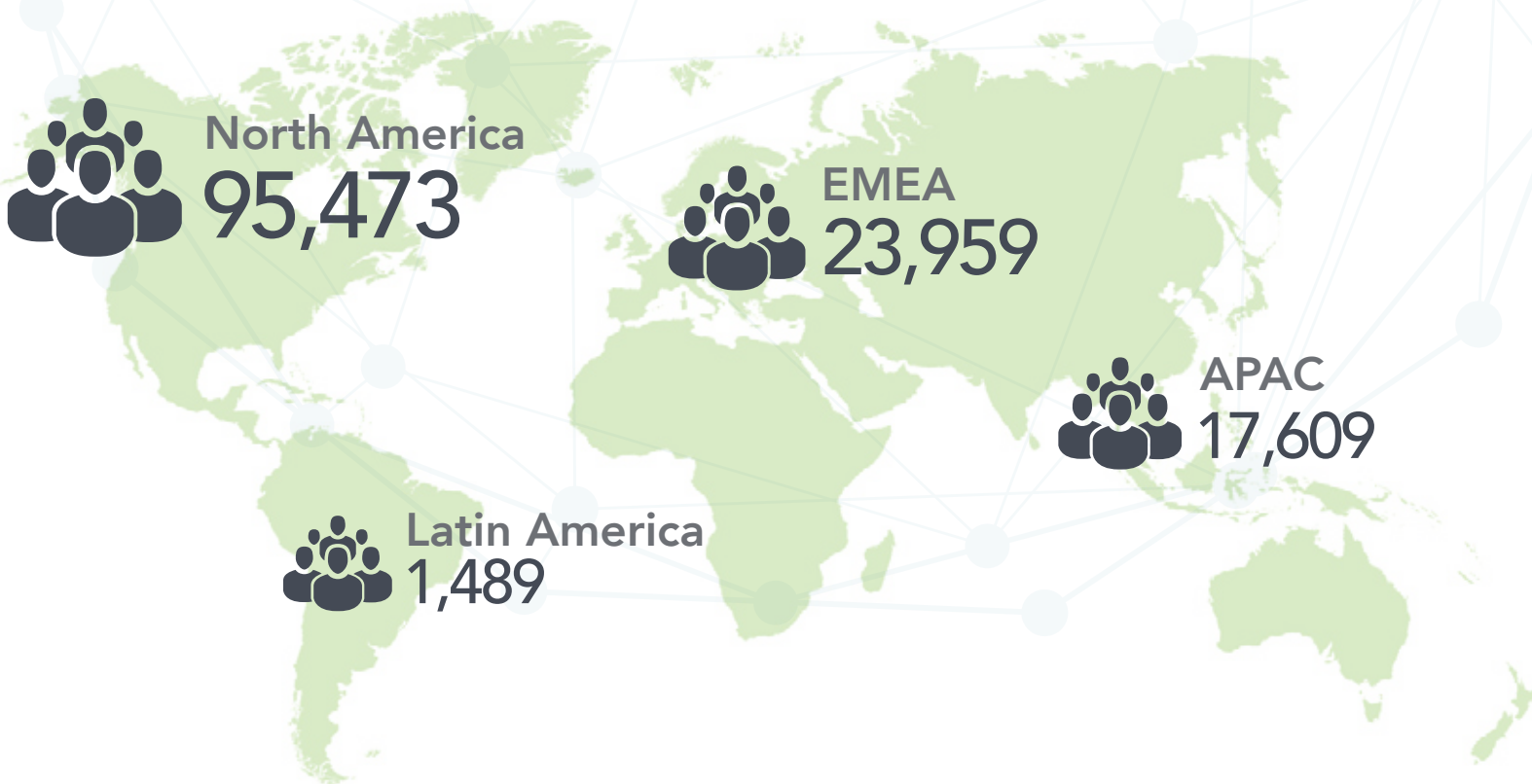
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# (ISC)<sup>2</sup> Global Membership

**138,530** Members

**170** Countries



*(ISC)<sup>2</sup> membership as of December 31, 2018*

## About (ISC)<sup>2</sup>

(ISC)<sup>2</sup> is an international nonprofit membership association focused on inspiring a safe and secure cyber world. Best known for the acclaimed Certified Information Systems Security Professional (CISSP®) certification, (ISC)<sup>2</sup> offers a portfolio of credentials that are part of a holistic, pragmatic approach to security. Our membership is made up of certified cyber, information, software and infrastructure security professionals who are making a difference and helping to advance the industry. Our vision is supported by our commitment to educate and reach the general public through our charitable foundation – The Center for Cyber Safety and Education™.

## Governance

Elected by (ISC)<sup>2</sup> members, the (ISC)<sup>2</sup> Board of Directors is comprised of information security professionals from around the world representing academia, private organizations and government agencies. All volunteers and (ISC)<sup>2</sup>-certified, the Board provides governance and oversight for the organization, grants certifications to qualifying candidates and enforces adherence to the (ISC)<sup>2</sup> Code of Ethics.

## 2018 (ISC)<sup>2</sup> Board of Directors

Dr. Kevin Charest, CISSP (U.S.) – Chairperson

Jennifer Minella, CISSP (U.S.) – Vice Chair

Greg J. Thompson, CISSP (Canada) – Treasurer

Wim Remes, CISSP (Belgium) – Secretary

Biljana Cerin, CISSP (Croatia)

Dr. Earl Crane, CISSP, (U.S.)

William (Tony) Cole, CISSP, SSCP (U.S.)

Arthur Friedman, CISSP (U.S.)

Tiffany Olson Kleemann, CISSP (U.S.)

Sai Honig, CISSP, CCSP (New Zealand)

David Kennedy, CISSP (U.S.)

Zachary Tudor, CISSP (U.S.)

Prof. Hiroshi Yasuda, Dr. E., CISSP (Japan)

# MEMBERS

## Members First

My Fellow (ISC)<sup>2</sup> Members,

I'd like to take this opportunity to wish us all a happy 30th anniversary. (ISC)<sup>2</sup> was originally founded back in 1989 to institute professional parameters around information security and establish the profession we are so proud of today. Our association has come a long way. I'm happy to report that 2018 was one of our most successful years yet, and many of our accomplishments are all about putting our members first.

In what was a year of continued growth and maturation, (ISC)<sup>2</sup> was able to accept more than 13,000 new professionals and surpassed 140,000 certified members and Associates of (ISC)<sup>2</sup> across more than 170 countries. Bringing on new members is important, because certified professionals are vital to addressing the world's cybersecurity talent gap and ultimately accomplishing our vision of inspiring a safe and secure cyber world. However, my top priority as CEO is to ensure we deliver on our value promise to you, our members. That's why I'm also pleased to share that 2018 marked the completion of our Digital End-To-End Transformation project that significantly improved member-facing and back-end infrastructure to build efficiencies into the various platforms we use to support your needs. Hopefully, you've already seen the difference this is making in service levels, and there is much more on the way.

For example, with the deployment of a modern Learning Management System we have taken our first steps to revolutionize how we fulfill our commitment to your professional growth. In 2018, we launched the first two courses from our Professional Development Institute (PDI), *GDPR for Security Professionals: A Framework for Success* and *DevSecOps: Integrating Security into DevOps* – which are free to members at a savings of U.S. \$720 and U.S. \$450, respectively. PDI will help enhance your skills and abilities by providing access to rich CPE opportunities that augment the knowledge and experience you've gained throughout your careers. PDI is a recognition that cybersecurity education is a lifelong journey, and that achieving professional certification, while important, is only one stop along the way.

Our global advocacy program was strengthened by the addition of Tony Vizza, CISSP, our new director of cybersecurity advocacy in the Asia-Pacific region. Joining John McCumber who represents North America, the advocates serve as ambassadors for our association in advancing the cybersecurity profession by educating policy makers about key security issues, promoting the necessity of a skilled cybersecurity workforce, and building awareness about cybersecurity as a rewarding career opportunity.

Finally, we are making tremendous progress building awareness for the value you bring to organizations worldwide with our [Attacks Happen. Be Ready.](#) campaign. With many more proactive marketing and branding campaigns to come, (ISC)<sup>2</sup> is committed to putting our members first and ensuring that more businesses and government agencies understand the value of hiring professionals like you to better defend their critical assets.

The strides we made in 2018 are outlined in the following report along with our full audited annual financial results. (ISC)<sup>2</sup> continues to operate from a position of financial strength. It's my commitment to you that we will continue to invest in you, and your professional development, while also striving to bring more talented professionals into our fold.

There's never been a more exciting time to be part of our profession and part of the (ISC)<sup>2</sup> association, and I thank you for your continued support of our mission, and for your commitment to the profession.



Sincerely,

A handwritten signature in black ink that reads "David P. Shearer". The signature is written in a cursive, flowing style.

David P. Shearer, CISSP  
CEO

# FIRST



# Exams

## Strengthening the Value of Your Certification

(ISC)<sup>2</sup> follows a rigorous, methodical process to routinely update our exams to ensure our credentials – and subsequent continuing professional education requirements – encompass topic areas, practices and technologies relevant to the roles and responsibilities of today's practicing cybersecurity professional.

In 2018, (ISC)<sup>2</sup> published updates to several of our certification exams:

- CISSP-ISSEP – updated March 2018
- CISSP – updated April 2018
- CISSP-ISSMP – updated May 2018
- CAP – updated October 2018

## Get Involved. Help Shape the Profession.

Our exams are routinely refreshed to reflect the most pertinent issues professionals face. Exam changes are derived from a process called the Job Task Analysis (JTA). The JTA provides the essential foundation for all our certifications and is a vital part of the process of shaping the exams. It evaluates necessary knowledge, skills and abilities against the actual current job tasks performed by our certified members to establish the content of our credentialing exams. This ensures the exam content remains relevant to professionals immersed in this dynamic, demanding and constantly-evolving industry.

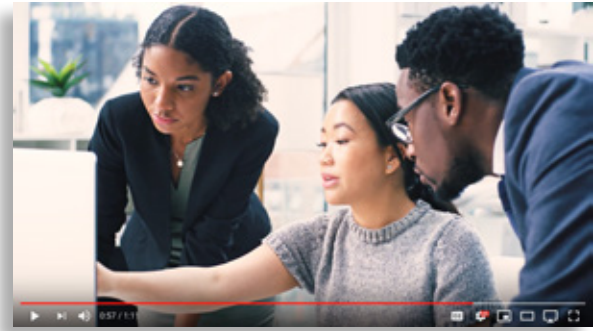
JTA surveys and item development workshops are an excellent way for members to help us continue to uphold the quality of our assessments, help shape the future of the cybersecurity workforce and earn CPEs. If you'd like to be involved with exam development, send an email to [workshops@isc2.org](mailto:workshops@isc2.org) or visit <https://www.isc2.org/Member-Resources/Exam-Development>.

# 2018 Accomplishments

## Servicing Our Members

2018 marked the completion of our Digital End-To-End Transformation project. We revamped much of our online presence, including our new Learning Management System where you can take advantage of free, enriching courses to help keep your skills sharp and curiosity piqued.

[www.isc2.org/development](http://www.isc2.org/development)



## Advocating for You

Tony Vizza, CISSP, joined our team as director of cybersecurity advocacy, Asia-Pacific. With more than 25 years of experience, Tony also holds the CISM and CRISC credentials and is a certified ISO/IEC 27001 Lead Auditor. He will give a voice to the growing number of members in this incredibly dynamic region.

[www.isc2.org/cybersecurity-advocates](http://www.isc2.org/cybersecurity-advocates)

## Rethinking Professional Development

As a preview of all the great learning opportunities to be developed by the Professional Development Institute, we introduced several courses for members before the close of 2018. Two courses debuted – *GDPR for Security Professionals: A Framework for Success* and *DevSecOps: Integrating Security into DevOps* – and free to members at a savings of U.S. \$720 and U.S. \$450, respectively.

[www.isc2.org/development](http://www.isc2.org/development)



## More Recognition of Your Certifications

Organizations around the world have the highest confidence in members earning our certifications. That's rooted in the assurance provided by the international recognition of our exams and further strengthened by the near universal reciprocity of our ANSI third-party accreditation to ISO standard 17024 through a new partnership with the International Accreditation Forum.





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# 2018 Accomplishments

## Keeping Families Safe Online

The Center for Cyber Safety and Education continues to expand all its Safe and Secure Online educational and scholarship programs around the world. The award-winning Garfield cyber safety education program for children has been proven to increase cyber safety knowledge by 28%. The materials for parents and seniors are currently available in 8 languages, and the Center's goal is to have it in 30 languages by the end of 2019. Learn more and get involved.

[www.iamcybersafe.org](http://www.iamcybersafe.org)



## Putting the Spotlight on You

(ISC)<sup>2</sup> is building awareness for our members and the value they bring to organizations worldwide. Starting with the campaign *Attacks Happen. Be Ready.*, we are ensuring more businesses and government agencies understand the value of hiring (ISC)<sup>2</sup> members to better defend their critical assets.

## More Value for CISSPs in the U.K.

The National Cyber Security Centre (NCSC) in the U.K. outlined new rules for earning its Certified Cyber Professional (CCP) specialist certification. CISSPs are automatically recognized as meeting the foundational requirements of the CCP specialist certification.



**17,609**  
MEMBERS IN ASIA-PACIFIC

## Strong Growth in Asia-Pacific

Membership in Asia-Pacific exceeded 17,000 during the year and currently makes up 13% of our global membership. China reached the milestone of 2,000 members and is now among Australia, India, Japan, Korea and Singapore in the 2,000+ members club in the Asia-Pacific region.



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# 2018 Accomplishments

## Sold-Out (ISC)<sup>2</sup> Security Congress

For the second year in a row we had a sold-out Security Congress. More than 2,000 cybersecurity professionals convened in New Orleans for three days of peer-led sessions as we focused on our theme of Enrich. Enable. Excel. Keynote speakers included experts from both the private and public sector offering interesting perspectives on a range of security issues.

Security Congress is solidifying its reputation as a must-attend conference for cybersecurity professionals.

[congress.isc2.org](http://congress.isc2.org)



## Growing Online Community

More than 20,000 of your peers have joined the (ISC)<sup>2</sup> Community. Lend your insight and join conversations ranging from career advice, to tech talk, to maximizing your membership, to in-depth discussions on cybersecurity legislation, (ISC)<sup>2</sup> membership and emerging threats. Get connected!

[community.isc2.org](http://community.isc2.org)

## Award-Winning Webinars

Our [Think Tank](#) webinar channel, which features 60-minute roundtable discussions with industry experts, was honored by the BrightTALK platform as the Highest Growth Channel in its category. The on-demand, weekly webinars are an easy way to keep up with CPE requirements. In total, our webinar program generated 369,309 views last year.



WEBINARS



## 10 Years of InfoSecurity Professional

Published bimonthly since 2008, the [magazine](#) contains compelling, timely content from (ISC)² members, staff and other experts focused on the latest industry trends, threats and best practices. Make sure you're taking advantage of this great resource for in-depth looks at trends and issues, and earn CPEs.

# Advocacy

## Representing You. Making a Difference.

Your team of (ISC)<sup>2</sup> cybersecurity advocates are responsible for advancing the cybersecurity profession around the world. Whether educating policy makers about key security issues, promoting the necessity of a competent cybersecurity workforce or building awareness about cybersecurity as a rewarding career path, our team of experienced advocates represents our membership every day as we collectively work toward achieving our vision of inspiring a safe and secure cyber world.

In 2018, Tony Vizza, CISSP, joined our team as director of cybersecurity advocacy, Asia-Pacific. With more than 25 years of experience, Tony will give a voice to the growing number of members in this incredibly dynamic region. Tony joins John McCumber, our director of cybersecurity advocacy in North America.



Tony Vizza



John McCumber

## Getting Involved

In addition to speaking and presenting at industry events and conferences around the world, representing (ISC)<sup>2</sup> and our membership, the advocates truly hit their stride in 2018.

The team has been very active engaging government agencies and lawmakers worldwide to help positively influence cybersecurity policy and ensure that investment in professionals like (ISC)<sup>2</sup> members is a priority. The team has also been collaborating with universities focused on educating the future cybersecurity workforce, as well as nonprofits and other organizations dedicated to introducing veterans, women, minorities and other under-represented populations to cybersecurity careers.


John McCumber was selected as a co-chair for the National Initiative for Cybersecurity Education (NICE) Training and Certifications (T&C) subworking group. The NICE Working Group was established to provide a mechanism by which public and private sector participants can develop concepts, design strategies and pursue actions that advance cybersecurity education, training and workforce development.

In the U.K., we joined forces with the Government Department for Digital, Culture, Media and Sport to further the development of the cybersecurity profession.

To help establish a baseline understanding within government and businesses of cybersecurity concepts and terminology, the advocates published their first series of cybersecurity Lexicons covering cybersecurity basics, IoT and industrial control systems.

Look for the advocates to continue making news, influencing the conversation and building awareness for the value our members bring to organizations worldwide.

Learn more at [www.isc2.org/cybersecurity-advocates](http://www.isc2.org/cybersecurity-advocates).



John McCumber interviewing  
Congressman Cedric Richmond  
at Security Congress 2018

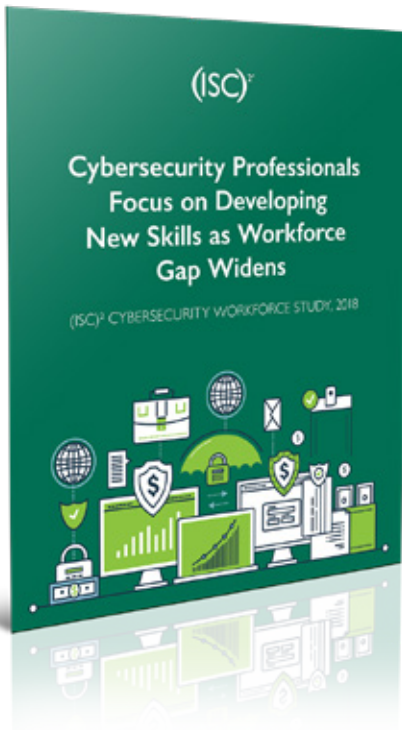
# Revealing New Opportunities

The cybersecurity profession faces many challenges but even more opportunities. (ISC)<sup>2</sup> published the following research in 2018:

## Cybersecurity Workforce Study

The (ISC)<sup>2</sup> Cybersecurity Workforce Study (formerly the Global Information Security Workforce Study) is conducted annually to assess the cybersecurity workforce gap, better understand the barriers facing the cybersecurity profession, and uncover solutions that position these talented individuals to excel in their profession, secure their organizations' critical assets and achieve their career goals. With our most recent study, we adopted a new methodology to provide a more holistic look at who is truly doing the work of cybersecurity.

[www.isc2.org/research/workforce-study](http://www.isc2.org/research/workforce-study)



## Building a Resilient Cybersecurity Culture

Learn how organizations that make a strong investment in cybersecurity technology, acquire the requisite expertise and follow best practices have a higher level of confidence in their defenses against cybersecurity threats.

[www.isc2.org/research/cybersecurity-culture](http://www.isc2.org/research/cybersecurity-culture)



## Hiring and Retaining Top Cybersecurity Talent

Many cybersecurity workers are open to new employment opportunities and the more employers understand cybersecurity professionals' priorities, the more likely they are to attract and retain top cybersecurity talent.

[www.isc2.org/research/hiring-top-cybersecurity-talent](http://www.isc2.org/research/hiring-top-cybersecurity-talent)



# Focused on Diversity

(ISC)<sup>2</sup> published *Innovation Through Inclusion: The Multicultural Cybersecurity Workforce*, our first in-depth look at diversity in the cybersecurity workplace. In partnership with the International Consortium of Minority Cybersecurity Professionals (ICMCP) and the Center for Cyber Safety and Education, the study measured minority representation in the U.S. cybersecurity profession to better understand the challenges these highly skilled individuals experience.



Findings are based on survey responses from 9,500 U.S. cybersecurity professionals. While minority representation within the cybersecurity field (26%) is slightly higher than the overall U.S. minority workforce (21%), our study did reveal that racial and ethnic minorities tend to hold non-managerial positions, and pay discrepancy, especially for minority women, is a challenge.

In order to build strong, adequately staffed teams, employers – and the cybersecurity profession as a whole – must make ours a rewarding and welcoming career for everyone. Understanding the challenges our profession faces related to diversity is a critical first step to accomplishing that goal and ultimately addressing the widening cybersecurity workforce gap.

[www.isc2.org/Research/Cybersecurity-Diversity](http://www.isc2.org/Research/Cybersecurity-Diversity)



GIVING BACK

# Giving Back



2018 was the biggest year ever for the Center for Cyber Safety and Education. Through members, volunteers, teachers and new online opportunities, the Center delivered more than 105,000 cyber safety lessons to children, parents and senior citizens around the world. Half of those lessons were provided to young children with the help of Garfield. Garfield's Cyber Safety Adventures was recognized by Learning Magazine with the 2019 Teachers Choice Award for the Classroom. This honor was awarded by teachers who judged the program and found it to be both engaging and providing coverage of important topics that need to be taught to children today.

In addition to increasing their educational programs, the Center also awarded U.S. \$170,000 in college scholarships and financial aid in 2018 thanks to the growing support of (ISC)<sup>2</sup>, Raytheon and SAIC. We awarded 50 global scholarships to students across the globe, with 64% of the aid being awarded to women. Since 2011, the Center and (ISC)<sup>2</sup> have awarded more than U.S. \$1.3 million

The Center also launched a new initiative this year to better serve our global membership. With the help of more than 200 (ISC)<sup>2</sup> members, educational materials for parents, seniors and students are being translated into 30 different languages by the end of 2019. This provides the tools needed for members and volunteers around the world to reach out into their home communities and work with local citizens to make it a safer cyber world.

\$170,000



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# Financials

**INTERNATIONAL INFORMATION SYSTEM  
SECURITY CERTIFICATION CONSORTIUM, INC.  
AND SUBSIDIARIES**

**Consolidated Financial Statements**

**December 31, 2018 and 2017  
(With Independent Auditor's Report Thereon)**



## **Independent Auditor’s Report**

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

We have audited the accompanying consolidated financial statements of International Information System Security Certification Consortium, Inc. and Subsidiaries (the “Organization”), which comprise the consolidated statements of financial position as of December 31, 2018 and 2017, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

### **Management’s Responsibility for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

### **Auditor’s Responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the consolidated financial statements 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 entity’s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of International Information System Security Certification Consortium, Inc. and Subsidiaries as of December 31, 2018 and 2017, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Mayer Hoffman McCann P.C.*

March 19, 2019  
Clearwater, Florida

**INTERNATIONAL INFORMATION SYSTEM SECURITY CERTIFICATION  
CONSORTIUM, INC. AND SUBSIDIARIES**

**Consolidated Statements of Financial Position**

**December 31, 2018 and 2017**

<b>Assets</b>	<b>2018</b>	<b>2017</b>
Current assets:		
Cash and cash equivalents	\$ 21,228,317	23,818,564
Event receivables, less allowance for doubtful accounts of \$249,000 and \$87,000 in 2018 and 2017, respectively	1,336,592	1,514,646
Certification receivables, less allowance for doubtful accounts of \$795,000 and \$713,000 in 2018 and 2017, respectively	5,297,435	4,556,714
Other accounts receivable	450,140	392,655
Prepaid expenses	<u>3,168,778</u>	<u>1,915,260</u>
Total current assets	31,481,262	32,197,839
Property and equipment, net	1,590,181	1,670,981
Other assets:		
Investments	32,298,976	28,173,016
Examination question pool, net of amortization of \$1,872,000 and \$3,211,000 in 2018 and 2017, respectively	2,858,495	2,023,467
Other	<u>726,257</u>	<u>663,032</u>
Total assets	<u>\$ 68,955,171</u>	<u>64,728,335</u>
<b>Liabilities and Net Assets</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 5,495,925	3,853,462
Deferred revenue	10,863,146	9,533,564
Foreign tax accrual	<u>502,568</u>	<u>325,818</u>
Total current liabilities	16,861,639	13,712,844
Accrued scholarships - long term	10,870	13,287
Deferred compensation	<u>117,794</u>	<u>943,865</u>
Total liabilities	16,990,303	14,669,996
Net assets:		
Without donor restrictions:		
Undesignated	25,318,239	27,991,183
Board designated operating reserves	<u>26,500,000</u>	<u>22,000,000</u>
Total net assets without donor restrictions	51,818,239	49,991,183
With donor restrictions	<u>146,629</u>	<u>67,156</u>
Total net assets	<u>51,964,868</u>	<u>50,058,339</u>
Total liabilities and net assets	<u>\$ 68,955,171</u>	<u>64,728,335</u>

See accompanying independent auditor's report and notes to consolidated financial statements.

**INTERNATIONAL INFORMATION SYSTEM SECURITY CERTIFICATION  
CONSORTIUM, INC. AND SUBSIDIARIES**

**Consolidated Statements of Activities**

**For the Years Ended December 31, 2018 and 2017**

	<u>2018</u>	<u>2017</u>
Changes in net assets without donor restrictions:		
Operating support and revenue:		
Educational services	\$ 20,526,917	20,446,982
Professional examinations	24,290,312	20,686,962
Certification renewal fees	12,123,186	10,877,906
In-kind contributions	250,350	148,950
Contributions	241,483	173,357
Investment return (loss)	(2,049,448)	3,425,590
Other revenue	1,062,028	671,411
Foreign currency exchange loss	(41,802)	(68,341)
Total operating support and revenue	<u>56,403,026</u>	<u>56,362,817</u>
Operating expenses:		
Program services	32,734,965	32,774,556
Supporting services:		
Administrative	21,689,550	15,365,024
Fundraising	151,455	89,082
Total operating expenses	<u>54,575,970</u>	<u>48,228,662</u>
Change in net assets without donor restrictions	<u>1,827,056</u>	<u>8,134,155</u>
Changes in net assets with donor restrictions:		
Contributions	<u>79,473</u>	<u>43,005</u>
Change in net assets with donor restrictions	<u>79,473</u>	<u>43,005</u>
Change in net assets	1,906,529	8,177,160
Net assets at beginning of year	<u>50,058,339</u>	<u>41,881,179</u>
Net assets at end of year	<u>\$ 51,964,868</u>	<u>50,058,339</u>

See accompanying independent auditor's report and notes to consolidated financial statements.

**INTERNATIONAL INFORMATION SYSTEM SECURITY CERTIFICATION  
CONSORTIUM, INC. AND SUBSIDIARIES**

**Consolidated Statement of Functional Expenses**

**For the Year Ended December 31, 2018**

	<u>Program Services</u>	<u>Supporting Services</u>		<u>Total</u>
		<u>Administrative</u>	<u>Fundraising</u>	
Employee salaries and wages	\$ 8,735,492	6,719,924	45,578	15,500,994
Employee benefits and taxes	1,528,320	1,531,052	10,469	3,069,841
Total personnel costs	10,263,812	8,250,976	56,047	18,570,835
Educational services	7,120,815	-	-	7,120,815
Professional examinations	5,277,864	-	-	5,277,864
Marketing and communications	1,729,195	668	37,770	1,767,633
Bad debt expense	501,739	201,837	-	703,576
Bank fees	1,274,937	39,502	24	1,314,463
Computer licenses and support	13,253	4,179,161	2,400	4,194,814
Contract labor	-	9,020	-	9,020
Impairment of intangibles	272,261	-	-	272,261
Membership development	271,172	-	-	271,172
Other	196,501	300,951	1,546	498,998
Professional fees	2,210,140	5,924,423	33,618	8,168,181
Rent	755,383	938,804	8,875	1,703,062
Scholarships	126,418	-	-	126,418
Supplies	141,390	211,962	618	353,970
Telephone and internet	49,235	48,191	-	97,426
Training	17,692	149,101	-	166,793
Travel	1,026,522	756,209	8,687	1,791,418
Total operating expenses before depreciation, amortization and taxes	31,248,329	21,010,805	149,585	52,408,719
Amortization	1,383,790	-	-	1,383,790
Depreciation	102,564	678,745	1,870	783,179
Value added taxes	282	-	-	282
Total operating expenses	\$ 32,734,965	21,689,550	151,455	54,575,970

See accompanying independent auditor's report and notes to consolidated financial statements.

**INTERNATIONAL INFORMATION SYSTEM SECURITY CERTIFICATION  
CONSORTIUM, INC. AND SUBSIDIARIES**

**Consolidated Statement of Functional Expenses**

**For the Year Ended December 31, 2017**

	<b>Program Services</b>	<b>Supporting Services</b>		<b>Total</b>
		<b>Administrative</b>	<b>Fundraising</b>	
Employee salaries and wages	\$ 6,664,265	4,862,409	34,052	11,560,726
Employee benefits and taxes	1,233,566	1,204,886	7,916	2,446,368
<b>Total personnel costs</b>	<b>7,897,831</b>	<b>6,067,295</b>	<b>41,968</b>	<b>14,007,094</b>
Educational services	8,795,737	-	-	8,795,737
Professional examinations	6,264,116	-	-	6,264,116
Marketing and communications	2,201,681	-	23,594	2,225,275
Bad debt expense	657,197	83,415	-	740,612
Bank fees	1,090,882	50,281	-	1,141,163
Computer licenses and support	5,802	3,138,363	-	3,144,165
Contract labor	21,175	6,995	-	28,170
Impairment of intangibles	313,634	-	-	313,634
Membership development	284,221	-	-	284,221
Other	309,916	333,311	715	643,942
Professional fees	1,776,905	3,079,184	14,198	4,870,287
Rent	658,929	963,252	5,730	1,627,911
Scholarships	165,883	-	-	165,883
Supplies	115,462	237,470	456	353,388
Telephone and internet	65,295	41,877	-	107,172
Training	28,112	88,230	-	116,342
Travel	853,107	683,382	2,421	1,538,910
<b>Total operating expenses before depreciation, amortization and taxes</b>	<b>31,505,885</b>	<b>14,773,055</b>	<b>89,082</b>	<b>46,368,022</b>
Amortization	1,161,945	-	-	1,161,945
Depreciation	83,594	591,969	-	675,563
Value added taxes	23,132	-	-	23,132
<b>Total operating expenses</b>	<b>\$ 32,774,556</b>	<b>15,365,024</b>	<b>89,082</b>	<b>48,228,662</b>

See accompanying independent auditor's report and notes to consolidated financial statements.

**INTERNATIONAL INFORMATION SYSTEM SECURITY CERTIFICATION  
CONSORTIUM, INC. AND SUBSIDIARIES**

**Consolidated Statements of Cash Flows**

**For the Years Ended December 31, 2018 and 2017**

	<b>2018</b>	<b>2017</b>
Cash flows from operating activities:		
Change in net assets	\$ 1,906,529	8,177,160
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	2,166,969	1,837,508
Provision for bad debts	703,576	740,612
Impairment of intangibles	272,261	313,634
Loss on disposal of assets	8,661	449
Realized and unrealized losses (gains) on investments	3,049,500	(2,930,944)
Increase in operating assets:		
Events, certifications, and other accounts receivable	(1,323,728)	(1,403,793)
Prepaid expenses	(1,253,518)	(463,330)
Other assets	(63,225)	(104,816)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued liabilities	1,642,463	634,099
Deferred revenue	1,329,582	1,913,951
Foreign tax accrual	176,750	56,915
Accrued scholarships	(2,417)	2,208
Deferred compensation	(826,071)	414,148
Net cash provided by operating activities	7,787,332	9,187,801
Cash flows from investing activities:		
Purchases of property and equipment	(713,680)	(848,377)
Proceeds from sale of equipment	2,640	-
Question pool development costs	(2,491,079)	(1,978,324)
Purchase of investments	(19,677,016)	(11,433,769)
Proceeds from sale of investments	12,501,556	5,526,455
Net cash used in investing activities	(10,377,579)	(8,734,015)
Net change in cash and cash equivalents	(2,590,247)	453,786
Cash and cash equivalents at beginning of year	23,818,564	23,364,778
Cash and cash equivalents at end of the year	\$ 21,228,317	23,818,564

See accompanying independent auditor's report and notes to consolidated financial statements.

**INTERNATIONAL INFORMATION SYSTEM SECURITY CERTIFICATION  
CONSORTIUM, INC. AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements**

**December 31, 2018 and 2017**

**(1) Organization**

International Information System Security Certification Consortium, Inc. and Subsidiaries (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 certification to individuals in the profession. It also provides educational services to various entities and its certification holders around the world. Its corporate headquarters are located in Clearwater, Florida.

The accompanying consolidated financial statements include the accounts of International Information System Security Certification Consortium, Inc. (ISC)<sup>2</sup> 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”), which is a segregated fund within the Consortium. All intercompany transactions have been eliminated. The Hong Kong Company and the UK Company were organized to enable business transactions in Hong Kong and the United Kingdom, respectively. The Center was established as a segregated fund within the Consortium for exclusively charitable purposes.

**(2) Summary of Significant Accounting Policies**

**(a) 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 its 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, 2018 and 2017, net assets with donor restrictions were restricted for specific programs of the Center and totaled \$146,629 and \$67,156, respectively.

**INTERNATIONAL INFORMATION SYSTEM SECURITY CERTIFICATION  
CONSORTIUM, INC. AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements - Continued**

**(2) Summary of Significant Accounting Policies - Continued**

**(b) Cash and Cash Equivalents**

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

**(c) Event and Certification Receivables**

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

**(d) 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.

**(e) 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.

**(f) Assets Limited as to Use**

As of December 31, 2018, investments include assets limited as to use representing assets held by trustees for the Consortium's 457(b) benefit plan as more fully described in Note 11.

**(g) Investments**

Investments consisting primarily of mutual funds and money 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 inactive markets. 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 of primarily of mutual funds, corporate and government bonds, and money funds.

**INTERNATIONAL INFORMATION SYSTEM SECURITY CERTIFICATION  
CONSORTIUM, INC. AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements - Continued**

**(2) Summary of Significant Accounting Policies - Continued**

**(h) Examination Question Pool**

The examination question pool consists of costs for developing exam questions that are the basis for certifications exams. Questions are used on a statistically determined rotating basis and are updated periodically to provide tests that are statistically unique. The question pool is being amortized on a straight-line basis over estimated lives of three years.

**(i) 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 intangibles of \$272,261 and \$313,634 for the years ended December 31, 2018 and 2017, respectively.

**(j) Revenue Recognition and Operations**

The Consortium utilizes the accrual basis of accounting. Accordingly, educational services and professional exams revenue is recognized when services are performed, while certification revenue is recognized over the life of the certification. Revenue of kits consisting of educational and training materials is recognized upon delivery of the kits.

**(k) Deferred Revenue**

Education service fees received in advance are deferred and recognized over the course of the training program. Professional examination 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 certification.

**(l) 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.

**(m) In-Kind Contributions: Donated Services**

Contributions of services 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. The value of services is based on estimated fair value.

**INTERNATIONAL INFORMATION SYSTEM SECURITY CERTIFICATION  
CONSORTIUM, INC. AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements - Continued**

**(2) Summary of Significant Accounting Policies - Continued**

**(n) 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 2018 and 2017 were \$1,284,802 and \$1,590,443, respectively, and are included in marketing and communications expense.

**(o) 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 (IRS). 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 2015, 2016 and 2017 tax years are open and subject to examination by the IRS. The Consortium is not currently under audit nor has the Consortium been contacted by the IRS.

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 foreign operations for the year ended December 31, 2018 as the Consortium has operating losses in foreign taxing jurisdictions and net operating loss carryforwards of approximately \$2,759,000. 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.

**(p) 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 revenues, 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**

**(2) Summary of Significant Accounting Policies - Continued**

**(q) New Accounting Pronouncement**

The Financial Accounting Standards Board (FASB) issued Accounting Standards Update ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities (Topic 958)*. The ASU addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Consortium has adopted this ASU as of and for the year ended December 31, 2018. As a result, the Consortium changed the presentation of its net assets classes and expanded its footnote disclosures as required by the ASU.

**(r) Reclassifications**

Certain amounts in the 2017 consolidated financial statements have been reclassified to conform with the 2018 presentation.

**(s) 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.

**(t) Subsequent Events**

The Consortium has evaluated subsequent events through March 19, 2019, the date the consolidated financial statements were available to be issued.

**INTERNATIONAL INFORMATION SYSTEM SECURITY CERTIFICATION  
CONSORTIUM, INC. AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements - Continued**

**(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 consolidated statement of cash flows which identifies sources and uses of the Consortium's cash and cash equivalents and shows positive cash generated from operations for the years ended December 31, 2018 and 2017.

As of December 31, 2018, the Consortium's financial assets available to meet cash needs for general expenditures for the next 12 months were as follows:

Financial assets:	
Cash and cash equivalents	\$ 21,228,317
Accounts receivable	7,084,167
Investments	<u>32,298,976</u>
Total financial assets	60,611,460
Less amounts unavailable for general expenditure within the next 12 months due to:	
Contractual or donor-imposed restrictions:	
Donor-restricted for specific purposes	(146,629)
Board-designations:	
Operating reserves	<u>(26,500,000)</u>
Financial assets available to meet cash needs for general expenditures for the next 12 months	<u>\$ 33,964,831</u>

**INTERNATIONAL INFORMATION SYSTEM SECURITY CERTIFICATION  
CONSORTIUM, INC. AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements - Continued**

**(4) Center Activity**

The Center was established as a separate fund within the Consortium during 2011. In 2018 and 2017, the Center recorded contributions of \$600,000 from (ISC)<sup>2</sup>, respectively, which were eliminated upon consolidation. The Center also recorded \$320,956 and \$216,362 of contributions from outside sources in 2018 and 2017, respectively. In addition, the Center recorded expenses as follows for the years ended December 31:

	<b>2018</b>	<b>2017</b>
Program services:		
Scholarship programs	\$ 198,345	209,090
Safe and secure program	541,058	399,312
Research programs	-	151,011
Fundraising expenses	151,455	89,082
Administrative expenses	67,611	211,406
	\$ 958,469	1,059,901

**(5) Property and Equipment**

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

	<b>2018</b>	<b>2017</b>	<b>Estimated Useful Lives</b>
Computer equipment and software	\$ 2,526,216	1,769,999	3-5 years
Office equipment	237,569	229,705	3 years
Website	604,527	604,527	3 years
Furniture and fixtures	414,254	407,164	7-10 years
Vehicles	46,100	46,100	5 years
Leasehold improvements	494,160	494,160	7 years
	4,322,826	3,551,655	
Less accumulated depreciation	(2,732,645)	(2,073,845)	
Construction in process	-	193,171	
	\$ 1,590,181	1,670,981	

Depreciation expense for the years ended December 31, 2018 and 2017 was \$783,179 and \$675,563, respectively.

**INTERNATIONAL INFORMATION SYSTEM SECURITY CERTIFICATION  
CONSORTIUM, INC. AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements - Continued**

**(6) 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.

Financial assets classified as Level 1 in the fair value hierarchy include mutual funds and money funds in 2018 and 2017. 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.

**INTERNATIONAL INFORMATION SYSTEM SECURITY CERTIFICATION  
CONSORTIUM, INC. AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements - Continued**

**(6) Investments and Fair Value Measurements - Continued**

The following table sets forth by level, within the fair value hierarchy, the Consortium's assets at fair value as of December 31, 2018 and 2017:

<b>Fair Value Measurements at December 31, 2018 Using</b>				
<b>Description</b>	<b>Assets Measured at Fair Value at December 31, 2018</b>	<b>Observable Inputs (Level 1)</b>	<b>Significant Other Observable Inputs (Level 2)</b>	<b>Significant Inputs (Level 3)</b>
Mutual funds:				
Mid cap	\$ 1,002,076	1,002,076	-	-
Small cap	661,282	661,282	-	-
Large cap	18,907	18,907	-	-
Stock index	6,636,711	6,636,711	-	-
Global listed infrastructure	312,010	312,010	-	-
US equity	130	130	-	-
Emerging markets	2,276,812	2,276,812	-	-
International	5,158,486	5,158,486	-	-
Equities - ETF	1,629,842	1,629,842	-	-
Real estate	648,487	648,487	-	-
Balanced portfolio	47,175	47,175	-	-
Corporate bonds	9,368,030	-	9,368,030	-
Government bonds	4,329,415	-	4,329,415	-
Money funds	209,613	209,613	-	-
	<u>\$ 32,298,976</u>	<u>18,601,531</u>	<u>13,697,445</u>	<u>-</u>

<b>Fair Value Measurements at December 31, 2017 Using</b>				
<b>Description</b>	<b>Assets Measured at Fair Value at December 31, 2017</b>	<b>Observable Inputs (Level 1)</b>	<b>Significant Other Observable Inputs (Level 2)</b>	<b>Significant Inputs (Level 3)</b>
Mutual funds:				
Mid cap	\$ 885,416	885,416	-	-
Small cap	570,876	570,876	-	-
Large cap	304,832	304,832	-	-
Stock index	3,184,243	3,184,243	-	-
Global listed infrastructure	514,274	514,274	-	-
US equity	3,200,138	3,200,138	-	-
Emerging markets	2,580,798	2,580,798	-	-
International	5,431,798	5,431,798	-	-
Equities - ETF	1,681,112	1,681,112	-	-
Real estate	556,594	556,594	-	-
Balanced portfolio	223,821	223,821	-	-
Corporate bonds	4,996,758	-	4,996,758	-
Government bonds	3,666,659	-	3,666,659	-
Money funds	375,697	375,697	-	-
	<u>\$ 28,173,016</u>	<u>19,509,599</u>	<u>8,663,417</u>	<u>-</u>

**INTERNATIONAL INFORMATION SYSTEM SECURITY CERTIFICATION  
CONSORTIUM, INC. AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements - Continued**

**(7) Concentrations**

**(a) 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 \$21 million at December 31, 2018 and \$23.6 million at December 31, 2017. 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).

The Consortium has included the following in cash and event receivables at December 31:

	<b>2018</b>		
	<b>Foreign Currency</b>	<b>Exchange Rate</b>	<b>U.S. Dollars</b>
Cash:			
Funds in British pounds	£ 316,810	1.27050	\$ 402,507
Funds in Euro	€ 288,310	1.14470	330,028
Event receivables:			
Funds in British pounds	£ 245,149	1.27050	311,462
Funds in Euro	€ 110,835	1.14470	126,873
			\$ 1,170,870
	<b>2017</b>		
	<b>Foreign Currency</b>	<b>Exchange Rate</b>	<b>U.S. Dollars</b>
Cash:			
Funds in British pounds	£ 236,575	1.34949	\$ 319,255
Funds in Euro	€ 491,167	1.19786	588,349
Event receivables:			
Funds in British pounds	£ 130,490	1.34949	176,095
Funds in Euro	€ 153,762	1.19786	184,185
			\$ 1,267,884

**INTERNATIONAL INFORMATION SYSTEM SECURITY CERTIFICATION  
CONSORTIUM, INC. AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements - Continued**

**(7) Concentrations - Continued**

**(a) Credit Risk - Continued**

Cash and receivables have been adjusted to reflect the current exchange rate of the U.S. dollar at December 31, 2018 and 2017. 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 income. The effects from foreign currency translation were losses of \$41,802 and \$68,341 during 2018 and 2017, respectively.

Event receivables at December 31, 2018 include approximately \$417,000 of receivables due from two significant customers.

Event receivables at December 31, 2017 included approximately \$495,000 of receivables due from two significant customers.

**(b) Vendors**

During 2018 and 2017, the Consortium utilized one vendor for a significant portion of operations related to test delivery. During 2018 and 2017, the consortium paid this vendor approximately \$4.8 million and \$5.5 million, respectively. Approximately \$485,000 and \$600,000 was payable to this vendor as of December 31, 2018 and 2017, respectively.

**(8) 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.

Value-added taxes for the years ended December 31, 2018 and 2017 consist of the following:

	<b>2018</b>	<b>2017</b>
United Kingdom value-added tax	\$ 282	23,132
	\$ 282	23,132

**INTERNATIONAL INFORMATION SYSTEM SECURITY CERTIFICATION  
CONSORTIUM, INC. AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements - Continued**

**(8) Valued-Added Taxes - Continued**

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

	<b>2018</b>	<b>2017</b>
United Kingdom value-added tax	\$ 212,568	65,818
Other unidentified foreign taxes	290,000	260,000
	\$ 502,568	325,818

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 \$290,000 for unidentified tax liability at December 31, 2018. While the Consortium believes that this reserve is sufficient to cover unidentified tax liabilities as of December 31, 2018, there is the potential for additional unrecognized tax consequences.

**(9) 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 \$479,136 and \$321,204 for the years ended December 31, 2018 and 2017, respectively.

**(10) 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) and 457(f) of the Internal Revenue Code, for four key management employees designated by the Board of Directors and CEO. 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.

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 deferred compensation if the Organization dissolves or if the participant (1) dies, (2) becomes disabled, or (3) is terminated from employment for reasons other than for cause. Effective April 2018, the Consortium terminated the 457(f) plan and distributed the assets to vested participants.

As of December 31, 2018, the assets and corresponding liabilities of the 457(b) plan in the amount of \$117,794 are recorded in investments and deferred compensation in the accompanying consolidated statement of financial position. As of December 31, 2017, the assets and corresponding liabilities of the 457(b) and 457(f) plans in the amount of \$88,624 and \$855,241, respectively, are recorded in investments and deferred compensation in the accompanying consolidated statement of financial position. Discretionary contributions under the 457(f) plan for the year ended December 31, 2017 were \$263,667.

**INTERNATIONAL INFORMATION SYSTEM SECURITY CERTIFICATION  
CONSORTIUM, INC. AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements - Continued**

**(11) Operating Leases**

The Consortium has several leases for office space with expiration dates through August 2023. Rent expense for these leases totaled \$1,607,501 and \$1,521,197 in 2018 and 2017, respectively.

Future minimum lease obligations are as follows:

<u>Year Ending December 31,</u>		
2019	\$	1,461,420
2020		1,386,977
2021		1,003,364
2022		1,035,361
2023		<u>539,991</u>
	\$	<u><u>5,427,113</u></u>

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

Total operating lease expense for the years ended December 31, 2018 and 2017, excluding amounts for office space, totaled \$95,561 and \$106,714, respectively.

**(12) Future Amortization of Intangible Assets**

Intangible assets at December 31, 2018 consist of examination question pool costs. The estimated future amortization expense for these intangible assets is as follows:

<u>Year Ending December 31,</u>		
2019	\$	1,378,422
2020		1,052,519
2021		<u>427,554</u>
	\$	<u><u>2,858,495</u></u>

**(13) Legal Matters**

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.

