

**Institute of International
Education, Inc.**

**Report on Federal Awards in
Accordance with OMB Uniform Guidance
September 30, 2019
EIN: 13-1624046**

Institute of International Education, Inc.

Index

September 30, 2019

	Page(s)
Report of Independent Auditors on Financial Statements and Supplemental Schedule	1-2
Statements of Financial Position as of September 30, 2019 and 2018.....	3
Statements of Activities for the Years Ended September 30, 2019 and 2018	4
Statements of Functional Expenses for the Years Ended September 30, 2019 and 2018	5-6
Statements of Cash Flows for the Years Ended September 30, 2019 and 2018	7
Notes to Financial Statements September 30, 2019 and 2018	8-24
Schedule of Expenditures of Federal Awards for the Year Ended September 30, 2019	25-27
Notes to Schedule of Expenditures of Federal Awards for the Year Ended September 30, 2019	28
Report of Independent Auditors on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	29-30
Report of Independent Auditors on Compliance with Requirements that could have a Direct and Material effect on Each Major Program and on Internal Control over Compliance in Accordance with the Uniform Guidance.....	31-32
Schedule of Findings and Questioned Costs.....	33-35
Summary of Status of Prior Year Findings.....	36
Management's Views and Corrective Action Plan	37-38



Report of Independent Auditors

To the Board of Trustees
Institute of International Education, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Institute of International Education, Inc. ("IIE"), which comprise the statements of financial position as of September 30, 2019 and 2018, and the related statements of activities, of functional expenses and of cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to IIE's preparation and fair presentation of the 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 IIE'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 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 financial statements referred to above present fairly, in all material respects, the financial position of Institute of International Education, Inc. as of September 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



Emphasis of Matter

As discussed in Note 2 to the financial statements, IIE changed the manner in which it accounts for revenues from contracts with customers and the manner in which it presents net assets and reports certain aspects of its financial statements as a not-for-profit entity in 2019 due to the adoption of required accounting pronouncements. Our opinion is not modified with respect to these matters.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards for the year ended September 30, 2019 is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and is not a required part of the financial statements. The information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 23, 2020 on our consideration of IIE's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters for the year ended September 30, 2019. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering IIE's internal control over financial reporting and compliance.

PricewaterhouseCoopers LLP

New York, New York
June 23, 2020

Institute of International Education, Inc.
Statements of Financial Position
September 30, 2019 and 2018

<i>(in thousands)</i>	2019	2018
Assets		
Cash and cash equivalents	\$ 17,768	\$ 13,870
Accounts receivable on sponsored programs	63,447	57,560
Contributions receivable, net	4,792	4,756
Investments, at fair value	115,517	115,706
Prepaid expenses and other assets	7,980	11,306
Fixed assets, net	19,520	22,010
Beneficial interests in perpetual trusts held by third parties	3,133	3,195
Total assets	<u>\$ 232,157</u>	<u>\$ 228,403</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 45,426	\$ 40,684
Sponsored funds received in advance	22,704	24,389
Bonds payable, net	9,784	10,408
Total liabilities	<u>77,914</u>	<u>75,481</u>
Commitments and contingencies		
Net assets		
Without donor restrictions		
Board designated	16,816	16,551
Undesignated, available for general operations	61,730	62,861
Total net assets without donor restrictions	78,546	79,412
With donor restrictions		
Total net assets	<u>154,243</u>	<u>152,922</u>
Total liabilities and net assets	<u>\$ 232,157</u>	<u>\$ 228,403</u>

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

Institute of International Education, Inc.
Statements of Activities
Years Ended September 30, 2019 and 2018

<i>(in thousands)</i>	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenues						
Sponsored programs	\$ 316,760	\$ -	\$ 316,760	\$ 333,515	\$ -	\$ 333,515
Contributions	451	10,409	10,860	2,432	8,347	10,779
Net assets released from restrictions	9,471	(9,471)	-	9,795	(9,795)	-
Investment return	868	1,249	2,117	4,342	4,028	8,370
Publications and membership fees	505	-	505	538	-	538
Other revenues	881	-	881	1,241	-	1,241
Total revenues	<u>\$ 328,936</u>	<u>\$ 2,187</u>	<u>\$ 331,123</u>	<u>\$ 351,863</u>	<u>\$ 2,580</u>	<u>\$ 354,443</u>
Expenses						
Program services						
International exchange of students and scholars	\$ 241,043	\$ -	\$ 241,043	\$ 263,932	\$ -	\$ 263,932
Leadership development educational services	29,915	-	29,915	29,159	-	29,159
Higher education institutional development	15,462	-	15,462	15,579	-	15,579
Emergency student and scholar assistance	5,298	-	5,298	5,247	-	5,247
Research and publications	1,764	-	1,764	1,659	-	1,659
Total program services	<u>293,482</u>	<u>-</u>	<u>293,482</u>	<u>315,576</u>	<u>-</u>	<u>315,576</u>
Supporting services						
Management and general	34,357	-	34,357	39,550	-	39,550
Fund raising	1,963	-	1,963	1,776	-	1,776
Total supporting services	<u>36,320</u>	<u>-</u>	<u>36,320</u>	<u>41,326</u>	<u>-</u>	<u>41,326</u>
Total expenses	<u>329,802</u>	<u>-</u>	<u>329,802</u>	<u>356,902</u>	<u>-</u>	<u>356,902</u>
Change in net assets	(866)	2,187	1,321	(5,039)	2,580	(2,459)
Net assets						
Beginning of year	<u>79,412</u>	<u>73,510</u>	<u>152,922</u>	<u>84,451</u>	<u>70,930</u>	<u>155,381</u>
End of year	<u>\$ 78,546</u>	<u>\$ 75,697</u>	<u>\$ 154,243</u>	<u>\$ 79,412</u>	<u>\$ 73,510</u>	<u>\$ 152,922</u>

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

Institute of International Education, Inc.
Statement of Functional Expenses
Year Ended September 30, 2019

	Program Services					Supporting Services			Total	
	International Exchange of Students and Scholars	Leadership Development Educational Services	Higher Education Institutional Development	Emergency Student and Scholar Assistance	Research and Publications	Total Program Services	Management and General	Fund Raising		Total Supporting Services
<i>(in thousands)</i>										
Grantee expenses										
Grantee stipends and grants	\$ 114,706	\$ 16,613	\$ 640	\$ 484	\$ 298	\$ 132,741	\$ -	\$ -	\$ -	\$ 132,741
Tuition, books and fees	25,356	29	790	2,051	-	28,226	-	-	-	28,226
Enrichment programs	4,279	1,014	228	66	-	5,587	-	-	-	5,587
Grantee travel	11,938	1,889	1,576	113	-	15,516	-	11	11	15,527
Grantee health insurance	3,835	60	-	85	-	3,980	-	-	-	3,980
Other	1,803	18	3	171	-	1,995	-	-	-	1,995
	<u>161,917</u>	<u>19,623</u>	<u>3,237</u>	<u>2,970</u>	<u>298</u>	<u>188,045</u>	<u>-</u>	<u>11</u>	<u>11</u>	<u>188,056</u>
Institute expenses										
Employee salaries and benefits	25,814	5,607	5,746	1,442	838	39,447	16,885	1,231	18,116	57,563
Occupancy	5,181	910	1,001	322	184	7,598	4,692	272	4,964	12,562
Travel, receptions and benefits	5,341	966	1,458	157	71	7,993	964	107	1,071	9,064
Communication	826	140	380	32	28	1,406	1,386	60	1,446	2,852
Purchased services	38,460	2,293	2,814	340	311	44,218	8,061	257	8,318	52,536
Other	3,504	376	826	35	34	4,775	2,369	25	2,394	7,169
	<u>79,126</u>	<u>10,292</u>	<u>12,225</u>	<u>2,328</u>	<u>1,466</u>	<u>105,437</u>	<u>34,357</u>	<u>1,952</u>	<u>36,309</u>	<u>141,746</u>
	<u>\$ 241,043</u>	<u>\$ 29,915</u>	<u>\$ 15,462</u>	<u>\$ 5,298</u>	<u>\$ 1,764</u>	<u>\$ 293,482</u>	<u>\$ 34,357</u>	<u>\$ 1,963</u>	<u>\$ 36,320</u>	<u>\$ 329,802</u>

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

Institute of International Education, Inc.
Statement of Functional Expenses
Year Ended September 30, 2018

	Program Services						Supporting Services			Total
	International Exchange of Students and Scholars	Leadership Development Educational Services	Higher Education Institutional Development	Emergency Student and Scholar Assistance	Research and Publications	Total Program Services	Management and General	Fund Raising	Total Supporting Services	
<i>(in thousands)</i>										
Grantee expenses										
Grantee stipends and grants	\$ 119,904	\$ 11,417	\$ 102	\$ 1,179	\$ 363	\$ 132,965	\$ -	\$ -	\$ -	\$ 132,965
Tuition, books and fees	32,010	527	705	1,559	-	34,801	-	-	-	34,801
Enrichment programs	6,576	685	60	27	-	7,348	-	-	-	7,348
Grantee travel	14,659	1,463	1,752	59	-	17,933	-	-	-	17,933
Grantee health insurance	3,181	197	-	45	-	3,423	-	-	-	3,423
Other	3,105	(156)	(5)	11	-	2,955	-	-	-	2,955
	<u>179,435</u>	<u>14,133</u>	<u>2,614</u>	<u>2,880</u>	<u>363</u>	<u>199,425</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>199,425</u>
Institute expenses										
Employee salaries and benefits	27,241	5,271	5,851	1,469	813	40,645	24,518	1,148	25,666	66,311
Occupancy	5,064	863	1,134	220	135	7,416	5,122	160	5,282	12,698
Travel, receptions and benefits	4,953	662	1,880	191	70	7,756	1,034	155	1,189	8,945
Communication	899	127	305	29	59	1,419	1,356	66	1,422	2,841
Purchased services	42,592	7,807	2,909	361	196	53,865	6,918	232	7,150	61,015
Other	3,748	296	886	97	23	5,050	602	15	617	5,667
	<u>84,497</u>	<u>15,026</u>	<u>12,965</u>	<u>2,367</u>	<u>1,296</u>	<u>116,151</u>	<u>39,550</u>	<u>1,776</u>	<u>41,326</u>	<u>157,477</u>
	<u>\$ 263,932</u>	<u>\$ 29,159</u>	<u>\$ 15,579</u>	<u>\$ 5,247</u>	<u>\$ 1,659</u>	<u>\$ 315,576</u>	<u>\$ 39,550</u>	<u>\$ 1,776</u>	<u>\$ 41,326</u>	<u>\$ 356,902</u>

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

Institute of International Education, Inc.
Statements of Cash Flows
Years Ended September 30, 2019 and 2018

<i>(in thousands)</i>	2019	2018
Cash flows from operating activities		
Change in net assets	\$ 1,321	\$ (2,459)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation and amortization	4,571	4,357
Loss on disposal of fixed assets	272	-
Amortization of gain on sale of building	(238)	(238)
Amortization of bond issuance costs	24	24
Amortization of premium on bonds	(43)	(43)
Net realized gain on sales of investments	(2,550)	(8,877)
Net unrealized loss on investments	1,760	1,995
Changes in operating assets and liabilities:		
Accounts receivable on sponsored programs	(5,887)	(1,321)
Contributions receivable, net	(36)	(3,745)
Prepaid expenses and other assets	3,326	(2,080)
Accounts payable and accrued expenses	4,742	(2,950)
Sponsored funds received in advance	<u>(1,685)</u>	<u>(6,097)</u>
Net cash provided by (used in) operating activities	<u>5,577</u>	<u>(21,434)</u>
Cash flows from investing activities		
Purchase of investments	(15,102)	(8,592)
Proceeds from sale of investments	16,143	31,217
Purchase of fixed assets	<u>(2,115)</u>	<u>(1,995)</u>
Net cash (used in) provided by investing activities	<u>(1,074)</u>	<u>20,630</u>
Cash flows from financing activities		
Payments made on bond obligations	<u>(605)</u>	<u>(580)</u>
Net cash used in financing activities	<u>(605)</u>	<u>(580)</u>
Net change in cash and cash equivalents	3,898	(1,384)
Cash and cash equivalents		
Beginning of year	<u>13,870</u>	<u>15,254</u>
End of year	<u>\$ 17,768</u>	<u>\$ 13,870</u>
Supplemental information		
Cash paid for interest	\$ 388	\$ 412
Cash paid for taxes	128	54

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

Institute of International Education, Inc.

Notes to Financial Statements

September 30, 2019 and 2018

(in thousands)

1. Description of Organization

The financial statements include the accounts of all Institute of International Education, Inc.'s ("IIE" or the "Institute") affiliates, both domestic and international, including those which are separately incorporated and perform activities in the name of the Institute. All significant intercompany transactions have been eliminated.

Institute of International Education, Inc.

The Institute was founded in 1919 and incorporated in 1928 in the State of New York. The Institute develops and administers programs of international educational exchange and technical assistance under negotiated contracts with governments, international organizations, corporations, foundations, and colleges and universities throughout the United States and abroad.

Services to students, teachers, and other professionals from more than 175 countries are provided by the Institute's New York headquarters, domestic and international offices. The Institute also administers educational assistance to universities and foreign countries, sponsors conferences and seminars and provides procurement and educational testing services on behalf of various sponsors.

In addition, through general support, the Institute conducts counseling and information services, rescue programs, issues publications, and conducts conferences, seminars and other special projects, which provide assistance to individuals, colleges, universities and other organizations on matters of international education and cultural exchange.

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America ("GAAP"). IIE is required under these principles to report revenues, expenses, gains and losses based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of IIE are classified and reported as follows:

- Net assets without donor restrictions – Net assets without donor restrictions include those that are not subject to donor-imposed restrictions and that may be expended for any purpose in performing the primary objectives of IIE. Net assets without donor restrictions include board-designated net assets, which are used to account for all resources over which the Board of Trustees has discretionary control. Revenues are reported as increases in net assets without donor restrictions unless the related asset is limited by donor-imposed restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or law. Expenses are reported as decreases in net assets without donor restrictions.

Institute of International Education, Inc.

Notes to Financial Statements

September 30, 2019 and 2018

(in thousands)

- Net assets with donor restrictions – Net assets with donor restrictions are subject to stipulations imposed by donors. Some donor-imposed restrictions are temporary in nature, such as those that either expire with the passage of time or can be fulfilled and removed by actions of IIE. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is met, net assets with donor restrictions are released to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. In the event IIE is unable to meet their purposes, all remaining funds would be remitted back to the donors, unless subsequently re-designated by the donor. Some donor-imposed restrictions are perpetual in nature that neither expire with the passage of time nor can be fulfilled or otherwise removed by actions of IIE. These net assets include funds which have been designated by the donor to be held and invested in perpetuity and permit IIE to use the income and gains for specified and unspecified purposes.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and related disclosures of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. On an ongoing basis, IIE evaluates its estimates, including those described below. IIE bases its estimates on historical experience and on various other assumptions that IIE believes are reasonable under the circumstances. Actual results could differ from those estimates.

Revenues from Sponsored Programs

IIE receives funding from sponsored programs in the form of grants and contracts from various government agencies, foundations, corporations, and other private sources. The funding may represent a reciprocal transaction in exchange for an equivalent benefit in return, or it may be a nonreciprocal, non-exchange transaction in which the funding provided is for the benefit of IIE, the funding organization's mission, or the public at large. A majority of IIE's sponsored programs revenues are from conditional, non-exchange transactions.

Revenues from non-exchange transactions are recorded as net assets without donor restrictions or net assets with donor restrictions depending upon the existence and/or nature of donor restrictions. Revenues from non-exchange transactions may also be subject to conditions, in the form of both a barrier to entitlement and a refund of amounts paid (or a release from obligation to make future payments). Revenues from conditional non-exchange transactions are recognized when the barrier is satisfied, which is generally as costs are incurred. In addition, IIE has elected the simultaneous release option for conditional contributions that are subject to purpose restrictions. Under this option, net assets without donor restrictions include the donor-restricted contributions for which the purpose restrictions are met in the same reporting period as the revenue is recognized. Revenues from non-exchange transactions that are considered unconditional generally are recognized as revenues with donor restrictions when the grant funds are awarded and are released into net assets without donor restrictions when the purpose has been met. As of September 30, 2019, IIE has unrecorded conditional agreements of \$421,700.

For exchange transactions, IIE's performance obligations include administering programs and performing other services (i.e. outreach) on behalf of the sponsors. There is a single performance obligation for each contract and the obligation is satisfied over time. The transaction price includes reimbursement for cost-reimbursable programmatic costs and fixed fees for administrative services. As a practical expedient, IIE does not adjust the promised amount of consideration for

Institute of International Education, Inc.

Notes to Financial Statements

September 30, 2019 and 2018

(in thousands)

the effects of a significant financing component since the period between when IIE transfers a promised good or service to a customer and when the customer pays for that good or service is one year or less. Revenues from fixed fees are generally recognized ratably over the contract term. Revenues associated with cost reimbursable expenses are recognized as eligible costs are incurred. Revenues from exchange transactions of \$24,059 is included in sponsored programs revenue for the year ended September 30, 2019. The aggregate amount of the transaction price allocated to performance obligations that are partially unsatisfied as of September 30, 2019 is \$66,104.

Contributions Receivable

Contributions to be received after one year are discounted at a rate commensurate with the risk involved. Amortization of the discount is recorded as additional contribution revenue and used in accordance with donor-imposed restrictions, if any, on the contributions.

Cash Equivalents

All highly liquid investments having an original maturity of 90 days or less at time of purchase and money market funds are considered to be cash equivalents and reported at the lower of cost or market value.

Accounts receivable on sponsored programs

To the extent that sponsor program revenues are recognized in excess of cash receipts, accounts receivable on sponsored programs, net of allowances for doubtful accounts, are reported in the statements of financial position. The allowance for doubtful accounts is determined by a review of account balances, including the age of the balance and historical collection experience. As of September 30, 2019 and 2018, the allowance for doubtful accounts was \$1,445 and \$878, respectively.

Beneficial Interests in Perpetual Trusts Held by Third Parties

IIE is an income beneficiary of various trusts held by others in perpetuity. As a result, IIE has recorded, as an asset, the net present value of the income estimated to be received from these trusts based upon multiplying the fair value of the underlying assets by IIE's ownership percentages.

Changes in fair value of IIE's beneficial interests are recognized as gains or losses in the net assets with donor restrictions. According to the original donors' stipulation, distributions of net income from these trusts are to be made to IIE and are to be spent for specified purposes. During fiscal years 2019 and 2018, IIE's beneficial interests in perpetual trusts decreased \$62 and increased \$25, respectively, with the changes included in net assets with donor restrictions.

Sponsored Funds Received in Advance

Cash received prior to recognizing sponsored program revenue is reported as sponsored funds received in advance in the statements of financial position. If revenue is not earned for the total amount of the funds received in advance, the remaining portion will be refunded to the sponsor upon the closeout of an award.

Retirement Benefits

Retirement benefits coverage is available for substantially all employees, provided through a 403(b) plan. IIE's contributions for fiscal years 2019 and 2018 under the provisions of this defined contribution plan were \$3,085 and \$3,233, respectively.

Institute of International Education, Inc.

Notes to Financial Statements

September 30, 2019 and 2018

(in thousands)

The Institute has an active 457(b) deferred compensation plan, which is offered to select management. The employee contributions are capped at the annual Federal limit for deferred compensation. The assets related to this plan are included in prepaid expenses and other assets and were \$2,404 as of September 30, 2019 and 2018, respectively. The assets primarily consist of money market funds and other marketable securities, which are considered Level 1 based on the fair value hierarchy described in Note 5. The liabilities that relate to these plans are included in accounts payable and accrued expenses in the statements of financial position.

Functional Allocation

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying statements of activities. Certain costs have been allocated among the programs and supporting services benefited. Costs functionalized as “Grantee expenses” include support expenditures such as tuition and grantee maintenance, and costs functionalized as “Institute expenses” include all services and operational costs (e.g., salaries, occupancy).

Investments

Marketable debt and equity security investments are classified as trading securities, which are carried at estimated fair value, with unrealized gains and losses reflected in results of operations. Estimated fair values are principally based on quoted market prices.

Limited liquidity investments are stated at estimated fair value. Limited liquidity investments are primarily made under agreements to participate in limited partnerships and limited liability corporations which are generally subject to certain withdrawal restrictions. These investments are valued on the basis of IIE's equity in the net assets. Values for these investments may include financial interest in both nonmarketable and market-traded securities, and may be based on appraisals, market values discounted for concentration of ownership, or other estimates. Because of the inherent uncertainty of valuing these investments, as well as the underlying investments, IIE's estimate of fair value may differ significantly from the values that would have been used had a ready market for the investments existed. The financial statements for these investment interests are audited annually by independent auditing firms. These investments may be illiquid, and thus IIE may not be able to realize the value of such investments in a timely manner.

Fixed Assets

Fixed assets are recorded at cost. Depreciation is provided over the estimated useful lives of the related assets using the straight-line method, ranging from two (2) to thirty (30) years. Such estimates are based upon management's judgments of how long the assets will remain in service. Amortization of leasehold improvements is computed using the straight-line method over the shorter of the remaining lease term or the estimated useful lives of the improvements. Depreciation expense on fixed assets for fiscal years 2019 and 2018 was \$4,570 and \$4,357, respectively.

IIE periodically evaluates the estimated recoverability of its long-lived assets, annually or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. There were no impairments of long-lived assets at September 30, 2019 or 2018.

Indirect Costs

IIE recovers indirect costs by allocating such costs to specific programs administered by IIE. Indirect costs are those costs incurred by common and joint objectives (or activities) and therefore,

Institute of International Education, Inc.

Notes to Financial Statements

September 30, 2019 and 2018

(in thousands)

cannot be readily assigned to a specific direct cost objective. Indirect costs include general and administrative and facility costs. IIE allocates to and recovers these costs from federal programs at a rate negotiated with its cognizant federal agency.

Taxes

The Institute is a not-for-profit organization exempt from federal income tax under Section 501(c)(3) of the U.S. Internal Revenue Code. The Institute is not generally required to pay corporate income tax in most jurisdictions in which it operates by virtue of, inter alia, IIE's not-for-profit status and/or the status of its local affiliate or representative offices. However, IIE pays payroll and use taxes in the normal course of business where required, and some activities may be subject to sales and value added taxes in certain jurisdictions. Accordingly, IIE pays or maintains appropriate provisions to account for such liabilities.

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standard Update ("ASU") 2014-09, *Revenue from Contracts with Customers* (Topic 606). This standard implements a single framework for recognition of all revenue earned from customers. This framework ensures that entities appropriately reflect the consideration to which they expect to be entitled in exchange for goods and services by allocating transaction price to identified performance obligations and recognizing revenue as performance obligations are satisfied. Qualitative and quantitative disclosures are required to enable users of financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The standard is effective for fiscal years beginning after December 15, 2017. IIE adopted this standard in fiscal year 2019 using the modified retrospective method. The adoption of this standard did not have a material impact on the financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. Under the new guidance, lessees will be required to recognize the following for all leases (with the exception of leases with a term of twelve months or less) at the commencement date: (a) a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and (b) a right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. Under the new guidance, lessor accounting is largely unchanged. The guidance requires a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented. A full retrospective transition approach is not permitted. This new standard is effective for fiscal years beginning after December 15, 2021, with early application permitted. IIE is evaluating the impact this standard will have on the financial statements.

In August 2016, the FASB issued ASU 2016-14, *Presentation of Financial Statement of Not-for-Profit Entities*, which makes targeted changes to the not-for-profit reporting model. Under the new guidance, not-for-profit entities will present in the statement of financial position and statement of activities two classes of net assets, rather than the current three. Disclosures will be enhanced about: (a) the amounts and purposes of governing board net asset designations; (b) quantitative and qualitative information regarding the management of liquid resources; (c) functional expenses and the related allocation methodology; and (d) underwater endowments. Investment return will be reported net of certain investment expenses and breakout of the investment return components will no longer be required. This new standard is effective for fiscal years beginning after December 15, 2017, with early application permitted. IIE adopted this standard in fiscal year 2019 on a retrospective basis. With the adoption of ASU 2016-14, certain prior year amounts were reclassified to conform to the presentation requirements.

Institute of International Education, Inc.
Notes to Financial Statements
September 30, 2019 and 2018

(in thousands)

As a result of the adoption of ASU 2016-14, net assets as of September 30, 2018 were reclassified as follows:

	Without Donor Restrictions	With Donor Restrictions	Total Net Assets
As previously reported			
Unrestricted	\$ 79,412	\$ -	\$ 79,412
Temporarily restricted	-	66,788	66,788
Permanently restricted	-	6,722	6,722
	\$ 79,412	\$ 73,510	\$ 152,922

In June 2018, the FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This update assists not-for-profit entities in evaluating whether transactions should be accounted for as contributions or as exchange transactions, and in determining whether a contribution is conditional. Entities will apply the amendments in this update on contributions received to annual periods beginning after June 15, 2018 and on contributions made to annual periods beginning after December 15, 2018. IIE adopted this standard in fiscal year 2019 using a modified retrospective basis of application. The guidance was only applied to the portion of revenue that had not yet been recognized before the effective date in accordance with prior guidance and no prior period results were restated. The adoption of ASU 2018-08 did not have a material impact on the financial statements.

3. Contributions Receivable

As of September 30, 2019 and 2018, contributions receivable are due in the following periods:

	2019	2018
Amounts due in		
Less than one year	\$ 3,172	\$ 3,572
One to five years	1,800	1,300
	4,972	4,872
Less:		
Unamortized discount	180	116
Contributions receivable, net	\$ 4,792	\$ 4,756

Institute of International Education, Inc.
Notes to Financial Statements
September 30, 2019 and 2018

(in thousands)

4. Liquidity and Availability of Resources

IIE's financial assets and resources available to meet cash needs for general expenditures within one year of the date of the statement of financial position were as follows:

	2019	2018
Financial assets:		
Cash and cash equivalents	\$ 17,768	\$ 13,870
Accounts receivable on sponsored programs	63,447	57,560
Contributions receivable due within one year	3,172	3,572
Undesignated investments	38,411	37,283
Total financial assets available within one year	<u>122,798</u>	<u>112,285</u>
Liquidity resources:		
Bank lines of credit	15,000	15,000
Total financial assets and resources available within one year	<u>\$ 137,798</u>	<u>\$ 127,285</u>

As part of IIE's liquidity management strategy, IIE structures its financial assets to be available as general expenditures, liabilities including debt service, and other obligations come due. Cash withdrawals from the investment pool are in sync with IIE's spending policy, but may be adjusted periodically based on the timing of gifts received, income and capital distributions, operating expenses and other factors affecting available cash. To manage potential liquidity needs, IIE also has committed bank lines of credit which totaled \$15,000 as of September 30, 2019 and 2018, which it could draw upon.

IIE also has board designated endowment funds of \$16,816 and \$16,551 at September 30, 2019 and 2018, respectively. IIE does not intend to spend from its board designated endowment funds other than amounts appropriated for expenditure as part of the annual budget process approval; however, amounts from its board designated endowment could be made available, if necessary.

5. Financial Instruments

IIE follows guidance with respect to accounting and reporting for the fair value of financial assets and liabilities. This guidance establishes a fair value hierarchy for those instruments measured at fair value that distinguishes between assumptions based on market data (observable inputs) and IIE's assumptions (unobservable inputs). The hierarchy consists of three levels as noted below:

Level 1 Quoted prices are available in active markets for identical investments as of the reporting date, without adjustment. The type of investments in Level 1 includes listed equities held in the name of IIE, and excludes listed equities and other securities held indirectly through commingled funds.

Level 2 Pricing inputs, including broker quotes, are generally those other than exchange quoted prices in active markets, which are either directly or indirectly observable as of

Institute of International Education, Inc.
Notes to Financial Statements
September 30, 2019 and 2018

(in thousands)

the reporting date, and fair value is determined through the use of models or other valuation methodologies.

Level 3 Pricing inputs are unobservable for the investment and includes situations where there is little, if any, market activity for the investment. Investments that are included in this category generally include privately held investments and securities held in partnership format.

Assets and liabilities measured at fair value are based on one or more of three valuation techniques. The three techniques are as follows:

Market Approach

Prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities;

Cost Approach

Amount that would be required to replace the service capacity of an asset (i.e. replacement cost); and

Income Approach

Techniques to convert future amounts to a single present amount based on market expectations (including present value techniques).

IIE adopted the accounting concept under GAAP to utilize the net asset value (NAV) as the "practical expedient." The practical expedient is an acceptable method under GAAP to determine the fair value of investments reported at net asset value from the respective general partners (a) that do not have a readily determinable fair value predicated upon a public market and (b) either have the attributes of an investment company or prepare their financial statements consistent with the measurement principles of an investment company under GAAP.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while IIE believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

Institute of International Education, Inc.
Notes to Financial Statements
September 30, 2019 and 2018

(in thousands)

The following table summarizes the valuation of IIE's investments measured on a recurring basis by caption and by level within the valuation hierarchy as of September 30:

	2019			Total
	Level 1 Quoted Prices in Active Markets	Level 2 Other Significant Observable	Level 3 Significant Unobservable Inputs	
Cash equivalents	\$ 24	\$ -	\$ -	24
Equity securities				
US	32,613	-	-	32,613
International	6,995	-	-	6,995
Commodities	980	-	-	980
Debt securities				
Bond funds	16,067	-	-	16,067
Sub-total	56,679	-	-	56,679
Investments measured at net asset value				58,838
Total investments	\$ 56,679	\$ -	\$ -	115,517

	2018			Total
	Level 1 Quoted Prices in Active Markets	Level 2 Other Significant Observable	Level 3 Significant Unobservable Inputs	
Cash equivalents	\$ 183	\$ -	\$ -	183
Equity securities				
US	27,918	-	-	27,918
International	3,603	-	-	3,603
Commodities	6,582	-	-	6,582
Debt securities				
Bond funds	15,629	-	-	15,629
Sub-total	53,915	-	-	53,915
Investments measured at net asset value				61,791
Total investments	\$ 53,915	\$ -	\$ -	115,706

Institute of International Education, Inc.
Notes to Financial Statements
September 30, 2019 and 2018

(in thousands)

IIE's assets with a fair value estimate using net asset value per share as a basis at September 30, 2019 and 2018 are as follows:

Fair Value Estimated Using Net Asset Value Per Share						
	Fair Value September 30, 2019	Fair Value September 30, 2018	Unfunded Commitment	Settlement Terms	Redemption Frequency	Redemption Notice Period
International equity funds	\$ 30,658	\$ 28,333	-	Redemptions occur at NAV	Monthly	Less than 30 days
Domestic equity funds	18,738	19,701	-	Redemptions occur at NAV	Monthly	Less than 30 days
Bond funds	9,442	9,230	-	Redemptions occur at NAV	Daily	2 days in advance
Real asset funds	-	4,527	-	Redemptions occur at NAV	Daily	2 days in advance
	<u>\$ 58,838</u>	<u>\$ 61,791</u>	<u>-</u>			

All net realized and unrealized gains /losses are reflected in the statements of activities.

Investment return consisted of the following for the years ended September 30:

	2019	2018
Interest and dividends	\$ 1,724	\$ 1,775
Net realized gain	2,550	8,877
Net unrealized loss	<u>(1,760)</u>	<u>(1,995)</u>
	2,514	8,657
Less: Investment management fees	<u>(397)</u>	<u>(287)</u>
Total investment return	<u>\$ 2,117</u>	<u>\$ 8,370</u>

Institute of International Education, Inc.
Notes to Financial Statements
September 30, 2019 and 2018

(in thousands)

6. Fixed Assets, Net

Fixed assets as of September 30 consist of the following:

	Estimated Useful Lives	Asset Value	
		2019	2018
Building	30 Years	\$ 21,286	\$ 18,975
Furniture	7 Years	100	1,019
Equipment	2–4 Years	1,534	4,008
Software development costs	3–7 Years	24,069	33,813
Leasehold improvements	3–25 Years	9,283	10,517
		<u>56,272</u>	<u>68,332</u>
Less: Accumulated depreciation		<u>(33,895)</u>	<u>(43,227)</u>
		22,377	25,105
Less: Unamortized deferred credit		<u>(2,857)</u>	<u>(3,095)</u>
Total fixed assets, net		<u>\$ 19,520</u>	<u>\$ 22,010</u>

In July of 2001, IIE exercised its right of first refusal and repurchased 10 of 12 available floors of its New York headquarters building at 809 United Nations Plaza. The purchase price was \$22,750, and the building is now a condominium. In September of 2001, IIE sold two of the repurchased floors for \$12,000. IIE's basis in the two sold floors was \$4,789 and resulted in a gain on sale of \$7,251. A portion of the deferred credit relating to IIE's sale and leaseback of the building in 1998 was assigned to the two floors sold and is being amortized annually. The remaining balance of the deferred credit has been netted with IIE's fixed assets and is being amortized over a 30-year period.

7. Bonds Payable, Net

Bonds payable as of September 30 consist of the following:

	2019	2018
Series 2014 bonds	\$ 9,565	\$ 10,170
Unamortized bond premium	509	552
Deferred financing costs, net	<u>(290)</u>	<u>(314)</u>
Total bonds payable, net	<u>\$ 9,784</u>	<u>\$ 10,408</u>

On November 1, 2001, the Institute issued \$17,345 in tax exempt term bonds (the "Series 2001 bonds") through the New York City Industrial Development Agency ("IDA") to provide funds for the acquisition, equipping and improvement of the New York City office (the "Facility"). On

Institute of International Education, Inc.
Notes to Financial Statements
September 30, 2019 and 2018

(in thousands)

November 25, 2014, the Institute issued \$12,480 in tax exempt revenue refunding bonds (the "Series 2014 bonds") through the Build NYC Resource Corporation ("Build NYC") to refund the outstanding Series 2001 bonds.

Deferred financing costs represent direct costs incurred to obtain the bonds payable. In connection with the issuance of these bonds, the Institute incurred costs that are being amortized to interest expense on a straight-line basis over the remaining term of the bond (30 years), which approximates the effective interest method. Net deferred financing costs of \$290 and \$314 at September 30, 2019 and 2018, respectively, are included within bonds payable, net.

The Series 2014 bonds are payable by Build NYC, through a third party trustee, solely from payments made by the Institute pursuant to a Loan Agreement between Build NYC and the Institute, evidenced by a Promissory Note in favor of Build NYC. Neither the Series 2014 bonds nor the obligations of the Institute under the Loan Agreement and the Promissory Note are secured by a mortgage of or any other interest in the Facility or any other property of the Institute. The obligations of the Institute under the Loan Agreement and the Promissory Note to pay amounts sufficient to pay principal or redemption price of, and interest on, the Series 2014 bonds are unsecured general obligations of the Institute. The Series 2014 bonds mature in various amounts, ranging from \$525 to \$960 per year, through 2031. The nominal interest rates attributable to the Series 2014 bonds range from 3.0% to 5.0%.

Estimated principal payments due and amortization of bond premium and deferred financing costs on the Series 2014 bonds, for the next five years, are as follows:

Fiscal years	Principal Payments	Bond Premium Amortization	Deferred Financing Amortization	Total
2020	\$ 620	\$ 43	\$ (24)	\$ 639
2021	655	43	(24)	674
2022	685	43	(24)	704
2023	715	43	(24)	734
2024	750	43	(24)	769
Thereafter	<u>6,140</u>	<u>294</u>	<u>(170)</u>	<u>6,264</u>
	<u>\$ 9,565</u>	<u>\$ 509</u>	<u>\$ (290)</u>	<u>\$ 9,784</u>

In accordance with the Agreement, IIE must comply with certain administrative requirements.

Institute of International Education, Inc.
Notes to Financial Statements
September 30, 2019 and 2018

(in thousands)

8. Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes at September 30, 2019 and 2018:

	2019	2018
Subject to expenditure for specified purpose		
Scholarships and professional development	\$ 11,729	\$ 13,364
Scholar Rescue Fund	39,443	39,185
Fulbright Legacy Fund	9,118	9,323
Donor restricted contributions for programs	12,274	8,443
Beneficial interest in perpetual trust	<u>3,133</u>	<u>3,195</u>
Total net assets with donor restrictions	<u>\$ 75,697</u>	<u>\$ 73,510</u>

9. Net Assets Released from Restrictions

Net assets released from restrictions as of September 30, 2019 and 2018 were as follows:

	2019	2018
Purpose restrictions accomplished:		
International exchange of students and scholars	\$ 6,375	5,163
Release of appropriated endowment amounts with purpose restrictions	<u>3,096</u>	<u>4,632</u>
Total net assets released from restrictions	<u>\$ 9,471</u>	<u>\$ 9,795</u>

10. Endowment Net Assets

In managing its endowment assets, IIE adheres to the standard of prudence prescribed by the New York Prudent Management of Institutional Funds Act ("NYPMIFA") and considers the following factors:

- The duration and preservation of the endowment fund;
- The purposes of IIE and the endowment fund;
- General economic conditions;
- The possible effect of inflation or deflation;

Institute of International Education, Inc.

Notes to Financial Statements

September 30, 2019 and 2018

(in thousands)

- The expected total return from income and the appreciation of investments;
- Other resources of IIE;
- Alternatives to expenditure of the endowment fund; and
- The investment policy of IIE.

The policy governing the investment of IIE's endowment includes two objectives: (1) provide a reasonable and prudent level of currently expendable income in accordance with the spending policy set by the Board of Trustees (currently 4% of the endowment's moving average fair value over the prior 36 months as of September 30th of the preceding fiscal year in which distribution is planned, unless specified by a donor); and (2) support IIE and its mission over the long term by maintaining future growth of the endowment. Under this policy, the endowment assets are invested in a manner that is intended to produce a return, net of inflation and investment management costs, of at least 5%. Actual returns in any given year may have varied from this amount.

To satisfy its long-term rate-of-return objectives, IIE relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). IIE targets a diversified asset allocation to achieve its long-term objective within prudent risk constraints.

In accordance with current New York State law, IIE is required to preserve the fair value of the original gift as of the gift date for any gifts that are required to be maintained in perpetuity in accordance with the direction of the applicable gift instrument. For these gifts, IIE retains in perpetuity and classifies as net assets with donor restrictions (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. Gift amounts required to be held in perpetuity were \$3,527 as of September 30, 2019 and 2018.

The remaining portion of the donor restricted endowment funds that is not required to be held in perpetuity is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by IIE in a manner consistent with the standard of prudence prescribed by law, at which time, those amounts are reclassified to net assets without donor restrictions. When donor-restricted endowment fund deficits exist in the case of underwater endowments, they are classified as a reduction of net assets with donor restrictions. IIE has interpreted NYPMIFA to permit spending from endowments with a deficit in accordance with prudent measures required under law. There were no underwater endowment funds as of September 30, 2019 and 2018.

Institute of International Education, Inc.
Notes to Financial Statements
September 30, 2019 and 2018

(in thousands)

At September 30, 2019, the endowment net asset composition by type of fund and purpose consisted of the following:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor restricted endowment funds			
Scholarships and professional development	-	11,729	11,729
Scholar Rescue Fund	-	39,443	39,443
Fulbright Legacy Fund	-	9,118	9,118
Board designated endowment funds			
Scholar Rescue Fund	6,781	-	6,781
Fulbright Legacy Fund	9,722	-	9,722
Andrew Heiskell Fund	313	-	313
	<u>\$ 16,816</u>	<u>\$ 60,290</u>	<u>\$ 77,106</u>

At September 30, 2018, the endowment net asset composition by type of fund and purpose consisted of the following:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor restricted endowment funds			
Scholarships and professional development	-	13,364	13,364
Scholar Rescue Fund	-	39,185	39,185
Fulbright Legacy Fund	-	9,323	9,323
Board designated endowment funds			
Scholar Rescue Fund	6,660	-	6,660
Fulbright Legacy Fund	9,560	-	9,560
Andrew Heiskell Fund	331	-	331
	<u>\$ 16,551</u>	<u>\$ 61,872</u>	<u>\$ 78,423</u>

Institute of International Education, Inc.
Notes to Financial Statements
September 30, 2019 and 2018

(in thousands)

Changes in endowment net assets for the years ended September 30, 2019 and 2018 consisted of the following:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets at September 30, 2017	\$ 15,806	\$ 60,773	\$ 76,579
Investment return	1,157	3,933	5,090
Contributions	-	1,798	1,798
Appropriation of endowment assets used for expenditures	<u>(412)</u>	<u>(4,632)</u>	<u>(5,044)</u>
Endowment net assets at September 30, 2018	16,551	61,872	78,423
Investment return	294	1,263	1,557
Contributions	-	251	251
Appropriation of endowment assets used for expenditures	<u>(29)</u>	<u>(3,096)</u>	<u>(3,125)</u>
Endowment net assets at September 30, 2019	<u>\$ 16,816</u>	<u>\$ 60,290</u>	<u>\$ 77,106</u>

11. Sponsored Programs Revenue

Sponsored programs revenue for fiscal years 2019 and 2018 was derived from the following major sponsor categories:

	2019	2018
U.S. government agencies	\$ 230,473	\$ 235,339
Foundations and research organizations	64,979	73,820
Corporations	5,613	7,286
Foreign governments and international organizations	<u>15,695</u>	<u>17,070</u>
Total sponsored programs revenue	<u>\$ 316,760</u>	<u>\$ 333,515</u>

12. Commitments and Contingencies

Operating Leases

Rental expense was \$6,090 and \$5,772 for the years ended September 30, 2019 and 2018, respectively. IIE leases space for certain domestic and overseas offices on a non-cancelable, long-term basis. These agreements, expiring at various dates through fiscal year 2027, permit IIE to sublease such space at its option.

Institute of International Education, Inc.

Notes to Financial Statements

September 30, 2019 and 2018

(in thousands)

Minimum future lease commitments are as follows at September 30, 2019:

Fiscal years		
2020	\$	3,449
2021		3,040
2022		529
2023		511
2024		396
Thereafter		<u>207</u>
	\$	<u>8,132</u>

From time to time, IIE is involved in litigation concerning its business affairs. Management believes that the resolution of all pending litigation will not have a material adverse effect on IIE's financial condition.

IIE engages in activities which are subject to governmental audit from time to time. The ultimate outcome of such audits could result in amounts due to government agencies, which expenses would be absorbed by IIE. In IIE's opinion, such amounts, if any, would not have a material effect on the financial condition or changes in net assets of IIE.

13. Subsequent Events

IIE has performed an evaluation of subsequent events through June 23, 2020, which is the date the financial statements were issued. IIE has determined that all events or transactions, including estimates, required to be recognized in accordance with generally accepted accounting principles, are included in the financial statements.

In November 2019, IIE closed on the sale of its 10-floor condominium real estate property located in New York City. There was no mortgage on the property and net proceeds, after transaction-related expenses and fees, and \$10.4 million was used to fully defease the Series 2014 bonds, totaled \$78.7 million.

In the first quarter of fiscal year 2020, IIE entered into a lease agreement to lease office space at a building in New York City. The new lease commenced in December 2019 and includes escalating rent payments over a 20-year term. Minimum lease payments total \$53,688 over the lease term.

In January 2020, the World Health Organization declared the outbreak of the novel coronavirus (COVID-19) to be a pandemic. IIE is closely monitoring developments as well as the directives of federal, state and local governments and other relevant sources of information and adjusting its work as necessary. While most international educational exchanges currently are paused, IIE's sponsors have asked us to continue work in administering programs, including preparing for new cohorts, providing advisory services to students remotely attending classes, attaining admission for students, finding fellowships for professors, and rescuing scholars, among many other things. While IIE does not believe that COVID-19 will have a material adverse impact on operations, the full impact of COVID-19 and the scope of any adverse impact on IIE's finances and operations cannot be fully determined at this time.

Institute of International Education, Inc.

Schedule of Expenditures of Federal Awards

Year Ended September 30, 2019

Federal Program	Federal Contract ID	CFDA No.	Direct	Pass-Through	Pass-Through Entity	Pass-Through Entity Sponsor Number	Total Federal Expenditures	Passed to Subrecipients
United States Department of State								
Educational and Cultural Affairs Bureau								
Hubert H Humphrey Fellowship Program FY12	S-ECAAS-12-CA-005(DT)	19.010	\$ (957)	\$ -			\$ (957)	\$ -
Hubert H Humphrey Fellowship Program FY13	S-ECAGD-13-CA-008(DT)	19.010	(1,313)	-			(1,313)	-
Hubert H Humphrey Fellowship Program FY14	S-ECAGD-14-CA-1037	19.010	(6,087)	-			(6,087)	-
Hubert H Humphrey Fellowship Program FY15	S-ECAGD-15-CA-1017	19.010	(6,253)	-			(6,253)	-
Hubert H Humphrey Fellowship Program FY16	S-ECAGD-16-CA-1014	19.010	35,274	-			35,274	10,761
Hubert H Humphrey Fellowship Program FY17	S-ECAGD-17-CA-1020	19.010	660,242	-			660,242	186,976
Hubert H Humphrey Fellowship Program FY18	S-ECAGD-18-CA-1027	19.010	6,463,202	-			6,463,202	2,231,284
Hubert H Humphrey Fellowship Program FY19	S-ECAGD-19-CA-0047	19.010	4,451,758	-			4,451,758	960,533
Hubert H Humphrey Embassy of Bangladesh AY19-20	S-BG300-19-GR-0047	19.010	59,352	-			59,352	22,868
			<u>11,655,218</u>	<u>-</u>			<u>11,655,218</u>	<u>3,412,422</u>
Benjamin A. Gilman Scholarship Program FY15	S-ECAGD-15-CA-1029	19.011	10,350	-			10,350	-
Benjamin A. Gilman Scholarship Program FY17	S-ECAGD-17-CA-1057	19.011	(97,956)	-			(97,956)	-
Benjamin A. Gilman Scholarship Program FY18	S-ECAGD-18-CA-0015	19.011	9,495,680	-			9,495,680	89,983
Benjamin A. Gilman Scholarship Program FY19	S-ECAGD-19-CA-0099	19.011	3,528,675	-			3,528,675	-
			<u>12,936,749</u>	<u>-</u>			<u>12,936,749</u>	<u>89,983</u>
Fulbright Student Program FY12	S-ECAAE-12-CA-007 (MJ)	19.400	(1,003)	-			(1,003)	-
Fulbright Student Program FY13	S-ECAGD-13-CA-017 (MJ)	19.400	(8,639)	-			(8,639)	-
Fulbright Student Program FY14	S-ECAGD-14-CA-1017	19.400	(109,401)	-			(109,401)	-
Fulbright Student Program FY15	S-ECAGD-15-CA-1015	19.400	286,415	-			286,415	-
Fulbright Student Program FY16	S-ECAGD-16-CA-1004	19.400	332,018	-			332,018	-
Fulbright Student Program FY17	S-ECAGD-17-CA-1015	19.400	6,720,661	-			6,720,661	830,294
Fulbright Student Program FY18	S-ECAGD-18-CA-1009	19.400	32,902,957	-			32,902,957	1,814,862
Fulbright Student Program FY19	S-ECAGD-19-CA-0045	19.400	41,485,521	-			41,485,521	1,647,469
FY19 Fulbright Israel - AMIDEAST	S-ECAGD-19-CA-0034	19.400	-	26,412	America-Mideast Education & Training	20320-19	26,412	-
			<u>81,608,529</u>	<u>26,412</u>			<u>81,634,941</u>	<u>4,292,625</u>
Fulbright Scholar Program FY13	S-ECAGD-13-CA-013(KF)	19.401	(5,971)	-			(5,971)	-
Fulbright Scholar Program FY14	S-ECAGD-14-CA-1032	19.401	28,333	-			28,333	-
Fulbright Scholar Program FY15	S-ECAGD-15-CA-1016	19.401	851,854	-			851,854	236,924
Fulbright Scholar Program FY16	S-ECAGD-16-CA-1003	19.401	287,560	-			287,560	10,775
Fulbright Scholar Program FY17	S-ECAGD-17-CA-1016	19.401	1,476,417	-			1,476,417	(28,274)
Fulbright Scholar Program FY18	S-ECAGD-18-CA-1024	19.401	15,113,448	-			15,113,448	257,884
Fulbright Scholar Program FY19	S-ECAGD-19-CA-0046	19.401	14,990,307	-			14,990,307	-
Global Innovation Initiative	S-ECAGD-13-CA-149(DT)	19.401	38,212	-			38,212	38,212
			<u>32,780,160</u>	<u>-</u>			<u>32,780,160</u>	<u>515,521</u>
FY13 Fulbright Classroom Teacher Exchange Program	S-ECAGD-13-CA-003(AR)	19.408	(1,178)	-			(1,178)	-
FY15 Fulbright Classroom Teacher Exchange Program	S-ECAGD-15-CA-1011	19.408	70,053	-			70,053	-
FY14 Fulbright Distinguished Awards in Teaching Program	S-ECAGD-14-CA-1021	19.408	4,612	-			4,612	-
FY16 Fulbright Distinguished Awards in Teaching Program	S-ECAGD-16-CA-1006	19.408	223,969	-			223,969	-
FY17 Fulbright Distinguished Awards in Teaching Program	S-ECAGD-17-CA-1010	19.408	168,946	-			168,946	-
FY18 Fulbright Distinguished Awards in Teaching Program	S-ECAGD-18-CA-1022	19.408	979,150	-			979,150	-
			<u>1,445,552</u>	<u>-</u>			<u>1,445,552</u>	<u>-</u>
TechWomen Central Asia 2014-15	S-ECAGD-14-CA-1148	19.415	5,447	-			5,447	-
TechWomen FY15	S-ECAGD-15-CA-1124	19.415	1,330,250	-			1,330,250	-
TechWomen FY18	S-ECAGD-18-CA-0069	19.415	1,321,893	-			1,321,893	-
Stevens Initiative: HIVE	S-ECAGD-16-CA-1126	19.415	-	133,642	Aspen Institute	SI_IIE1_SUBR_2017	133,642	33,899
			<u>2,657,590</u>	<u>133,642</u>			<u>2,791,231</u>	<u>33,899</u>
Open Doors FY17	S-ECAGD-17-GR-1007	19.432	(919)	-			(919)	-
Open Doors FY19	S-ECAGD-19-CA-0042	19.432	347,272	-			347,272	-
Global EducationUSA Services FY2016	S-ECAGD-16-CA-1011	19.432	(12,887)	-			(12,887)	-
Global EducationUSA Services FY2019	S-ECAGD-19-CA-0033	19.432	6,495,460	-			6,495,460	537,436
			<u>6,828,926</u>	<u>-</u>			<u>6,828,926</u>	<u>537,436</u>
International Visitor Leadership Program (IVLP) FY2014	S-ECAGD-14-CA-1026	19.402	77,940	-			77,940	-
International Visitor Leadership Program (IVLP) FY2018	S-ECAGD-18-CA-1011	19.402	9,294,456	-			9,294,456	-
International Visitor Leadership Program (IVLP) FY2019	S-ECAGD-19-CA-0127	19.402	1,132,512	-			1,132,512	-
			<u>10,504,908</u>	<u>-</u>			<u>10,504,908</u>	<u>-</u>
Total Educational and Cultural Affairs Bureau			<u>160,417,632</u>	<u>160,054</u>			<u>160,577,686</u>	<u>8,881,886</u>

The accompanying notes are an integral part of the Schedule.

Institute of International Education, Inc.
Schedule of Expenditures of Federal Awards
Year Ended September 30, 2019

Federal Program	Federal Contract ID	CFDA No.	Direct	Pass-Through	Pass-Through Entity	Pass-Through Entity Sponsor Number	Total Federal Expenditures	Passed to Subrecipients
Near Eastern Affairs Bureau								
NEA Iraq Scholar Rescue FY 2015	S-NEAIQ-14-CA-1001	19.016	\$ 4,425	\$ -			\$ 4,425	\$ -
Iraq Scholar Rescue	S-NEAIR-07-GR-105	19.016	(1,617)	-			(1,617)	-
			2,808	-			2,808	-
Women's Enterprise for Sustainability	S-NEAPI-12-CA-0004	19.500	17,169	-			17,169	-
Women's Enterprise for Sustainability	S-NEAAC-16-GR-1047	19.500	6,767	-			6,767	6,767
			23,936	-			23,936	6,767
SRF USG Iraq Distance Learning Initiatives	S-NEAAC-18-GR-0031	19.600	116,889	-			116,889	-
Syria Consortium for Higher Education	S-NEAPD-14-CA-1003	19.021	620,305	-			620,305	175,000
Global Education USA Academy Jerusalem	S-IS400-19-GR-0024	19.021	32,752	-			32,752	-
			653,057	-			653,057	175,000
Total Near Eastern Affairs Bureau			796,690	-			796,690	181,767
National Institute on Drug Abuse								
16-17 HHH NIDA	NIDA86	19.010	833	-			833	-
FY17 NIDA Humphrey Fellowship Program	NIDA151	19.010	1,001	-			1,001	(487)
FY18 NIDA Humphrey Fellowship Program	HHH1802000	19.010	27,374	-			27,374	7,889
Hubert H Humphrey NIDA AY19-20	HHH1902000	19.010	8,862	-			8,862	-
Total National Institute on Drug Abuse			38,070	-			38,070	7,402
Total United States Department of State			161,252,392	160,054			161,412,446	9,071,055
United States Agency for International Development								
LOTUS Scholarship Program	263-A-00-10-00026-00	98.001	1,805,392	-			1,805,392	138,429
Democracy Fellowships and Grants (DFG) FY2012	AID-OAA-A-12-00039	98.001	2,280,414	-			2,280,414	32,888
Local Scholarship Program(LSP)in Non Public Universities	AID-263-A-15-00020	98.001	6,459,649	-			6,459,649	349,494
Sustainable Higher Education Research Alliances (SHERA)	AID-497-A-16-00004	98.001	3,544,474	-			3,544,474	2,345,421
JAdi Pengusaha Mandiri (JAPRI)	AID-497-A-17-00005	98.001	655,700	-			655,700	252,885
Learning Links Program Girls Literacy Initiative Liberia	AID-669-A-17-00004	98.001	-	80,622	The Kaizen Company	AID-669-A-17-00004-IIE	80,622	-
USAID Lincoln Scholarship Program	72048219CA00002	98.001	34,387	-			34,387	-
			14,780,016	80,622			14,860,638	3,119,117
Egypt STEP FY2014	AID-263-TO-14-00001	98.U01	2,800,580	-			2,800,580	-
Vietnam Partner Capacity Development (PCD) Program	AID-440-TO-14-00001	98.U02	767,578	-			767,578	-
Tanzania Participant Training Program	AID-621-TO-14-00001	98.U03	449,299	-			449,299	-
PRESTASI-3	AID-497-TO-14-00002	98.U04	3,493,547	-			3,493,547	-
PRESTASI II	AID-497-C-12-00004	98.U05	-	512	Indonesia International Education Fdn	67AID-497-C-12-00004	512	-
Research Technical Assistance Center (RTAC)	7200AA18R00023	98.U06	-	182,542	NORC at the University of Chicago	8361.IIE.01	182,542	-
RTAC Bangkok Meeting	8361.105.TM.01.01	98.U07	-	22,412	NORC at the University of Chicago	8361.IIE.02	22,412	-
Total United States Agency for International Development			22,291,020	286,088			22,577,108	3,119,117
United States Department of Defense								
ROTC Language and Culture Project 2013-2018	H98210-13-2-0001	12.357	1,859,382	-			1,859,382	1,681,037
ROTC Language and Culture Project 2018-2023	H98210-18-2-0002	12.357	13,124,674	-			13,124,674	12,054,844
			14,984,056	-			14,984,056	13,735,881
English for Heritage Language Speakers (EHLS) FY17	H98210-15-C-0026	12.U01	-	(2,762)	Center for Applied Linguistics	NSEP01-016-10-SC-IIE-00	(2,762)	-
English for Heritage Language Speakers FY18	H98210-15-C-0026_02	12.U02	-	549	Center for Applied Linguistics	NSEP01-018-10-IIE-00	549	-
English for Heritage Language Speakers FY19	H98210-18-C-0014	12.U03	-	507,189	Center for Applied Linguistics	NSEP01-020-10-IIE-CRSC01	507,189	-
English for Heritage Language Speakers FY20	H98210-18-C-0014	12.U04	-	14,392	Center for Applied Linguistics	NSEP01-022-10-IIE	14,392	-
			-	519,368			519,368	-
Boren-Flagship 2016-21	H98210-16-2-0002	12.550	30,271,646	-			30,271,646	20,591,841
Total United States Department of Defense			45,255,702	519,368			45,775,070	34,327,722
United States Department of Treasury								
IAF Fellowship FY18-20	20343118D00001	21.U01	819	-			819	-
IAF Fellowship FY19 (Task Order 2)	20343119F00003	21.U02	37,128	-			37,128	-
Total United States Department of Treasury			37,947	-			37,947	-

The accompanying notes are an integral part of the Schedule.

Institute of International Education, Inc.
Schedule of Expenditures of Federal Awards
Year Ended September 30, 2019

Federal Program	Federal Contract ID	CFDA No.	Direct	Pass-Through	Pass-Through Entity	Pass-Through Entity Sponsor Number	Total Federal Expenditures	Passed to Subrecipients
United States Embassy								
Latvia Fulbright US Scholar Program	SLG75018GR0035	19.011	\$ 37,680	\$ -			\$ 37,680	\$ -
Support Give it Back program - Phase II	SEG30018GR0064	19.021	36,627	-			36,627	-
BFCE Workshop Keynote Speaker	S-EG-300-15-GR083	19.021	-	11,151	Binational Fulbright Commission in Egypt	0218 BFCE Speaker	11,151	-
Palestinian Higer Education Reform and Partnership Proje	S-IS400-17-GR-0052	19.021	1,222	-			1,222	-
FY17 Iraq Fulbright Visiting Scholar	SIZ-100-16-GR016	19.021	(95,188)	-			(95,188)	-
Global Education USA Academy Cairo	SEG30019GR0063	19.021	4,138	-			4,138	-
			<u>(53,201)</u>	<u>11,151</u>			<u>(42,050)</u>	<u>-</u>
U.S. Study Abroad Capacity Building Program, FY2018-2019	SUP30018GR0086	19.022	7,510	-			7,510	-
Fulbright Moldova ETA	SMD700-17-GR040	19.900	37,763	-			37,763	-
SEA3 Scholar Engagement to Advance Academic Achievement	S-ET100-17-GR-093	19.040	108,230	-			108,230	-
45th Fulbright Moscow Anniversary Award	SRS50017GR0102	19.040	2,940	-			2,940	-
Fulbright Kyrgyzstan, 2018-2019, U.S. Embassy in Kyrgyzs	SKG10018GR0023	19.040	20,926	-			20,926	-
U.S. Higher Education Partnership Forum	SSU400-18-GR-018	19.040	15,660	-			15,660	-
ADSP Evacuation	S-ET100-192-GR-042	19.040	22,424	-			22,424	-
Ambassador's Distinguished Scholars Program	S-ET100-18-GR-097	19.040	46,420	-			46,420	-
Jazz Appreciation Speaker Program	S-ET100-19-GR-033	19.040	8,684	-			8,684	-
OPIC's 2X Initiative	S-USMAF-19-CA-021	19.040	24,291	-			24,291	-
2019 WiSci Program in Ethiopia	S-ET100-19-GR-064	19.040	19,200	-			19,200	-
Fulbright Belarus, US Embassy Belarus	SBO49218GR0006	19.040	9,710	-			9,710	-
Fulbright ETA Greenland	SDA20018GR0008	19.040	25,800	-			25,800	-
Global Education USA Academy Uzbekistan Boston	SUZ80019GR0062	19.040	4,894	-			4,894	-
Global Education USA Academy Uzbekistan JHU	SUZ80019GR0064	19.040	6,404	-			6,404	-
Global Education USA Academy Uzbekistan Northwestern	SUZ80019GR0065	19.040	4,910	-			4,910	-
			<u>320,493</u>	<u>-</u>			<u>320,493</u>	<u>-</u>
Master's level Exchanges for Kosovo Students	S-KV420-11-GR-062	19.415	5,374	-			5,374	-
FB ETAs in Kazakhstan	SKZ10017GR007	19.421	36,059	-			36,059	-
Fulbright Kosovo Master's Level	SKV42017GR0136	19.900	41,061	-			41,061	-
Fulbright Uzbekistan, 2018-2019, U.S. Embassy in Uzbekis	SUZ80018GR0026	19.900	115,131	-			115,131	-
FB Moldova ETA 19-20	SMD70019GR0130	19.900	9,670	-			9,670	-
Fulbright SCA PAS Regional	SKZ10019CA0145	19.900	17,007	-			17,007	-
			<u>182,869</u>	<u>-</u>			<u>182,869</u>	<u>-</u>
Total United States Embassy			<u>574,547</u>	<u>11,151</u>			<u>585,698</u>	<u>-</u>
United States Department of Education								
IRS program	P017A170039	84.U01	92,956	-			92,956	-
Total United States Department of Education			<u>92,956</u>	<u>-</u>			<u>92,956</u>	<u>-</u>
Research and Development Cluster								
United States Department of Health and Human Services								
AY 19-20 Fogarty Fulbright Fellowship Program	n/a	93.989	51,528	-			51,528	-
Total United States Department of Health and Human Services			<u>51,528</u>	<u>-</u>			<u>51,528</u>	<u>-</u>
National Science Foundation								
IRES Track III: Global E3	1829436	47.079	340,569	-			340,569	-
Total National Science Foundation			<u>340,569</u>	<u>-</u>			<u>340,569</u>	<u>-</u>
Total Research and Development Cluster			<u>392,097</u>	<u>-</u>			<u>392,097</u>	<u>-</u>
Total Expenditures of Federal Awards			<u>\$ 229,896,661</u>	<u>\$ 976,661</u>			<u>\$ 230,873,322</u>	<u>\$ 46,517,894</u>

The accompanying notes are an integral part of the Schedule.

Institute of International Education, Inc.
Notes to Schedule of Expenditures of Federal Awards
Year Ended September 30, 2019

1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of Institute of International Education, Inc. ("IIE") under programs of the federal government for the year ended September 30, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a portion of the operations of IIE, it is not intended to and does not present the financial position, changes in net assets, or cash flows of IIE. Catalog of Federal Domestic Assistance ("CFDA") numbers and pass-through numbers are presented for those programs for which such numbers are available. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are recognized on the accrual basis of accounting. Such expenditures are reported following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

3. Indirect Cost Rate

IIE uses an indirect cost rate per the terms of a negotiated indirect cost rate agreement rather than the 10% de minimis rate as described in Section 200.414 of the Uniform Guidance.



Report of Independent Auditors on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Board of Trustees
Institute of International Education, Inc.

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Institute of International Education, Inc. ("IIE"), which comprise the statement of financial position as of September 30, 2019, and the related statements of activities, of functional expenses and of cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 23, 2020, which includes an emphasis of matter paragraph related to a change in the manner in which IIE accounts for revenues from contracts with customers and the manner in which it presents net assets and reports certain aspects of its financial statements as a not-for-profit entity in 2019 due to the adoption of required accounting pronouncements. Our opinion is not modified with respect to these matters.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered IIE's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of IIE's internal control. Accordingly, we do not express an opinion on the effectiveness of IIE's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



Compliance and Other Matters

As part of obtaining reasonable assurance about whether IIE's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of IIE's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering IIE's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

PricewaterhouseCoopers LLP

New York, New York
June 23, 2020



**Report of Independent Auditors on Compliance with Requirements
That Could Have a Direct and Material Effect on Each Major Program and on
Internal Control Over Compliance in Accordance with the Uniform Guidance**

To the Board of Trustees
Institute of International Education, Inc.

Report on Compliance for Each Major Federal Program

We have audited Institute of International Education, Inc.'s ("IIE") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of IIE's major federal programs for the year ended September 30, 2019. IIE's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of IIE's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about IIE's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of IIE's compliance.

Opinion on Each Major Federal Program

In our opinion, IIE complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2019.



Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2019-001. Our opinion on each major federal program is not modified with respect to this matter.

IIE's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. IIE's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of IIE is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered IIE's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of IIE's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify a deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2019-001, that we consider to be a significant deficiency.

IIE's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. IIE's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

PricewaterhouseCoopers LLP

New York, New York
June 23, 2020

Institute of International Education, Inc.

Schedule of Findings and Questioned Costs

Year Ended September 30, 2019

Section I: Summary of Auditors' Results

Financial Statements

Type of Auditors' report issued **Unmodified**

Internal control over financial reporting:

Material weakness(es) identified? Yes X No

Significant deficiency(ies) identified that are not considered to be material weaknesses? Yes X None Reported

Noncompliance material to consolidated financial statements noted? Yes X No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? Yes X No

Significant deficiency(ies) identified that are not considered to be material weaknesses? X Yes None Reported

Type of Auditors' report issued on compliance for major programs **Unmodified**

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? X Yes No

Identification of major programs

CFDA Numbers

19.400
19.408
19.432
98.001
98.001
12.357
12.550

Name of Federal Program or Cluster

Fulbright Student Program
Fulbright Distinguished Awards in Teaching Program
Global EducationUSA Services
Democracy Fellowships and Grants
Local Scholarship Program in Non Public Universities
ROTC Language and Culture Project
Boren-Flagship

Dollar threshold used to distinguish between Type A and Type B Programs \$ 3,000,000

Auditee qualified as low risk auditee? Yes X No

**Institute of International Education, Inc.
 Schedule of Findings and Questioned Costs
 Year Ended September 30, 2019**

Section II – Financial Statement Findings

None noted.

Section III – Federal Awards Findings and Questioned Costs

Finding 2019-001: Allowable Costs/Costs Principles – Cost Transfers (Significant Deficiency)

Federal Agency: Bureau of Educational and Cultural Affairs of the U.S. Department of State; U.S. Department of Defense

CFDA Number and Title	Program Name	Federal Contract ID	Budget Period (Award Year)	Name of Pass-Through Entity
19.400	Fulbright Student Program	S-ECAGD-18-CA-1009 S-ECAGD-17-CA-1015	12/12/2017 - 9/30/2022 (FY18) 12/8/2016 - 9/30/2021 (FY17)	Not applicable
12.357	ROTC Language and Culture Project	H98210-18-2-0002 H98210-13-2-0001	5/1/2018 - 4/30/2023 (FY18) 5/1/2013 - 4/30/2018 (FY13)	Not applicable

Criteria or specific requirement

The Uniform Guidance requires that non-federal entities establish written accounting procedures and policies that support the accumulation of costs consistent with the cost principles delineated in Subpart E. IIE’s cost transfer policy states that the purpose of the policy is to support regulatory compliance on cost with respect to allowability, reasonableness, and allocability. While not explicitly required in the relevant regulations, IIE includes a general timeframe in which cost transfers must be processed (generally within 90 days after the initial charge), and additional approval requirements for circumstances where that timeframe is surpassed.

IIE’s cost transfer policy includes requirements for the documentation and approval that must accompany cost transfers as well as the general timeframe in which cost transfers must be processed (generally within 90 days after the initial charge).

Condition

For the Fulbright Student Program and ROTC Language and Culture Project, we selected a sample of thirty-one cost transfers for testing. Our sample included both payroll and non-payroll corrections/re-distributions. We noted the following with regards to the samples selected for testing:

Program	Total Expenditures Fiscal Year 2019	Total Net Cost Transfers in FY2019	Total Gross Amount of Cost Transfers Selected for Testing	Total Sample Selections	Total Gross Amount of Transfers >90 Days in Sample Selection Noted as Exceptions	Total Sample Selections > 90 Days Noted as Exceptions	Average Days Outstanding for Selections > 90 Days Noted as Exceptions
Fulbright Student Program	\$81,608,529	\$1,299,368	\$348,366	25	\$204,596	7	343
ROTC Language and Culture Project	\$14,984,056	\$6,553	\$247,581	6	\$212,467	4	169

Institute of International Education, Inc.

Schedule of Findings and Questioned Costs

Year Ended September 30, 2019

Questioned costs

There are no questioned costs associated with this finding as the costs transferred were allowable and allocable to the awards to which they were transferred.

Effect

Cost transfers are processed outside of the timeframe referenced in IIE's policy (greater than 90 days).

Cause

Management has a cost transfer policy which includes a general timeframe during which cost transfers should be detected and processed (generally 90 days). While the policy states that items requiring correction should be identified, corrected, and documented in a timely and consistent manner (generally 90 days), there were cost transfers processed in excess of the stated timeframe.

For these two programs, costs were initially miscoded to an incorrect award or incorrect expense accounts within an award and were not identified and transferred until after the suggested 90 days in IIE's policy.

Recommendation

We recommend management educate staff on the cost transfer policy, with a specific emphasis on the importance of processing costs to the correct contract. In addition, we recommend management implement a monthly review of costs for timely detection and processing of any necessary cost transfers.

Views of responsible officials and planned corrective actions

Refer to management's corrective actions on page 37.

Institute of International Education, Inc.

Summary of Status of Prior Year Findings

Year Ended September 30, 2019

Finding 2018-001: Reconciliation of Cash Accounts

Summary

During the prior year audit of cash and cash equivalents, we identified several cash accounts that were not timely reconciled throughout the year. At September 30, 2018, approximately \$567,000 of unadjusted differences existed. Based on our review of the unadjusted differences, they were due to certain 2018 cash transactions not being timely recorded, 2018 cash transactions recorded in incorrect accounts and historical errors in recording cash transactions that were not corrected.

IIE has hired staff to reconcile the fiscal year 2019 monthly balances and made management changes to the general ledger team responsible for review of these monthly reconciliations. IIE continues to perform monthly reconciliations of all cash accounts, resolving any reconciling items in a timely manner.

Status

No adjustments or exceptions related to cash and cash equivalents were noted during the current year audit.

Finding 2018-002: Allowable Costs/Costs Principles – Cost Transfers

Summary

Management has a cost transfer policy which includes a general timeframe during which cost transfers should be detected and processed (generally 90 days). While the policy states that items requiring correction should be identified, corrected, and documented in a timely and consistent manner (generally 90 days), during the prior year audit, we identified certain cost transfers processed in excess of the stated timeframe.

Management noted that mandatory trainings were held in Fall 2019 for all domestic and international team members at all levels and roles within the organization. The training was held in person and virtually and is posted on IIE's intranet for ongoing reference and training. The training covered the importance of proper coding of expenses and time, identification of errors in a timely manner, and the importance of timely cost transfers once an error has been identified.

Status

See finding 2019-001 above.

Finding 2018-003: Procurement

Summary

During the prior year audit, for the Fulbright Student Program, the auditor noted one vendor in our sample selection where competitive pricing documentation was not available. Total costs for this vendor in fiscal year 2018 were \$17,706.

IIE's policies and procedures support the importance of competitive procurements and price analysis, as well as the importance of maintaining audit ready documentation. To address this finding, IIE implemented mandatory procurement training for all IIE team members by December 31, 2019.

Status

No exceptions were noted with respect to procurement testing in the current year audit.



June 23, 2020

PricewaterhouseCoopers LLP
300 Madison Avenue
New York, NY 10017

RE: Fiscal Year 2019 Findings

Dear PricewaterhouseCoopers:

Below please find IIE's response and corrective action plan for the finding contained in the fiscal year 2019 financial statements and uniform guidance audit.

Views of responsible officials and planned corrective actions

As noted by PWC, none of these transfers are questioned on the grounds of allowability or allocability; the transfers were the correct action to take and this finding relates solely to the timeliness of the transfers. IIE is committed to ensuring costs are recorded in accordance with all regulatory and award requirements.

Upon conclusion of the FY2018 audit in late June 2019, IIE implemented mandatory training for all team members on coding and cost transfers. IIE also developed new tools using Microsoft® Power BI, which allows the IIE team members to have dynamic visibility into the costs in close to real time. This has been useful in managing complicated awards with many transactions and participants funded through various sources. This robust tool provides both management-level and detailed grantee-level reporting for insight and discussion in regular financial meetings. Since the implementation of these measures occurred in the last quarter of FY2019 and beginning of FY2020, the results of these efforts are not seen in FY2019.

In response to this finding, IIE will:

- Conduct another mandatory training for all IIE team members on coding and cost transfers. In the trainings, we will review IIE's Cost transfer policy, emphasize the importance and impact of coding, give an overview of the financial coding and monitoring tools that IIE team members are expected to use, review industry best practices and connect people to additional trainings and tools available at IIE for further development according to their role. This training will be completed by December 31, 2020
- The training will continue to be available in an interactive recorded format on IIE's learning platform and will be required for new employees during onboarding.
- IIE will implement a certification from team members that they have processed any necessary cost transfers. Team members who process or approve payments or manage budgets will certify on a regular basis that they have processed any cost transfers identified in the prior month and that all budget reviews have been completed. This will be completed by August 31, 2020

- IIE will hold regular financial review meetings to monitor expenses by program and track any required cost transfers. For any cost transfer not processed in a timely manner, IIE will analyze the root cause and take remedial action as may be necessary. In these meetings, finance and program leadership will review expenditures, identify and track any necessary cost transfers, and review any need for employee education or follow up. We will continue to utilize reporting tools, such as Microsoft® Power BI, to enhance our reporting capabilities. These meetings will begin with the June 2020 monthly accounting close.

Sincerely,

A handwritten signature in black ink, appearing to read "Jason Czyz". The signature is fluid and cursive, written in a professional style.

Jason Czyz
Executive VP and Chief Financial Officer