

**Institute of International
Education, Inc.**

**Report on Federal Awards in
Accordance with OMB Uniform Guidance
September 30, 2020
EIN: 13-1624046**

Institute of International Education, Inc.

Index

September 30, 2020

| | Page(s) |
|---|---------|
| Report of Independent Auditors | 1–2 |
| Statements of Financial Position as of September 30, 2020 and 2019 | 3 |
| Statements of Activities for the Years Ended September 30, 2020 and 2019..... | 4 |
| Statements of Functional Expenses for the Years Ended September 30, 2020 and 2019..... | 5–6 |
| Statements of Cash Flows for the Years Ended September 30, 2020 and 2019..... | 7 |
| Notes to Financial Statements September 30, 2020 and 2019..... | 8–23 |
| Schedule of Expenditures of Federal Awards for the Year Ended September 30, 2020 | 24–26 |
| Notes to Schedule of Expenditures of Federal Awards for the Year Ended September 30, 2020 | 27 |
| 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> | 28–29 |
| 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..... | 30–31 |
| Schedule of Findings and Questioned Costs..... | 32–34 |
| Summary Schedule of Prior Year Findings..... | 35 |
| Management’s Views and Corrective Action Plan | 36-37 |



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, 2020 and 2019, 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, 2020 and 2019, 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.



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, 2020 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 17, 2021 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, 2020. 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 17, 2021

Institute of International Education, Inc.
Statements of Financial Position
September 30, 2020 and 2019

| <i>(in thousands)</i> | <u>2020</u> | <u>2019</u> |
|--|--------------------------|--------------------------|
| Assets | | |
| Cash and cash equivalents | \$ 34,303 | \$ 17,768 |
| Accounts receivable on sponsored programs | 50,073 | 63,447 |
| Contributions receivable, net | 5,052 | 4,792 |
| Investments, at fair value | 195,187 | 115,517 |
| Prepaid expenses and other assets | 8,786 | 7,980 |
| Fixed assets, net | 12,450 | 19,520 |
| Beneficial interests in perpetual trusts held by third parties | <u>3,207</u> | <u>3,133</u> |
| Total assets | \$ <u><u>309,058</u></u> | \$ <u><u>232,157</u></u> |
| Liabilities and Net Assets | | |
| Liabilities | | |
| Accounts payable and accrued expenses | \$ 40,786 | \$ 45,426 |
| Sponsored funds received in advance | 25,476 | 22,704 |
| Bonds payable, net | <u>-</u> | <u>9,784</u> |
| Total liabilities | <u>66,262</u> | <u>77,914</u> |
| Commitments and contingencies | | |
| Net assets | | |
| Without donor restrictions | | |
| Board designated | 99,215 | 16,816 |
| Undesignated, available for general operations | <u>62,376</u> | <u>61,730</u> |
| Total net assets without donor restrictions | 161,591 | 78,546 |
| With donor restrictions | <u>81,205</u> | <u>75,697</u> |
| Total net assets | <u>242,796</u> | <u>154,243</u> |
| Total liabilities and net assets | \$ <u><u>309,058</u></u> | \$ <u><u>232,157</u></u> |

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

Institute of International Education, Inc.
Statements of Activities
Years ended September 30, 2020 and 2019

| <i>(in thousands)</i> | 2020 | | | 2019 | | |
|---|----------------------------|-------------------------|----------------|----------------------------|-------------------------|----------------|
| | Without Donor Restrictions | With Donor Restrictions | Total | Without Donor Restrictions | With Donor Restrictions | Total |
| Revenues | | | | | | |
| Sponsored programs | \$ 263,824 | \$ - | \$ 263,824 | \$ 316,760 | \$ - | \$ 316,760 |
| Contributions | 2,307 | 6,385 | 8,692 | 451 | 10,409 | 10,860 |
| Net assets released from restrictions | 6,387 | (6,387) | - | 9,471 | (9,471) | - |
| Investment return | 4,919 | 5,510 | 10,429 | 868 | 1,249 | 2,117 |
| Gain on sale of building | 79,625 | - | 79,625 | - | - | - |
| Publications and membership fees | 515 | - | 515 | 505 | - | 505 |
| Other revenues | 798 | - | 798 | 881 | - | 881 |
| Total revenues | \$ 358,375 | \$ 5,508 | \$ 363,883 | \$ 328,936 | \$ 2,187 | \$ 331,123 |
| Expenses | | | | | | |
| Program services | | | | | | |
| International exchange of students and scholars | \$ 196,789 | \$ - | \$ 196,789 | \$ 241,043 | \$ - | \$ 241,043 |
| Leadership development educational services | 20,913 | - | 20,913 | 29,915 | - | 29,915 |
| Higher education institutional development | 10,932 | - | 10,932 | 15,462 | - | 15,462 |
| Emergency student and scholar assistance | 8,027 | - | 8,027 | 5,298 | - | 5,298 |
| Research and publications | 1,200 | - | 1,200 | 1,764 | - | 1,764 |
| Total program services | 237,861 | - | 237,861 | 293,482 | - | 293,482 |
| Supporting services | | | | | | |
| Management and general | 35,794 | - | 35,794 | 34,357 | - | 34,357 |
| Fund raising | 1,675 | - | 1,675 | 1,963 | - | 1,963 |
| Total supporting services | 37,469 | - | 37,469 | 36,320 | - | 36,320 |
| Total expenses | 275,330 | - | 275,330 | 329,802 | - | 329,802 |
| Change in net assets | 83,045 | 5,508 | 88,553 | (866) | 2,187 | 1,321 |
| Net assets | | | | | | |
| Beginning of year | 78,546 | 75,697 | 154,243 | 79,412 | 73,510 | 152,922 |
| End of year | \$ 161,591 | \$ 81,205 | \$ 242,796 | \$ 78,546 | \$ 75,697 | \$ 154,243 |

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

Institute of International Education, Inc.
Statement of Functional Expenses
Year Ended September 30, 2020

| (in thousands) | Program Services | | | | | | Supporting Services | | | Total |
|---------------------------------|--|--|---|---|---------------------|---------------------|---------------------|-----------------|------------------------|-------------------|
| | International | Leadership | Higher | Emergency | Research | Total | Management | Fund | Total | |
| | Exchange of Students and Scholars | Development Educational Services | Education Institutional Development | Student and Scholar Assistance | and Publications | Program Services | and General | Raising | Supporting Services | |
| Grantee expenses | | | | | | | | | | |
| Grantee stipends and grants | \$ 85,652 | \$ 7,952 | \$ 157 | \$ 3,560 | \$ - | \$ 97,321 | \$ - | \$ - | \$ - | \$ 97,321 |
| Tuition, books and fees | 25,220 | 15 | 509 | 1,716 | - | 27,460 | - | - | - | 27,460 |
| Enrichment programs | 1,754 | 676 | 141 | 54 | - | 2,625 | - | - | - | 2,625 |
| Grantee travel | 6,039 | 805 | 959 | 45 | - | 7,848 | - | - | - | 7,848 |
| Grantee health insurance | 3,079 | (1) | 2 | 28 | - | 3,108 | - | - | - | 3,108 |
| Other | 1,405 | 95 | 41 | 39 | - | 1,580 | - | - | - | 1,580 |
| | <u>123,149</u> | <u>9,542</u> | <u>1,809</u> | <u>5,442</u> | <u>-</u> | <u>139,942</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>139,942</u> |
| Institute expenses | | | | | | | | | | |
| Employee salaries and benefits | 28,173 | 5,805 | 5,486 | 1,688 | 788 | 41,940 | 17,391 | 1,072 | 18,463 | 60,403 |
| Occupancy | 5,434 | 849 | 905 | 440 | 161 | 7,789 | 6,009 | 280 | 6,289 | 14,078 |
| Travel, receptions and benefits | 2,452 | 469 | 592 | 37 | 29 | 3,579 | 375 | 143 | 518 | 4,097 |
| Communication | 773 | 103 | 212 | 37 | 39 | 1,164 | 1,292 | 62 | 1,354 | 2,518 |
| Purchased services | 34,168 | 3,936 | 1,202 | 356 | 163 | 39,825 | 6,964 | 114 | 7,078 | 46,903 |
| Other | 2,640 | 209 | 726 | 27 | 20 | 3,622 | 3,763 | 4 | 3,767 | 7,389 |
| | <u>73,640</u> | <u>11,371</u> | <u>9,123</u> | <u>2,585</u> | <u>1,200</u> | <u>97,919</u> | <u>35,794</u> | <u>1,675</u> | <u>37,469</u> | <u>135,388</u> |
| | <u>\$ 196,789</u> | <u>\$ 20,913</u> | <u>\$ 10,932</u> | <u>\$ 8,027</u> | <u>\$ 1,200</u> | <u>\$ 237,861</u> | <u>\$ 35,794</u> | <u>\$ 1,675</u> | <u>\$ 37,469</u> | <u>\$ 275,330</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 | 1,387 | 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 | 26 | 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.
Statements of Cash Flows
Years Ended September 30, 2020 and 2019

| | <u>2020</u> | <u>2019</u> |
|---|-------------------------|-------------------------|
| Cash flows from operating activities | | |
| Increase in net assets | \$ 88,553 | \$ 1,321 |
| Adjustments to reconcile increase in net assets to net cash provided by operating activities | | |
| Depreciation and amortization | 3,345 | 4,571 |
| Gain on sale of building | (79,625) | - |
| Loss on bond defeasement | 651 | - |
| Amortization of gain on sale of building | - | (238) |
| Loss on disposal of fixed assets | - | 272 |
| Amortization of bond issuance costs | - | 24 |
| Amortization of premium on bonds | - | (43) |
| Net realized gains on sales of investments | (3,555) | (2,550) |
| Net unrealized (gain) loss on investments | (4,910) | 1,760 |
| Change in value of beneficial interest in perpetual trust | (74) | 62 |
| Change in operating assets and liabilities | | |
| Accounts receivable on sponsored programs | 13,374 | (5,887) |
| Contributions receivable, net | (260) | (36) |
| Prepaid expenses and other assets | (806) | 3,264 |
| Accounts payable and accrued expenses | (4,660) | 4,742 |
| Sponsored funds received in advance | 2,772 | (1,685) |
| Net cash provided by operating activities | <u>14,805</u> | <u>5,577</u> |
| Cash flows from investing activities | | |
| Purchase of investments | (77,091) | (15,102) |
| Proceeds from sale of investments | 6,142 | 16,143 |
| Purchase of fixed assets | (4,987) | (2,115) |
| Proceeds from sale of building | 88,101 | - |
| Net cash provided by (used in) investing activities | <u>12,165</u> | <u>(1,074)</u> |
| Cash flows from financing activities | | |
| Payments made on bond obligations | (10,435) | (605) |
| Net cash used in financing activities | <u>(10,435)</u> | <u>(605)</u> |
| Net increase in cash and cash equivalents | 16,535 | 3,898 |
| Cash beginning of year | <u>17,768</u> | <u>13,870</u> |
| Cash end of year | \$ <u><u>34,303</u></u> | \$ <u><u>17,768</u></u> |
| Supplemental information | | |
| Cash paid for interest | \$ - | \$ 388 |
| Cash paid for taxes | 34 | 128 |

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

Institute of International Education, Inc.

Notes to Financial Statements

September 30, 2020 and 2019

(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, 2020 and 2019

(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, 2020 and 2019, IIE has unrecorded conditional agreements of \$364,589 and \$421,700, respectively.

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

Institute of International Education, Inc.

Notes to Financial Statements

September 30, 2020 and 2019

(in thousands)

services. As a practical expedient, IIE does not adjust the promised amount of consideration for 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. For the year ended September 30, 2020 and 2019, revenues from exchange transactions included in sponsored programs revenue was \$18,841 and \$24,059, respectively. The aggregate amount of the transaction price allocated to performance obligations that are partially unsatisfied as of September 30, 2020 and 2019 was \$42,584 and \$66,104, respectively

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. All short-term, highly liquid investments, which would otherwise qualify as cash equivalents that are included in IIE's investment pool are treated as investments and are therefore excluded from cash and cash equivalents in the statements of cash flows.

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, 2020 and 2019, the allowance for doubtful accounts was \$1,703 and \$1,445, 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 2020 and 2019, IIE's beneficial interests in perpetual trusts increased \$74 and decreased \$62, 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.

Institute of International Education, Inc.

Notes to Financial Statements

September 30, 2020 and 2019

(in thousands)

Retirement Benefits

Retirement benefits coverage is available for substantially all employees, provided through a 403(b) plan. IIE's contributions for fiscal years 2020 and 2019 under the provisions of this defined contribution plan were \$3,149 and \$3,085, respectively.

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 \$2,792 and \$2,404 as of September 30, 2020 and 2019, 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 2020 and 2019 was \$3,345 and \$4,571, respectively.

Institute of International Education, Inc.

Notes to Financial Statements

September 30, 2020 and 2019

(in thousands)

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, 2020 or 2019.

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, 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 November 2016, the FASB issued 2016-18, *Restricted Cash*, which addresses the presentation, disclosure, and cash flow classification of restricted cash and requires that the statements of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Entities are required to reconcile these amounts on the balance sheets to the statements of cash flows and disclose the nature of the restrictions. The standard is effective for fiscal years beginning after December 15, 2018. IIE adopted this standard in fiscal year 2020 which 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.

Institute of International Education, Inc.
Notes to Financial Statements
September 30, 2020 and 2019

(in thousands)

3. Contributions Receivable

As of September 30, 2020 and 2019, contributions receivable are due in the following periods:

| | <u>2020</u> | | <u>2019</u> |
|---------------------------------|-----------------|----|--------------|
| In one year or less | \$ 850 | \$ | 3,172 |
| Between one year and five years | <u>4,313</u> | | <u>1,800</u> |
| | 5,163 | | 4,972 |
| Less: | | | |
| Present value discount | <u>111</u> | | <u>180</u> |
| Net amount | <u>\$ 5,052</u> | \$ | <u>4,792</u> |

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:

| | <u>2020</u> | | <u>2019</u> |
|---|-------------------|----|----------------|
| Financial assets: | | | |
| Cash and cash equivalents | \$ 34,303 | \$ | 17,768 |
| Accounts receivable, net | 50,073 | | 63,447 |
| Contributions receivable due within one year | 850 | | 3,172 |
| Undesignated investments | <u>31,740</u> | | <u>38,411</u> |
| Total financial assets available within one year | \$ 116,966 | \$ | 122,798 |
| Liquidity resources: | | | |
| Bank line of credit (undrawn) | <u>15,000</u> | | <u>15,000</u> |
| Total financial assets and resources available within one year | \$ <u>131,966</u> | \$ | <u>137,798</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, 2020 and 2019, which it could draw upon. Starting in October 2020, the Bank line of credit (undrawn) was reduced to \$10,000.

IIE also has board designated endowment funds of \$99,215 and \$16,816 at September 30, 2020 and 2019, 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.

Institute of International Education, Inc.
Notes to Financial Statements
September 30, 2020 and 2019

(in thousands)

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 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, 2020 and 2019

(in thousands)

IIE's assets with a fair value estimate using net asset value per share as a basis at September 30, 2020 and 2019 are as follows:

| Fair Value Estimated Using Net Assets Value Per Share | | | | | | |
|--|--|--|--------------------------------|------------------------------|----------------------------------|-------------------------------------|
| | Fair Value September 30, 2020 | Fair Value September 30, 2019 | Unfunded Commitment | Settlement Terms* | Redemption Frequency* | Redemption Notice Period |
| International equity funds | \$ 30,647 | \$ 30,658 | \$ - | Redemptions occur at NAV | Monthly | Less than 30 days |
| Domestic equity funds | 17,967 | 18,738 | - | Redemptions occur at NAV | Monthly | Less than 30 days |
| Bond funds | 10,106 | 9,442 | - | Redemptions occur at NAV | Daily | 2 days in advance |
| | <u>\$ 58,720</u> | <u>\$ 58,838</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:

| | <u>2020</u> | <u>2019</u> |
|----------------------------------|------------------|-----------------|
| Interest and dividends | \$ 2,213 | \$ 1,724 |
| Net realized gain | 3,555 | 2,550 |
| Net unrealized gain/(loss) | <u>4,910</u> | <u>(1,760)</u> |
| | 10,678 | 2,514 |
| Less: Investment management fees | <u>(249)</u> | <u>(397)</u> |
| Total investment return | <u>\$ 10,429</u> | <u>\$ 2,117</u> |

Institute of International Education, Inc.
Notes to Financial Statements
September 30, 2020 and 2019

(in thousands)

6. Fixed Assets, Net

Fixed assets as of September 30 consist of the following:

| | Estimated Useful Lives | Asset Value | |
|-----------------------------------|------------------------------|-------------|-----------|
| | | 2020 | 2019 |
| Building | 30 Years | \$ - | \$ 21,286 |
| Furniture | 7 Years | 79 | 100 |
| Equipment | 2-4 Years | 1,794 | 1,534 |
| Software development costs | 3-7 Years | 24,066 | 24,069 |
| Leasehold improvements | 3-25 Years | 7,017 | 9,283 |
| | | 32,956 | 56,272 |
| Less: Accumulated depreciation | | (20,506) | (33,895) |
| | | 12,450 | 22,377 |
| Less: Unamortized deferred credit | | - | (2,857) |
| Total fixed assets, net | | \$ 12,450 | \$ 19,520 |

In November 2019, IIE closed on the sale of its 10-floor condominium interest of its New York headquarters building at 809 United Nations Plaza which resulted in a gain on sale of \$79,625.

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. In conjunction with the sale of the building, the deferred credit balance was removed through the gain on sale of building.

Institute of International Education, Inc.
Notes to Financial Statements
September 30, 2020 and 2019

(in thousands)

7. Bonds Payable, Net

Bonds payable as of September 30 consist of the following:

| | <u>2020</u> | <u>2019</u> |
|-------------------------------|-------------|-----------------|
| Series 2014 bonds | \$ - | \$ 9,565 |
| Unamortized bond premium | - | 509 |
| Deferred financing costs, net | - | <u>(290)</u> |
| Total bonds payable, net | <u>\$ -</u> | <u>\$ 9,784</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 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.

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%.

Concurrently with the sale of the building, see Note 6 above, the Series 2014 bonds were defeased. Proceeds from the sale were placed in an irrevocable trust to provide for all future debt service payments on the Series 2014 bonds and for full repayment of the principal. The promissory note was cancelled and IIE has no further responsibilities regarding the bonds. The loss from the bond defeasance was \$651 and is recorded in Management and General on the statement of activities.

Institute of International Education, Inc.
Notes to Financial Statements
September 30, 2020 and 2019

(in thousands)

8. Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes at September 30, 2020 and 2019:

| | <u>2020</u> | <u>2019</u> |
|--|------------------|------------------|
| Subject to expenditure for specific purpose | | |
| Scholarships and professional development | \$ 12,616 | \$ 11,729 |
| Scholar Rescue Fund | 41,926 | 39,443 |
| Fulbright Legacy Fund | 9,690 | 9,118 |
| Donor restricted contributions for programs | 13,759 | 12,274 |
| | | |
| Beneficial interest in perpetual trust | 3,214 | 3,133 |
| | | |
| Total net assets with donor restrictions | <u>\$ 81,205</u> | <u>\$ 75,697</u> |

9. Net Assets Released from Restrictions

Net assets released from restrictions for the years ended September 30, 2020 and 2019 were as follows:

| | <u>2020</u> | <u>2019</u> |
|--|-----------------|-----------------|
| Purpose restrictions accomplished: | | |
| International exchange of students and scholars | \$ 3,590 | \$ 6,375 |
| | | |
| Release of appropriated endowment amounts with purpose restrictions | <u>2,797</u> | <u>3,096</u> |
| | | |
| Total net assets released from restrictions | <u>\$ 6,387</u> | <u>\$ 9,471</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, 2020 and 2019

(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, 2020 and 2019.

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, 2020 and 2019.

Institute of International Education, Inc.
Notes to Financial Statements
September 30, 2020 and 2019

(in thousands)

At September 30, 2020, the endowment net asset composition by type of fund and purpose consisted of the following:

| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u> |
|---|---|------------------------------------|-------------------|
| Donor restricted endowment funds | | | |
| Scholarships and professional development | \$ - | \$ 12,616 | \$ 12,616 |
| Scholar Rescue Fund | - | 41,926 | 41,926 |
| Fulbright Legacy Fund | - | 9,690 | 9,690 |
| Board designated funds | | | |
| IIE Initiatives Fund | 74,993 | - | 74,993 |
| Scholar Rescue Fund | 7,408 | - | 7,408 |
| Fulbright Legacy Fund | 13,325 | - | 13,325 |
| Gilman Impact and Innovation Fund | 2,668 | - | 2,668 |
| IIE's Children of Employee program | 505 | - | 505 |
| Andrew Heiskell Endowment | 316 | - | 316 |
| Total | <u>\$ 99,215</u> | <u>\$ 64,232</u> | <u>\$ 163,447</u> |

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

| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u> |
|---|---|------------------------------------|------------------|
| 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 funds | | | |
| Scholar Rescue Fund | 6,781 | - | 6,781 |
| Fulbright Legacy Fund | 9,722 | - | 9,722 |
| Andrew Heiskell Endowment | 313 | - | 313 |
| Total | <u>\$ 16,816</u> | <u>\$ 60,290</u> | <u>\$ 77,106</u> |

Institute of International Education, Inc.
Notes to Financial Statements
September 30, 2020 and 2019

(in thousands)

Changes in endowment net assets for the years ended September 30, 2020 and 2019 consisted of the following:

| | <u>Without Donor</u> <u>Restrictions</u> | <u>With Donor</u> <u>Restrictions</u> | <u>Total</u> |
|--|---|--|--------------------------|
| Endowment net assets at September 30, 2018 | \$ 16,551 | \$ 61,872 | \$ 78,423 |
| Investment return | 294 | 1,263 | 1,557 |
| Contributions | - | 251 | 251 |
| Appropriations 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> |
| Investment return | 2,428 | 5,067 | 7,495 |
| Contributions | - | 1,672 | 1,672 |
| Transfer from undesignated net assets | 5,425 | - | 5,425 |
| Board designation of unrestricted funds | 75,000 | - | 75,000 |
| Appropriations of endowment assets used for expenditures | <u>(454)</u> | <u>(2,797)</u> | <u>(3,251)</u> |
| Endowment net assets at September 30, 2020 | \$ <u><u>99,215</u></u> | \$ <u><u>64,232</u></u> | \$ <u><u>163,447</u></u> |

11. Sponsored Programs Revenue

Sponsored programs revenue for fiscal years 2020 and 2019 was derived from the following major sponsor categories:

| | <u>2020</u> | <u>2019</u> |
|---|--------------------------|--------------------------|
| U.S. government agencies | \$ 191,286 | \$ 230,473 |
| Foundations and research organizations | 52,756 | 64,979 |
| Corporations | 5,351 | 5,613 |
| Foreign governments and international organizations | <u>14,431</u> | <u>15,695</u> |
| Total sponsored programs revenue | \$ <u><u>263,824</u></u> | \$ <u><u>316,760</u></u> |

12. Commitments and Contingencies

Operating Leases

Rental expense was \$7,422 and \$6,090 for the years ended September 30, 2020 and 2019, 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.

In December 2020, IIE entered into a 20 year lease agreement to lease office space at a building in New York City. Minimum lease payments total \$53,688 over the lease term.

Institute of International Education, Inc.

Notes to Financial Statements

September 30, 2020 and 2019

(in thousands)

Minimum future lease commitments are as follows at September 30, 2020:

| Fiscal years | | |
|---------------------|----|----------------------|
| 2021 | \$ | 5,312 |
| 2022 | | 5,297 |
| 2023 | | 3,783 |
| 2024 | | 2,969 |
| 2025 | | 2,688 |
| Thereafter | | <u>41,703</u> |
| | \$ | <u><u>61,752</u></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.

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.

13. Subsequent Events

IIE has performed an evaluation of subsequent events through June 17 2021, 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.

Institute of International Education, Inc.
Schedule of Expenditures of Federal Awards
Year Ended September 30, 2020

| 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 FY15 | S-ECAGD-15-CA-1017 | 19.010 | \$ (2,761) | \$ - | | | \$ (2,761) | \$ - |
| Hubert H Humphrey Fellowship Program FY16 | S-ECAGD-16-CA-1014 | 19.010 | (16,189) | - | | | (16,189) | (34) |
| Hubert H Humphrey Fellowship Program FY17 | S-ECAGD-17-CA-1020 | 19.010 | 49,850 | - | | | 49,850 | (6,375) |
| Hubert H Humphrey Fellowship Program FY18 | S-ECAGD-18-CA-1027 | 19.010 | 1,054,208 | - | | | 1,054,208 | 238,285 |
| Hubert H Humphrey Fellowship Program FY19 | S-ECAGD-19-CA-0047 | 19.010 | 5,667,227 | - | | | 5,667,227 | 1,778,373 |
| Hubert H Humphrey Fellowship Program FY20 | S-ECAGD-20-CA-0002 | 19.010 | 2,377,003 | - | | | 2,377,003 | 431,005 |
| | | | 9,129,338 | - | | | 9,129,338 | 2,441,253 |
| Benjamin A. Gilman Scholarship Program FY17 | S-ECAGD-17-CA-1057 | 19.011 | (14,017) | - | | | (14,017) | - |
| Benjamin A. Gilman Scholarship Program FY18 | S-ECAGD-18-CA-0015 | 19.011 | 60,003 | - | | | 60,003 | - |
| Benjamin A. Gilman Scholarship Program FY19 | S-ECAGD-19-CA-0099 | 19.011 | 6,763,924 | - | | | 6,763,924 | - |
| Benjamin A. Gilman Scholarship Program FY20 | S-ECAGD-20-CA-0038 | 19.011 | 508,493 | - | | | 508,493 | - |
| | | | 7,318,403 | - | | | 7,318,403 | - |
| Fulbright Student Program FY14 | S-ECAGD-14-CA-1017 | 19.400 | (237,349) | - | | | (237,349) | - |
| Fulbright Student Program FY15 | S-ECAGD-15-CA-1015 | 19.400 | (1,525,471) | - | | | (1,525,471) | - |
| Fulbright Student Program FY16 | S-ECAGD-16-CA-1004 | 19.400 | 1,175,435 | - | | | 1,175,435 | - |
| Fulbright Student Program FY17 | S-ECAGD-17-CA-1015 | 19.400 | (112,808) | - | | | (112,808) | - |
| Fulbright Student Program FY18 | S-ECAGD-18-CA-1009 | 19.400 | 7,145,147 | - | | | 7,145,147 | 784,983 |
| Fulbright Student Program FY19 | S-ECAGD-19-CA-0045 | 19.400 | 37,904,648 | - | | | 37,904,648 | 2,255,117 |
| Fulbright Student Program FY20 | S-ECAGD-20-CA-0009 | 19.400 | 29,855,331 | - | | | 29,855,331 | - |
| FY20 Fulbright Israel - AMIDEAST | S-ECAGD-20-CA-0007 | 19.400 | - | 23,237 | America-Mideast Education & Training | NO. 20219-20 | 23,237 | - |
| | | | 74,204,934 | 23,237 | | | 74,228,171 | 3,040,099 |
| Fulbright Scholar Program FY13 | S-ECAGD-13-CA-013(KF) | 19.401 | (13,667) | - | | | (13,667) | - |
| Fulbright Scholar Program FY14 | S-ECAGD-14-CA-1032 | 19.401 | (3,266) | - | | | (3,266) | - |
| Fulbright Scholar Program FY15 | S-ECAGD-15-CA-1016 | 19.401 | 27,121 | - | | | 27,121 | (2,394) |
| Fulbright Scholar Program FY16 | S-ECAGD-16-CA-1003 | 19.401 | 1,364,933 | - | | | 1,364,933 | 344,488 |
| Fulbright Scholar Program FY17 | S-ECAGD-17-CA-1016 | 19.401 | 181,216 | - | | | 181,216 | (54,686) |
| Fulbright Scholar Program FY18 | S-ECAGD-18-CA-1024 | 19.401 | 656,242 | - | | | 656,242 | 20,521 |
| Fulbright Scholar Program FY19 | S-ECAGD-19-CA-0046 | 19.401 | 14,174,829 | - | | | 14,174,829 | 229,906 |
| Fulbright Scholar Program FY20 | S-ECAGD-20-CA-0008 | 19.401 | 8,294,622 | - | | | 8,294,622 | - |
| | | | 24,682,030 | - | | | 24,682,030 | 537,835 |
| International Visitor Leadership Program (IVLP) FY2014 | S-ECAGD-14-CA-1026 | 19.402 | (1,033) | - | | | (1,033) | - |
| International Visitor Leadership Program (IVLP) FY2019 | S-ECAGD-18-CA-1011 | 19.402 | 663,409 | - | | | 663,409 | - |
| International Visitor Leadership Program (IVLP) FY2020 | S-ECAGD-19-CA-0127 | 19.402 | 4,927,548 | - | | | 4,927,548 | - |
| | | | 5,589,924 | - | | | 5,589,924 | - |
| FY14 Fulbright Distinguished Awards in Teaching Program | S-ECAGD-14-CA-1021 | 19.408 | 389 | - | | | 389 | - |
| FY15 Fulbright Classroom Teacher Exchange Program | S-ECAGD-15-CA-1011 | 19.408 | 144 | - | | | 144 | - |
| FY16 Fulbright Distinguished Awards in Teaching Program | S-ECAGD-16-CA-1006 | 19.408 | 6,342 | - | | | 6,342 | - |
| FY17 Fulbright Distinguished Awards in Teaching Program | S-ECAGD-17-CA-1010 | 19.408 | 11,075 | - | | | 11,075 | - |
| FY18 Fulbright Distinguished Awards in Teaching Program | S-ECAGD-18-CA-1022 | 19.408 | 7,123 | - | | | 7,123 | - |
| | | | 25,073 | - | | | 25,073 | - |
| TechWomen FY15 | S-ECAGD-15-CA-1124 | 19.415 | 34,537 | - | | | 34,537 | - |
| TechWomen FY18 | S-ECAGD-18-CA-0069 | 19.415 | 2,296,401 | - | | | 2,296,401 | - |
| Stevens Initiative: HIVE | S-ECAGD-16-CA-1126 | 19.415 | - | 259,835 | Aspen Institute | SI_IIE1_SUBR_2017 | 259,835 | 139,197 |
| | | | 2,330,938 | 259,835 | | | 2,590,773 | 139,197 |
| Global EducationUSA Services FY2019 | S-ECAGD-19-CA-0033 | 19.432 | 6,822,158 | - | | | 6,822,158 | - |
| EducationUSA Leadership Institutes FY2017 | S-ECAGD-16-CA-1137 | 19.432 | 24,023 | - | | | 24,023 | - |
| Open Doors FY19 | S-ECAGD-19-CA-0042 | 19.432 | 152,728 | - | | | 152,728 | - |
| Open Doors FY20 | S-ECAGD-20-CA-0015 | 19.432 | 312,624 | - | | | 312,624 | - |
| | | | 7,311,533 | - | | | 7,311,533 | - |
| Total Educational and Cultural Affairs Bureau | | | 130,592,173 | 283,072 | | | 130,875,244 | 6,158,384 |

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, 2020

| 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 | | | | | | | | |
| SRF USG Iraq Distance Learning Initiatives | S-NEAAC-18-GR-0031 | 19.600 | \$ 84,361 | \$ - | | | \$ 84,361 | \$ - |
| | | | 84,361 | - | | | 84,361 | - |
| Syria Consortium for Higher Education | S-NEAPD-14-CA-1003 | 19.021 | 603,689 | - | | | 603,689 | 175,000 |
| SRF Yemen FY19 | SYE70019CA0007 | 19.021 | 139,930 | - | | | 139,930 | 75,000 |
| | | | 743,620 | - | | | 743,620 | 250,000 |
| Total Near Eastern Affairs Bureau | | | 827,981 | - | | | 827,981 | 250,000 |
| National Institute on Drug Abuse | | | | | | | | |
| FY16 NIDA Humphrey Fellowship Program | NIDA86 | 19.010 | (2,879) | - | | | (2,879) | - |
| FY17 NIDA Humphrey Fellowship Program | NIDA 151 | 19.010 | 39 | - | | | 39 | - |
| FY18 NIDA Humphrey Fellowship Program | HHH1802000 | 19.010 | 856 | - | | | 856 | (0) |
| FY19 NIDA Humphrey Fellowship Program | HHH1902000 | 19.010 | 38,450 | - | | | 38,450 | 18,865 |
| Hubert H Humphrey NIDA AY20-21 | HHH2002000 | 19.010 | 5,322 | - | | | 5,322 | 4,358 |
| | | | 41,788 | - | | | 41,788 | 23,222 |
| Total National Institute on Drug Abuse | | | 41,788 | - | | | 41,788 | 23,222 |
| Total United States Department of State | | | 131,461,941 | 283,072 | | | 131,745,013 | 6,431,606 |
| United States Agency for International Development | | | | | | | | |
| LOTUS Scholarship Program | 263-A-00-10-00026-00 | 98.001 | 684,669 | - | | | 684,669 | 53,239 |
| Democracy Fellowships and Grants (DFG) FY2012 | AID-OAA-A-12-00039 | 98.001 | 1,185,348 | - | | | 1,185,348 | - |
| Local Scholarship Program(LSP)in Non Public Universities | AID-263-A-15-00020 | 98.001 | 6,786,610 | - | | | 6,786,610 | 2,318,741 |
| Sustainable Higher Education Research Alliances (SHERA) | AID-497-A-16-00004 | 98.001 | 1,816,001 | - | | | 1,816,001 | 947,048 |
| Jadi Pengusaha Mandiri (JAPRI) | AID-497-A-17-00005 | 98.001 | 774,940 | - | | | 774,940 | 307,657 |
| Learning Links Program Girls Literacy Initiative Liberia | AID-669-A-17-00004 | 98.001 | - | 2,048 | The Kaizen Company | AID-669-A-17-00004-IIE | 2,048 | - |
| USAID Lincoln Scholarship Program | 72048219CA00002 | 98.001 | 1,809,047 | - | | | 1,809,047 | 126,893 |
| | | | 13,056,614 | 2,048 | | | 13,058,662 | 3,753,578 |
| Egypt STEP FY2014 | AID-263-TO-14-00001 | 98.U00 | (43,581) | - | | | (43,581) | - |
| Vietnam Partner Capacity Development (PCD) Program | AID-440-TO-14-00001 | 98.U01 | 744 | - | | | 744 | - |
| PRESTASI-3 | AID-497-TO-14-00002 | 98.U03 | 777,954 | - | | | 777,954 | - |
| Research Technical Assistance Center (RTAC) | 7200AA18R00023 | 98.U05 | - | 214,199 | NORC at the University of Chicago | 8361.IIE.01 | 214,199 | - |
| RTAC Bangkok Meeting | 8361.105.TM.01.01 | 98.U06 | - | 78,878 | NORC at the University of Chicago | 8361.IIE.02 | 78,878 | - |
| Total United States Agency for International Development | | | 13,791,731 | 295,125 | | | 14,086,855 | 3,753,578 |
| United States Department of Defense | | | | | | | | |
| ROTC Language and Culture Project 2018-2023 | H98210-18-2-0002 | 12.357 | 16,937,049 | - | | | 16,937,049 | 15,896,448 |
| | | | 16,937,049 | - | | | 16,937,049 | 15,896,448 |
| Boren-Flagship 2016-21 | H98210-16-2-0002 | 12.550 | 25,268,172 | - | | | 25,268,172 | 19,306,616 |
| | | | 25,268,172 | - | | | 25,268,172 | 19,306,616 |
| English for Heritage Language Speakers FY20 | H98210-18-C-0014 | 12.U03 | - | 521,733 | Center for Applied Linguistics | NSEP01-024-10-IIE | 521,733 | - |
| English for Heritage Language Speakers FY21 | H98210-18-C-0014 | 12.U04 | - | 18,674 | Center for Applied Linguistics | NSEP01-022-10-IIE | 18,674 | - |
| | | | - | 540,407 | | | 540,407 | - |
| Total United States Department of Defense | | | 42,205,220 | 540,407 | | | 42,745,627 | 35,203,064 |
| United States Department of Treasury | | | | | | | | |
| IAF Fellowship FY19 (Task Order 2) | 20343119F00003 | 21.U01 | (5) | - | | | (5) | - |
| Total United States Department of Treasury | | | (5) | - | | | (5) | - |

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, 2020

| 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 | \$ 12,320 | \$ - | | | \$ 12,320 | \$ - |
| | | | 12,320 | - | | | 12,320 | - |
| Support Give it Back program - Phase II | SEG30018GR0064 | 19.021 | 5,198 | - | | | 5,198 | - |
| Palestinian Higer Education Reform and Partnership Project | S-IS400-17-GR-0052 | 19.021 | 21,516 | - | | | 21,516 | - |
| FY17 Iraq Fulbright Visiting Scholar | SIZ-100-16-GR016 | 19.021 | 493 | - | | | 493 | 205,419 |
| Palestinian HE delegation to AIEA | SIS50020GR0003 | 19.021 | 38,834 | - | | | 38,834 | - |
| | | | 66,042 | - | | | 66,042 | 205,419 |
| FY20 EDUSA Abu Dhabi Embassy Agreement | STC10020GR0004 | 19.022 | 5,858 | - | | | 5,858 | - |
| | | | 5,858 | - | | | 5,858 | - |
| SEA3 Scholar Engagement to Advance Academic Achievement | S-ET100-17-GR-093 | 19.040 | (39,117) | - | | | (39,117) | - |
| 45th Fulbright Moscow Anniversary Award | SRS50017GR0102 | 19.040 | 7,947 | - | | | 7,947 | - |
| Fulbright Kyrgyzstan, 2018-2019, U.S. Embassy in Kyrgyz | SKG10018GR0023 | 19.040 | 11 | - | | | 11 | - |
| ADSP Evacuation | S-ET100-19-GR-042 | 19.040 | (11,141) | - | | | (11,141) | - |
| Ambassador's Distinguished Scholars Program | S-ET100-18-GR-097 | 19.040 | 192,684 | - | | | 192,684 | - |
| Denmark ETA Award | SDA20019GR0033 | 19.040 | 5,000 | - | | | 5,000 | - |
| US-India Higher Education Collaboration | SIN65019CA0101 | 19.040 | 29,980 | - | | | 29,980 | - |
| Liberian HEIs workshop | SLI60020CA0003 | 19.040 | 3,145 | - | | | 3,145 | - |
| Sudan Partnership Forum Follow On | SSU40019GR0050 | 19.040 | 1,916 | - | | | 1,916 | - |
| | | | 190,424 | - | | | 190,424 | - |
| Master's level Exchanges for Kosovo Students | S-KV420-11-GR-062 | 19.415 | 724 | - | | | 724 | - |
| | | | 724 | - | | | 724 | - |
| Fulbright ETAs in Kazakhstan | SKZ10017GR007 | 19.421 | (2,509) | - | | | (2,509) | - |
| | | | (2,509) | - | | | (2,509) | - |
| Fulbright Kosovo Master's Level | SKV42017GR0136 | 19.900 | 150,651 | - | | | 150,651 | - |
| Fulbright Uzbekistan, 2018-2019, U.S. Embassy in Uzbekis | SUZ80018GR0026 | 19.900 | 59,001 | - | | | 59,001 | - |
| Fulbright Moldova ETA 19-20 | SMD70019GR0130 | 19.900 | 10,200 | - | | | 10,200 | - |
| Fulbright SCA PAS Regional | SKZ10019CA0145 | 19.900 | 348,424 | - | | | 348,424 | - |
| Fulbright Uzbekistan ETA Expansion | SUZ80020CA0032 | 19.900 | 634 | - | | | 634 | - |
| Strengthening Ukrainian Displaced Universities for Susta | SUP300-19-CA-0308 | 19.900 | 151,368 | - | | | 151,368 | - |
| | | | 720,277 | - | | | 720,277 | - |
| Fulbright Afghanistan Enhancement Award | SAF20020CA0005 | 19.501 | 147,393 | - | | | 147,393 | - |
| | | | 147,393 | - | | | 147,393 | - |
| Hubert H Humphrey Embassy of Bangladesh AY19-20 | SBG30019GR0047 | 19.010 | 128,520 | - | | | 128,520 | 63,847 |
| | | | 128,520 | - | | | 128,520 | 63,847 |
| Total United States Embassy | | | 1,269,049 | - | | | 1,269,049 | 269,266 |
| United States Department of Education | | | | | | | | |
| IRS Program | P017A170039 | 84.017 | 105,565 | - | | | 105,565 | - |
| Total United States Department of Education | | | 105,565 | - | | | 105,565 | - |
| Research and Development Cluster | | | | | | | | |
| United States Department of Health and Human Services (HHS) | | | | | | | | |
| AY 19-20 Fogarty Fulbright Fellowship Program | n/a | 93.989 | 14,878 | - | | | 14,878 | - |
| Total United States Department of Health and Human Services (HHS) | | | 14,878 | - | | | 14,878 | - |
| National Science Foundation (NSF) | | | | | | | | |
| IRES Track III: Global E3 | 1829436 | 47.079 | 183,072 | - | | | 183,072 | - |
| Total National Science Foundation (NSF) | | | 183,072 | - | | | 183,072 | - |
| Total Research and Development Cluster | | | 197,950 | - | | | 197,950 | - |
| Total Expenditures of Federal Awards | | | \$ 189,031,451 | \$ 1,118,603 | | | \$ 190,150,054 | \$ 45,657,514 |

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, 2020

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, 2020. 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, 2020, 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 17, 2021.

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") as a basis for designing 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 financial statements. 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 17, 2021



**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, 2020. 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, 2020.



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 2020-001. 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 2020-001, 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 17, 2021

Institute of International Education, Inc.

Schedule of Findings and Questioned Costs

Year Ended September 30, 2020

Section I: Summary of Auditors' Results

Financial Statements

Type of Auditors' report issued: **Unmodified**

Internal control over financial reporting:

Material weakness(es) identified? Yes No

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

Noncompliance material to consolidated financial Statements noted? Yes No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? Yes No

Significant deficiency(ies) identified that are not considered to be material weaknesses? 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)? Yes No

Identification of major programs

| CFDA Numbers | Name of Federal Program or Cluster |
|--------------|---|
| 19.401 | Fulbright Scholar Program |
| 19.010 | Humphrey Fellowship Program |
| 98.001 | USAID Lincoln Scholarship Program |
| 98.001 | Sustainable Higher Education Research Alliances (SHERA) |
| 19.011 | Gilman Scholarship Program |

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

Auditee qualified as low risk auditee? Yes No

**Institute of International Education, Inc.
 Schedule of Findings and Questioned Costs
 Year Ended September 30, 2020**

Section II – Financial Statement Findings

None noted.

Section III – Federal Awards Findings and Questioned Costs

Finding 2020-001: Allowable Costs/Costs Principles – Cost Transfers (Significant Deficiency)

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

| CFDA Number and Title | Program Name | Federal Contract ID | Budget Period (Award Year) | Name of Pass-Through Entity |
|-----------------------|---------------------------|--|---|-----------------------------|
| 19.401 | Fulbright Scholar Program | S-ECAGD-16-CA-1003 S-ECAGD-18-CA-1024 S-ECAGD-19-CA-0046 | 11/13/2015 – 9/30/2020 (FY16) 12/22/2017 – 12/31/2021 (FY18) 12/14/2018 – 9/30/2023 (FY19) | Not applicable |
| 19.400 | Fulbright Student Program | S-ECAGD-15-CA-1015 S-ECAGD-16-CA-1004 S-ECAGD-19-CA-0045 S-ECAGD-20-CA-0009 | 12/11/2014-9//30/2019 (FY15) 10/29/2015-9/30/2020 (FY16) 10/01/2018-9/30/2023 (FY19) 10/01/2019-9/30/2024 (FY20) | 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.

Condition

For the Fulbright Student and Scholar Programs, we selected a sample of 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 2020 | Total Net Cost Transfers in FY2020 | 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 Scholar Program | \$24,682,030 | \$(203,872) | \$80,185 | 14 | \$68,357 | 7 | 534 |
| Fulbright Student Program | \$74,228,171 | \$(448,952) | \$32,800 | 10 | \$2,728 | 8 | 719 |

Institute of International Education, Inc.

Schedule of Findings and Questioned Costs

Year Ended September 30, 2020

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 were processed outside of the timeframe referenced in IIE's policy, which requires additional approval. IIE did obtain the additional approval for those cost transfers. IIE's cost transfer policy states, "transfers completed more than 90 days after initial charge are allowed but require Controller approval".

Cause

Management has a cost transfer policy which includes a general timeframe during which cost transfers must be approved by the Controller (over 90 days). While the policy states that items requiring correction should be identified, corrected, and documented in a timely and consistent manner, there were cost transfers processed after 90 days, which received the required internal approval. Costs were initially miscoded to an award and were not identified and transferred until after 90 days from initial charge.

Recommendation

We recommend management continue to 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 continue to 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 36.

Institute of International Education, Inc.
Summary Schedule of Prior Audit Findings
Year Ended September 30, 2020

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

Summary

During the prior year audit of cost transfers, PwC identified 11 cost transfers between the Fulbright Student Program and ROTC Language and Culture Project that were processed after 90 days, which received the required internal approval.

IIE implemented a mandatory training for staff on coding and cost transfers. IIE also developed new tools including Microsoft PowerBI, which allows the IIE team members to have dynamic visibility into the costs in close to real time. Additionally, IIE implemented a certification process for team members to ensure they have processed any necessary cost transfers identified in the prior month and that all budget reviews had been completed.

Status

See finding 2020-001 above.



The Power
of International
Education

June 2, 2021

PricewaterhouseCoopers LLP
300 Madison Avenue
New York, NY 10017

RE: Fiscal Year 2020 Findings

Dear PricewaterhouseCoopers:

Below please find IIE's response and corrective action plan for the finding contained in the fiscal year 2020 financial statements and uniform guidance audit.

Views of responsible officials and planned corrective actions

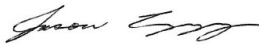
As noted by PWC, none of these transfers are questioned on the grounds of allowability or allocability; the transfers were the correct action to take, and this finding relates solely to the timeliness of the transfers. IIE remains committed to ensuring costs are recorded in accordance with all regulatory and award requirements. Therefore, upon conclusion of the FY2019 audit in late June 2020, IIE implemented several measures to increase employee awareness and knowledge and closely monitor cost transfers. A mandatory training for all team members on coding and cost transfers was released in July 2020 and completed by all team members by August 31, 2020. It has been available on IIE's learning platform since its release and the training was incorporated into the onboarding process. New team members are required to complete the coding and cost transfer training within five business days of starting employment at IIE. In June 2020, we also implemented a monthly certification for team members who approve or process payments to confirm that team members have processed any necessary cost transfers. Additionally, the Program Finance & Business Analytics team (PFA) documents all cost transfers over 90 days, including identifying the root cause of the transfer and any opportunities for process improvements. In early June 2020, the IIE Executive Team met with the Senior Director of PFA to review all cost transfers fiscal year to date in FY2020. Starting with the June 2020 month close, IIE has met to review monthly cost transfers over 90 days.

As a result of the above efforts, IIE has seen improvements in coding and cost transfer timing and will continue implementing best practices, including: mandatory training; regular certifications; and regular financial reviews, including root cause analysis.

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 team members to additional trainings and tools available at IIE for further development according to their role. This training will be completed by September 30, 2021, will continue to be available in a recorded format on IIE's learning platform, and will continue to be required for new employees during onboarding.
- Continue the certification process. 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.
- Continue to hold regular financial review meetings to monitor expenses by program and track any required cost transfers. 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. For any cost transfer not processed in a timely manner, IIE will analyze the root cause and take remedial action as may be necessary.

Sincerely,



Jason Czyz
Executive VP and Chief Financial Officer