

# **Institute of International Education, Inc.**

**Financial Statements  
September 30, 2019 and 2018**

# Institute of International Education, Inc.

## Index

September 30, 2019 and 2018

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## Report of Independent Auditors

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

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

### ***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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to IIE's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of IIE's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Institute of International Education, Inc. as of September 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

***Emphasis of Matter***

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

*PricewaterhouseCoopers LLP*

New York, New York  
June 23, 2020

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

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

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

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

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

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

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

	Program Services					Supporting Services			Total	
	International Exchange of Students and Scholars	Leadership Development Educational Services	Higher Education Institutional Development	Emergency Student and Scholar Assistance	Research and Publications	Total Program Services	Management and General	Fund Raising		Total Supporting Services
<i>(in thousands)</i>										
<b>Grantee expenses</b>										
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>
<b>Institute expenses</b>										
Employee salaries and benefits	25,814	5,607	5,746	1,442	838	39,447	16,885	1,231	18,116	57,563
Occupancy	5,181	910	1,001	322	184	7,598	4,692	272	4,964	12,562
Travel, receptions and benefits	5,341	966	1,458	157	71	7,993	964	107	1,071	9,064
Communication	826	140	380	32	28	1,406	1,386	60	1,446	2,852
Purchased services	38,460	2,293	2,814	340	311	44,218	8,061	257	8,318	52,536
Other	3,504	376	826	35	34	4,775	2,369	25	2,394	7,169
	<u>79,126</u>	<u>10,292</u>	<u>12,225</u>	<u>2,328</u>	<u>1,466</u>	<u>105,437</u>	<u>34,357</u>	<u>1,952</u>	<u>36,309</u>	<u>141,746</u>
	<u>\$ 241,043</u>	<u>\$ 29,915</u>	<u>\$ 15,462</u>	<u>\$ 5,298</u>	<u>\$ 1,764</u>	<u>\$ 293,482</u>	<u>\$ 34,357</u>	<u>\$ 1,963</u>	<u>\$ 36,320</u>	<u>\$ 329,802</u>

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

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

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

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

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

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

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

# **Institute of International Education, Inc.**

## **Notes to Financial Statements**

### **September 30, 2019 and 2018**

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(in thousands)

#### **1. Description of Organization**

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

##### **Institute of International Education, Inc.**

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

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

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

#### **2. Summary of Significant Accounting Policies**

##### **Basis of Presentation**

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

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

# Institute of International Education, Inc.

## Notes to Financial Statements

### September 30, 2019 and 2018

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(in thousands)

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

#### **Use of Estimates**

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

#### **Revenues from Sponsored Programs**

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

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

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

# Institute of International Education, Inc.

## Notes to Financial Statements

### September 30, 2019 and 2018

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(in thousands)

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

#### **Contributions Receivable**

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

#### **Cash Equivalents**

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

#### **Accounts receivable on sponsored programs**

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

#### **Beneficial Interests in Perpetual Trusts Held by Third Parties**

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

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

#### **Sponsored Funds Received in Advance**

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

#### **Retirement Benefits**

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

# **Institute of International Education, Inc.**

## **Notes to Financial Statements**

### **September 30, 2019 and 2018**

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(in thousands)

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

#### **Functional Allocation**

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

#### **Investments**

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

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

#### **Fixed Assets**

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

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

#### **Indirect Costs**

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

# Institute of International Education, Inc.

## Notes to Financial Statements

### September 30, 2019 and 2018

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(in thousands)

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

#### **Taxes**

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

#### **Recent Accounting Pronouncements**

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

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

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

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(in thousands)

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

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

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

**3. Contributions Receivable**

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

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

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**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:

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

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

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

**5. Financial Instruments**

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

- Level 1 Quoted prices are available in active markets for identical investments as of the reporting date, without adjustment. The type of investments in Level 1 includes listed equities held in the name of IIE, and excludes listed equities and other securities held indirectly through commingled funds.
- Level 2 Pricing inputs, including broker quotes, are generally those other than exchange quoted prices in active markets, which are either directly or indirectly observable as of

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(in thousands)

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

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

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

**Market Approach**

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

**Cost Approach**

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

**Income Approach**

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

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

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

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(in thousands)

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

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

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

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(in thousands)

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

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

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

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

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

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(in thousands)

**6. Fixed Assets, Net**

Fixed assets as of September 30 consist of the following:

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

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

**7. Bonds Payable, Net**

Bonds payable as of September 30 consist of the following:

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

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

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

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

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

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

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

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

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**Notes to Financial Statements**  
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(in thousands)

**8. Net Assets with Donor Restrictions**

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

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

**9. Net Assets Released from Restrictions**

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

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

**10. Endowment Net Assets**

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

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

# Institute of International Education, Inc.

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(in thousands)

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

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

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

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

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

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(in thousands)

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

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

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

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

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(in thousands)

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

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

**11. Sponsored Programs Revenue**

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

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

**12. Commitments and Contingencies**

**Operating Leases**

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

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(in thousands)

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

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

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

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

### 13. Subsequent Events

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

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

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

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