

Return of Organization Exempt From Income Tax
Under section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code (except black lung benefit trust or private foundation)

2002

Open to Public Inspection

Department of the Treasury Internal Revenue Service

The organization may have to use a copy of this return to satisfy state reporting requirements.

A For the 2002 calendar year, or tax year beginning 10/1/2002 and ending 9/30/2003

- B Check if applicable: Address change, Name change, Initial return, Final return, Amended return, Application pending

Please use IRS label or print or type. See Specific Instructions.

C Name of organization: INSTITUTE OF INTERNATIONAL EDUCATION
Number and street (or P O box if mail is not delivered to street address): 809 United Nations Plaza
Room/suite:
City or town: New York State or country: NY ZIP + 4: 10017

D Employer identification number: 13-1624046
E Telephone number: 212-883-8200
F Accounting method: [ ] Cash [X] Accrual [ ] Other (specify)

Section 501(c)(3) organizations and 4947(a)(1) nonexempt charitable trusts must attach a completed Schedule A (Form 990 or 990-EZ).

H and I are not applicable to section 527 organizations
H(a) Is this a group return for affiliates? [ ] Yes [X] No
H(b) If "Yes," enter number of affiliates
H(c) Are all affiliates included? [ ] Yes [ ] No
H(d) Is this a separate return filed by an organization covered by a group ruling? [ ] Yes [X] No

G Web site: IIE.ORG

J ORGANIZATION TYPE (check only one) [X] 501(c) ( 3 ) (insert no) [ ] 4947(a)(1) OR [ ] 527

K Check here [ ] if the organization's gross receipts are normally not more than \$25,000. The organization need not file a return with the IRS, but if the organization received a Form 990 Package in the mail, it should file a return without financial data. SOME STATES REQUIRE A COMPLETE RETURN

I Enter 4-digit GEN

M Check [ ] if the organization is NOT required to attach Sch B (Form 990, 990-EZ, or 990-PF)

L Gross receipts Add lines 6b, 8b, 9b, and 10b to line 12 166,464,556

Part I Revenue, Expenses, and Changes in Net Assets or Fund Balances (See page 17 of the instructions.)

Table with 21 rows and columns for revenue, expenses, and net assets. Includes sub-rows for contributions, program service revenue, membership dues, interest, dividends, gross rents, net rental income, other investment income, gross amount from sales of assets, special events, gross sales of inventory, other revenue, and total revenue/expenses.

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Handwritten notes and signatures on the right side of the page.

**Statement of Functional Expenses**

All organizations must complete column (A). Columns (B), (C), and (D) are required for section 501(c)(3) and (4) organizations and section 4947(a)(1) nonexempt charitable trusts but optional for others. (See page 21 of the instructions.)

Do not include amounts reported on line 6b, 8b, 9b, 10b, or 16 of Part I.

	(A) Total	(B) Program services	(C) Management and general	(D) Fundraising
22 Grants and allocations (attach schedule) (cash \$ 105,526,739 noncash \$ )	22 105,526,739	105,526,739		See Page 4
23 Specific assistance to individuals (attach schedule)	23 11,195,763	11,195,763		See Page 4
24 Benefits paid to or for members (attach schedule)	24 0	0		
25 Compensation of officers, directors, etc.	25 1,501,310		1,501,310	
26 Other salaries and wages	26 25,547,363	24,024,363	1,288,857	234,143
27 Pension plan contributions	27 *			
28 Other employee benefits	28 *			
29 Payroll taxes	29 *			
30 Professional fundraising fees	30 -	-	-	-
31 Accounting fees	31 213,448	-	213,448	-
32 Legal fees	32 -	-	-	-
33 Supplies	33 596,803	551,900	41,893	3,010
34 Telephone	34 1,083,705	975,186	102,992	5,527
35 Postage and shipping	35 929,026	900,624	25,084	3,318
36 Occupancy	36 3,674,321	3,061,856	604,695	7,770
37 Equipment rental and maintenance	37 307,473	276,716	29,072	1,685
38 Printing and publications	38 973,744	962,363	2,912	8,469
39 Travel	39 1,048,830	926,540	117,058	5,232
40 Conferences, conventions, and meetings	40 314,059	253,025	42,883	18,151
41 Interest	41 0			
42 Depreciation, depletion, etc. (attach schedule)	42 2,784,743	2,161,321	622,848	574
43 Other expenses not covered above (itemize): a	43a 0			
b Outside Services	43b 7,630,240	6,917,475	601,059	111,706
c Other Exps	43c 2,593,300	1,465,688	443,858	683,754
d	43d 0			
e	43e 0			
f	43f 0			
44 TOTAL FUNCTIONAL EXPENSES (add lines 22 through 43). ORGANIZATIONS COMPLETING COLUMNS (B)-(D), CARRY THESE TOTALS TO LINES 13-15	44 165,920,867	159,199,559	5,637,969	1,083,339

JOINT COSTS. Check  if you are following SOP 98-2.

Are any joint costs from a combined educational campaign and fundraising solicitation reported in (B) Program services?  Yes  No  
 If "Yes," enter (i) the aggregate amount of these joint costs \$ \_\_\_\_\_; (ii) the amount allocated to Program services \$ \_\_\_\_\_; (iii) the amount allocated to Management and general \$ \_\_\_\_\_; and (iv) the amount allocated to Fundraising \$ \_\_\_\_\_

**Statement of Program Service Accomplishments** (See page 24 of the instructions.)

What is the organization's primary exempt purpose?	Program Service Expenses
All organizations must describe their exempt purpose achievements in a clear and concise manner. State the number of clients served, publications issued, etc. Discuss achievements that are not measurable. (Section 501(c)(3) and (4) organizations and 4947(a)(1) nonexempt charitable trusts must also enter the amount of grants and allocations to others.)	Required for 501(c)(3) and (4) orgs. and 4947(a)(1) trusts, but optional for others.)
a International Exchange of Students & Scholars See Page 20 (Grants and allocations \$ )	142,551,373
b Development Training & Assistance See Page 21 (Grants and allocations \$ )	2,932,277
c Short-Term International Visitors See Page 22 (Grants and allocations \$ )	4,505,170
d Education Services See Page 23 (Grants and allocations \$ )	7,977,288
e Other program services (attach schedule) (Grants and allocations \$ See Pages 24 & 25)	1,233,451
f TOTAL OF PROGRAM SERVICE EXPENSES (should equal line 44, column (B), Program services)	159,199,559

\* Included in Line 26

**Part IV Balance Sheets** (See page 24 of the instructions.)

**Note:** Where required, attached schedules and amounts within the description column should be for end-of-year amounts only.

				(A)		(B)
				Beginning of year		End of year
Assets	45	Cash - non-interest-bearing		4,749,362	45	10,274,720
	46	Savings and temporary cash investments		0	46	0
	47 a	Accounts receivable	47a 18,653,139	16,829,869	47c	18,653,139
	b	Less: allowance for doubtful accounts	47b 0			
	48 a	Pledges receivable	48a 6,551,932	9,739,011	48c	6,551,932
	b	Less: allowance for doubtful accounts	48b 0			
	49	Grants receivable		0	49	0
	50	Receivables from officers, directors, trustees, and key employees (attach schedule)		0	50	0
	51 a	Other notes and loans receivable (attach schedule)	51a 0	0	51c	0
	b	Less: allowance for doubtful accounts	51b 0			
	52	Inventories for sale or use		0	52	0
	53	Prepaid expenses and deferred charges		536,581	53	664,705
	54	Investments - securities (attach schedule) <input type="checkbox"/> Cost <input checked="" type="checkbox"/> FMV		20,958,006	54	23,204,424
	55 a	Investments - land, buildings, and equipment: basis	55a 0	0	55c	0
	b	Less: accumulated depreciation (attach schedule)	55b 0			
56	Investments - other (attach schedule)		14,937,065	56	17,076,395	
57 a	Land, buildings, and equipment: basis	57a 33,857,797	24,343,519	57c	24,323,118	
b	Less: accumulated depreciation (attach schedule)	57b 9,534,679				
58	Other assets (describe <input type="checkbox"/> See Page 9)		3,533,305	58	3,891,410	
59 TOTAL ASSETS (add lines 45 through 58) (must equal line 74)				95,626,718	59	104,639,843
Liabilities	60	Accounts payable and accrued expenses		9,824,876	60	7,536,498
	61	Grants payable		5,584,421	61	18,575,770
	62	Deferred revenue		592,384	62	41,433
	63	Loans from officers, directors, trustees, and key employees (attach schedule)		0	63	0
	64 a	Tax-exempt bond liabilities (attach schedule)	16,821,013	0	64b	0
	b	Mortgages and other notes payable (attach schedule)	64a 0			
65	Other liabilities (describe <input type="checkbox"/> )		0	65	0	
66 TOTAL LIABILITIES (add lines 60 through 65)				32,822,694	66	42,706,059
Net Assets or Fund Balances	Organizations that follow SFAS 117, check here <input checked="" type="checkbox"/> and complete lines 67 through 69 and lines 73 and 74.					
	67	Unrestricted		13,845,819	67	21,158,790
	68	Temporarily restricted		43,463,407	68	35,788,011
	69	Permanently restricted		5,494,798	69	4,986,983
	Organizations that do not follow SFAS 117, check here <input type="checkbox"/> and complete lines 70 through 74.					
	70	Capital stock, trust principal, or current funds		0	70	0
	71	Paid-in or capital surplus, or land, building, and equipment fund		0	71	0
	72	Retained earnings, endowment, accumulated income, or other funds		0	72	0
73	TOTAL NET ASSETS OR FUND BALANCES (add lines 67 through 69 OR lines 70 through 72; column (A) MUST equal line 19; column (B) MUST equal line 21)		62,804,024	73	61,933,784	
74 TOTAL LIABILITIES AND NET ASSETS / FUND BALANCES (add lines 66 and 73)				95,626,718	74	104,639,843

Form 990 is available for public inspection and, for some people, serves as the primary or sole source of information about a particular organization. How the public perceives an organization in such cases may be determined by the information presented on its return. Therefore, please make sure the return is complete and accurate and fully describes, in Part III, the organization's programs and accomplishments.



Part VI Other Information (See page 27 of the instructions.)		Yes	No
76	Did the organization engage in any activity not previously reported to the IRS? If "Yes," attach a detailed description of each activity		X
77	Were any changes made in the organizing or governing documents but not reported to the IRS? If "Yes," attach a conformed copy of the changes.		X
78 a	Did the organization have unrelated business gross income of \$1,000 or more during the year covered by this return?		X
78 b	If "Yes," has it filed a tax return on FORM 990-T for this year?		N/A
79	Was there a liquidation, dissolution, termination, or substantial contraction during the year? If "Yes," attach a statement		X
80 a	Is the organization related (other than by association with a statewide or nationwide organization) through common membership, governing bodies, trustees, officers, etc., to any other exempt or nonexempt organization?	X	
80 b	If "Yes," enter the name of the organization <u>International Fellowships Fund Inc.</u>		
	and check whether it is <input checked="" type="checkbox"/> exempt OR <input type="checkbox"/> nonexempt.		
81 a	Enter direct or indirect political expenditures. See line 81 instructions		
81 a		0	
81 b	Did the organization file FORM 1120-POL for this year?		X
82 a	Did the organization receive donated services or the use of materials, equipment, or facilities at no charge or at substantially less than fair rental value?	X	
82 b	If "Yes," you may indicate the value of these items here. Do not include this amount as revenue in Part I or as an expense in Part II. (See instructions in Part III.)		
82 b		52,235	
83 a	Did the organization comply with the public inspection requirements for returns and exemption applications?	X	
83 b	Did the organization comply with the disclosure requirements relating to quid pro quo contributions?	X	
84 a	Did the organization solicit any contributions or gifts that were not tax deductible?		X
84 b	If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?		N/A
85 a	501(c)(4), (5), or (6) organizations. a Were substantially all dues nondeductible by members?		N/A
85 b	Did the organization make only in-house lobbying expenditures of \$2,000 or less? If "Yes" was answered to either 85a or 85b, DO NOT complete 85c through 85h below unless the organization received a waiver for proxy tax owed for the prior year.		N/A
85 c	Dues, assessments, and similar amounts from members	N/A	
85 d	Section 162(e) lobbying and political expenditures	N/A	
85 e	Aggregate nondeductible amount of section 6033(e)(1)(A) dues notices	N/A	
85 f	Taxable amount of lobbying and political expenditures (line 85d less 85e)	N/A	
85 g	Does the organization elect to pay the section 6033(e) tax on the amount on line 85f?		N/A
85 h	If section 6033(e)(1)(A) dues notices were sent, does the organization agree to add the amount on line 85f to its reasonable estimate of dues allocable to nondeductible lobbying and political expenditures for the following tax year?		N/A
86 a	501(c)(7) orgs. Enter: a Initiation fees and capital contributions included on line 12	N/A	
86 b	Gross receipts, included on line 12, for public use of club facilities	N/A	
87 a	501(c)(12) orgs. Enter: a Gross income from members or shareholders	N/A	
87 b	Gross income from other sources. (Do not net amounts due or paid to other sources against amounts due or received from them.)	N/A	
88	At any time during the year, did the organization own a 50% or greater interest in a taxable corporation or partnership, or an entity disregarded as separate from the organization under Regulations sections 301.7701-2 and 301.7701-3? If "Yes," complete Part IX		X
89 a	501(c)(3) organizations. Enter: Amount of tax imposed on the organization during the year under: section 4911 <u>                    </u> ; section 4912 <u>                    </u> ; section 4955 <u>                    </u>		
89 b	501(c)(3) and 501(c)(4) orgs. Did the organization engage in any section 4958 excess benefit transaction during the year or did it become aware of an excess benefit transaction from a prior year? If "Yes," attach a statement explaining each transaction		X
	c Enter: Amount of tax imposed on the organization managers or disqualified persons during the year under sections 4912, 4955, and 4958		0
	d Enter: Amount of tax on line 89c, above, reimbursed by the organization		0
90 a	List the states with which a copy of this return is filed <u>New York, California, New Jersey, Illinois</u>		
90 b	Number of employees employed in the pay period that includes March 12, 2002 (See instructions.)		379
91	The books are in care of <u>Institute of International Education</u> Telephone no. <u>212-883-8200</u> Located at <u>809 United Nations Plaza, New York, N.Y.</u> ZIP + 4 <u>10017</u>		
92	Section 4947(a)(1) nonexempt charitable trusts filing Form 990 in lieu of FORM 1041 - Check here <input type="checkbox"/> and enter the amount of tax-exempt interest received or accrued during the tax year		
92			

**Part VII Analysis of Income-Producing Activities** (See page 31 of the instructions.)

**Note:** Enter gross amounts unless otherwise indicated

	Unrelated business income		Excluded by section 512, 513, or 514		(E) Related or exempt function income
	(A) Business code	(B) Amount	(C) Exclusion code	(D) Amount	
<b>93</b> Program service revenue:					
<b>a</b> Programs Fees					4,059,634
<b>b</b> Publications Sales					235,987
<b>c</b> Conference Fees					138
<b>d</b> Statistical Reports					5,675
<b>e</b>					
<b>f</b> Medicare/Medicaid payments					
<b>g</b> Fees and contracts from government agencies					
<b>94</b> Membership dues and assessments					369,792
<b>95</b> Interest on savings and temporary cash investments			14	69,073	
<b>96</b> Dividends and interest from securities			14	1,081,390	
<b>97</b> Net rental income or (loss) from real estate:					
<b>a</b> debt-financed property					
<b>b</b> not debt-financed property					
<b>98</b> Net rental income or (loss) from personal property					
<b>99</b> Other investment income					
<b>100</b> Gain or (loss) from sales of assets other than inventory			18	-1,609,900	
<b>101</b> Net income or (loss) from special events			01	15,525	
<b>102</b> Gross profit or (loss) from sales of inventory					
<b>103</b> Other revenue: <b>a</b> Currency Gain			18	32,056	
<b>b</b> Miscellaneous Income					587,119
<b>c</b>					
<b>d</b>					
<b>e</b>					
<b>104</b> Subtotal (add columns (B), (D), and (E))		0		-411,856	5,258,345
<b>105</b> TOTAL (add line 104, columns (B), (D), and (E))					4,846,489

**Note:** Line 105 plus line 1d, Part I, should equal the amount on line 12, Part I

**Part VIII Relationship of Activities to the Accomplishment of Exempt Purposes** (See page 32 of the instructions.)

Line No. ▼	Explain how each activity for which income is reported in column (E) of Part VII contributed importantly to the accomplishment of the organization's exempt purposes (other than by providing funds for such purposes).

**Part IX Information Regarding Taxable Subsidiaries and Disregarded Entities** (See page 32 of the instructions.)

(A) Name, address, and EIN of corporation, partnership, or disregarded entity	(B) Percentage of ownership interest	(C) Nature of activities	(D) Total income	(E) End-of-year assets
	%			
	%			
	%			
	%			

**Part X Information Regarding Transfers Associated with Personal Benefit Contracts** (See page 33 of the instructions.)

- (a) Did the organization, during the year, receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?  Yes  No
- (b) Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract?  Yes  No

**Note:** If "Yes" to (b), file Form 8870 AND Form 4720 (see instructions).

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.

Date 4/15/04

**SCHEDULE A**  
**(Form 990 or 990-EZ)**

**Organization Exempt Under Section 501(c)(3)**

**(Except Private Foundation) and Section 501(e), 501(f), 501(k),  
501(n), or Section 4947(a)(1) Nonexempt Charitable Trust**

**Supplementary Information - (See separate instructions.)**

**MUST be completed by the above organizations and attached to their Form 990 or 990-EZ**

OMB No 1545-0047

**2002**

Department of the Treasury  
Internal Revenue Service

Name of the organization

INSTITUTE OF INTERNATIONAL EDUCATION

Employer identification number

13-1624046

**Part I Compensation of the Five Highest Paid Employees Other Than Officers, Directors, and Trustees**  
(See page 1 of the instructions. List each one. If there are none, enter "None.")

(a) Name and address of each employee paid more than \$50,000	(b) Title and average hours per week devoted to position	(c) Compensation	(d) Contributions to employee benefit plans & deferred compensation	(e) Expense account and other allowances
AHMAD GHAMARIAN 809 UNITED NATIONS PLAZA NEW YORK, NY 10017	Director- Energy 29	138,686	12,700	
Brian Yu-Re Chen 809 United Nations Plaza New York, NY 10017	Director Inf.Tech -47-	135,000	9,750	
Winston Browman 809 United Nations Plaza New York, NY 10017	Chief of Party Development Assistance-36	129,037	7,421	
John Lever 809 United Nations Plaza New York, NY 10017	Controller -54-	121,083	8,781	
Robert E Slattery 809 United Nations Plaza New York, NY 10017	Dir.Adm.Serv.-36-	118,579	10,980	
Total number of other employees paid over \$50,000	123			

**Part II Compensation of the Five Highest Paid Independent Contractors for Professional Services**  
(See page 2 of the instructions. List each one (whether individuals or firms). If there are none, enter "None.")

(a) Name and address of each independent contractor paid more than \$50,000	(b) Type of service	(c) Compensation
Siemens Business Services P.O. Box 777-W501879 Philadelphia, PA 19175-1879	Technical Services	1,178,234
American University In Cairo P.O. Box 2511 113 Shaxia Kasr El Aini, Cairo, Egypt	Training	513,299
Advance Software Systems 115 Rowell Court Falls Church, VA 22046	Consulting-Information Technology	283,445
PricewaterhouseCoopers, LLP P.O. Box 7247-8001 Philadelphia, PA 19170-8001	Audit	272,416
William Byrne & Associates 1819 Clarkson Road, Suite 200 Chesterfield, MO 63017	Information Technology	168,203
Total number of others receiving over \$50,000 for professional services	13	

<b>Part III</b> Statements About Activities (See page 2 of the instructions.)		Yes	No
1	During the year, has the organization attempted to influence national, state, or local legislation, including any attempt to influence public opinion on a legislative matter or referendum? If "Yes," enter the total expenses paid or incurred in connection with the lobbying activities \$ <u>0</u> (Must equal amounts on line 38, Part VI-A, or line i of Part VI-B.) Organizations that made an election under section 501(h) by filing Form 5768 must complete Part VI-A. Other organizations checking "Yes," must complete Part VI-B AND attach a statement giving a detailed description of the lobbying activities.		X
2	During the year, has the organization, either directly or indirectly, engaged in any of the following acts with any substantial contributors, trustees, directors, officers, creators, key employees, or members of their families, or with any taxable organization with which any such person is affiliated as an officer, director, trustee, majority owner, or principal beneficiary? (If the answer to any question is "Yes," attach a detailed statement explaining the transactions.)		
a	Sale, exchange, or leasing of property?		X
b	Lending of money or other extension of credit?		X
c	Furnishing of goods, services, or facilities?		X
d	Payment of compensation (or payment or reimbursement of expenses if more than \$1,000)? See Page 10	X	
e	Transfer of any part of its income or assets?		X
3	Does the organization make grants for scholarships, fellowships, student loans, etc.? (See NOTE below.)	X	
4	Do you have a section 403(b) annuity plan for your employees?	X	
<b>Note:</b> Attach a statement to explain how the organization determines that individuals or organizations receiving grants or loans from it in furtherance of its charitable programs "qualify" to receive payments.			

<b>Part IV</b> Reason for Non-Private Foundation Status (See pages 3 through 5 of the instructions.)	
The organization is not a private foundation because it is: (Please check only ONE applicable box.)	
5	<input type="checkbox"/> A church, convention of churches, or association of churches. Section 170(b)(1)(A)(i).
6	<input type="checkbox"/> A school. Section 170(b)(1)(A)(ii). (Also complete Part V.)
7	<input type="checkbox"/> A hospital or a cooperative hospital service organization. Section 170(b)(1)(A)(iii).
8	<input type="checkbox"/> A Federal, state, or local government or governmental unit. Section 170(b)(1)(A)(v).
9	<input type="checkbox"/> A medical research organization operated in conjunction with a hospital. Section 170(b)(1)(A)(iii). ENTER THE HOSPITAL'S NAME, CITY, AND STATE _____
10	<input type="checkbox"/> An organization operated for the benefit of a college or university owned or operated by a governmental unit. Section 170(b)(1)(A)(iv). (Also complete the SUPPORT SCHEDULE in Part IV-A.)
11 a	<input checked="" type="checkbox"/> An organization that normally receives a substantial part of its support from a governmental unit or from the general public. Section 170(b)(1)(A)(vi). (Also complete the SUPPORT SCHEDULE in Part IV-A.)
11 b	<input type="checkbox"/> A community trust. Section 170(b)(1)(A)(vi). (Also complete the SUPPORT SCHEDULE in Part IV-A.)
12	<input type="checkbox"/> An organization that normally receives: (1) MORE THAN 33 1/3% of its support from contributions, membership fees, and gross receipts from activities related to its charitable, etc., functions - subject to certain exceptions, and (2) NO MORE THAN 33 1/3% of its support from gross investment income and unrelated business taxable income (less section 511 tax) from businesses acquired by the organization after June 30, 1975. See section 509(a)(2). (Also complete the SUPPORT SCHEDULE in Part IV-A.)
13	<input type="checkbox"/> An organization that is not controlled by any disqualified persons (other than foundation managers) and supports organizations described in: (1) lines 5 through 12 above; or (2) section 501(c)(4), (5), or (6), if they meet the test of section 509(a)(2). (See section 509(a)(3).) Provide the following information about the supported organizations. (See page 5 of the instructions.)
	(a) Name(s) of supported organization(s)
	(b) Line number from above
14	<input type="checkbox"/> An organization organized and operated to test for public safety. Section 509(a)(4). (See page 5 of the instructions.)

**Part IV-A Support Schedule** (Complete only if you checked a box on line 10, 11, or 12.) **USE CASH METHOD OF ACCOUNTING.**

**Note:** You may use the worksheet in the instructions for converting from the accrual to the cash method of accounting.

Calendar year (or fiscal year beginning in)	(a) 2001	(b) 2000	(c) 1999	(d) 1998	(e) Total
<b>15</b> Gifts, grants, and contributions received. (Do not include unusual grants. See line 28.)	170,122,775	163,884,067	140,431,572	117,557,602	591,996,016
<b>16</b> Membership fees received	327,275	259,076	304,136	310,725	1,201,212
<b>17</b> Gross receipts from admissions, merchandise sold or services performed, or furnishing of facilities in any activity that is related to the organization's charitable, etc., purpose	4,221,479	4,319,234	3,520,776	3,441,479	15,502,968
<b>18</b> Gross income from interest, dividends, amounts received from payments on securities loans (section 512(a)(5)), rents, royalties, and unrelated business taxable income (less section 511 taxes) from businesses acquired by the organization after June 30, 1975	1,616,114	1,983,686	2,015,124	1,602,070	7,216,994
<b>19</b> Net income from unrelated business activities not included in line 18					0
<b>20</b> Tax revenues levied for the organization's benefit and either paid to it or expended on its behalf					0
<b>21</b> The value of services or facilities furnished to the organization by a governmental unit without charge. Do not include the value of services or facilities generally furnished to the public without charge.					0
<b>22</b> Other income. Attach a schedule. Do not include gain or (loss) from sale of capital assets	-983,596	930,351	2,282,539	3,224,480	5,453,774
<b>23</b> Total of lines 15 through 22	175,304,047	171,376,414	148,554,147	126,136,356	621,370,964
<b>24</b> Line 23 minus line 17	171,082,568	167,057,180	145,033,371	122,694,877	605,867,996
<b>25</b> Enter 1% of line 23	1,753,040	1,713,764	1,485,541	1,261,364	
<b>26</b> ORGANIZATIONS DESCRIBED ON LINES 10 OR 11: <b>a</b> Enter 2% of amount in column (e), line 24					<b>26a</b> 12,117,360
<b>b</b> Prepare a list for your records to show the name of and amount contributed by each person (other than a governmental unit or publicly supported organization) whose total gifts for 1998 through 2001 exceeded the amount shown in line 26a. DO NOT FILE THIS LIST WITH YOUR RETURN. Enter the total of all these excess amounts					<b>26b</b> 29,211,081
<b>c</b> Total support for section 509(a)(1) test: Enter line 24, column (e)					<b>26c</b> 605,867,996
<b>d</b> Add: Amounts from column (e) for lines: 18 <u>7,216,994</u> 19 <u>0</u> 22 <u>5,453,774</u> 26b <u>29,211,081</u>					<b>26d</b> 41,881,849
<b>e</b> Public support (line 26c minus line 26d total)					<b>26e</b> 563,986,147
<b>f</b> PUBLIC SUPPORT PERCENTAGE (LINE 26E (NUMERATOR) DIVIDED BY LINE 26C (DENOMINATOR))					<b>26f</b> 93.09%
<b>27</b> ORGANIZATIONS DESCRIBED ON LINE 12. <b>a</b> For amounts included in lines 15, 16, and 17 that were received from a "disqualified person," prepare a list for your records to show the name of, and total amounts received in each year from, each "disqualified person." DO NOT FILE THIS LIST WITH YOUR RETURN. Enter the sum of such amounts for each year:  (2001) _____ (2000) _____ (1999) _____ (1998) _____					
<b>b</b> For any amount included in line 17 that was received from each person (other than "disqualified persons"), prepare a list for your records to show the name of, and amount received for each year, that was more than the LARGER of (1) the amount on line 25 for the year or (2) \$5,000. (Include in the list organizations described in lines 5 through 11, as well as individuals.) DO NOT FILE THIS LIST WITH YOUR RETURN. After computing the difference between the amount received and the larger amount described in (1) or (2), enter the sum of these differences (the excess amounts) for each year:  (2001) _____ (2000) _____ (1999) _____ (1998) _____					
<b>c</b> Add: Amounts from column (e) for lines: 15 <u>0</u> 16 <u>0</u> 17 <u>0</u> 20 <u>0</u> 21 <u>0</u>					<b>27c</b> 0
<b>d</b> Add: Line 27a total <u>0</u> and line 27b total <u>0</u>					<b>27d</b> 0
<b>e</b> Public support (line 27c total minus line 27d total)					<b>27e</b> 0
<b>f</b> Total support for section 509(a)(2) test: Enter amount from line 23, column (e)					<b>27f</b> 0
<b>g</b> PUBLIC SUPPORT PERCENTAGE (LINE 27E (NUMERATOR) DIVIDED BY LINE 27F (DENOMINATOR))					<b>27g</b> 0.00%
<b>h</b> INVESTMENT INCOME PERCENTAGE (LINE 18, COLUMN (E) (NUMERATOR) DIVIDED BY LINE 27F (DENOMINATOR))					<b>27h</b> 0.00%
<b>28</b> UNUSUAL GRANTS: For an organization described in line 10, 11, or 12 that received any unusual grants during 1998 through 2001, prepare a list for your records to show, for each year, the name of the contributor, the date and amount of the grant, and a brief description of the nature of the grant. DO NOT FILE THIS LIST WITH YOUR RETURN. Do not include these grants in line 15.					

**Part V**

**Private School Questionnaire** (See page 7 of the instructions.)  
**(To be completed ONLY by schools that checked the box on line 6 in Part IV)**

		Yes	No
29	Does the organization have a racially nondiscriminatory policy toward students by statement in its charter, bylaws, other governing instrument, or in a resolution of its governing body? . . . . .		
30	Does the organization include a statement of its racially nondiscriminatory policy toward students in all its brochures, catalogues, and other written communications with the public dealing with student admissions, programs, and scholarships? . . . . .		
31	Has the organization publicized its racially nondiscriminatory policy through newspaper or broadcast media during the period of solicitation for students, or during the registration period if it has no solicitation program, in a way that makes the policy known to all parts of the general community it serves? . . . . . If "Yes," please describe; if "No," please explain. (If you need more space, attach a separate statement.)		
32	Does the organization maintain the following:		
a	Records indicating the racial composition of the student body, faculty, and administrative staff? . . . . .		
b	Records documenting that scholarships and other financial assistance are awarded on a racially nondiscriminatory basis? . . . . .		
c	Copies of all catalogues, brochures, announcements, and other written communications to the public dealing with student admissions, programs, and scholarships? . . . . .		
d	Copies of all material used by the organization or on its behalf to solicit contributions? . . . . .		
	If you answered "No" to any of the above, please explain. (If you need more space, attach a separate statement.)		
33	Does the organization discriminate by race in any way with respect to:		
a	Students' rights or privileges? . . . . .		
b	Admissions policies? . . . . .		
c	Employment of faculty or administrative staff? . . . . .		
d	Scholarships or other financial assistance? . . . . .		
e	Educational policies? . . . . .		
f	Use of facilities? . . . . .		
g	Athletic programs? . . . . .		
h	Other extracurricular activities? . . . . .		
	If you answered "Yes" to any of the above, please explain. (If you need more space, attach a separate statement.)		
34 a	Does the organization receive any financial aid or assistance from a governmental agency? . . . . .		
b	Has the organization's right to such aid ever been revoked or suspended? . . . . . If you answered "Yes" to either 34a or b, please explain using an attached statement.		
35	Does the organization certify that it has complied with the applicable requirements of sections 4.01 through 4.05 of Rev. Proc. 75-50, 1975-2 C.B. 587, covering racial nondiscrimination? If "No," attach an explanation . . . . .		

**Part VI-A Lobbying Expenditures by Electing Public Charities** (See page 9 of the instructions.)  
 (To be completed ONLY by an eligible organization that filed Form 5768)

Check **a**  if the organization belongs to an affiliated group. Check **b**  if you checked "a" and "limited control" provisions apply.

<b>Limits on Lobbying Expenditures</b>		<b>(a)</b> Affiliated group totals	<b>(b)</b> To be completed for ALL electing organizations
(The term "expenditures" means amounts paid or incurred.)			
<b>36</b>	Total lobbying expenditures to influence public opinion (grassroots lobbying) . . . . .	<b>36</b>	
<b>37</b>	Total lobbying expenditures to influence a legislative body (direct lobbying) . . . . .	<b>37</b>	
<b>38</b>	Total lobbying expenditures (add lines 36 and 37) . . . . .	<b>38</b>	0 0
<b>39</b>	Other exempt purpose expenditures . . . . .	<b>39</b>	
<b>40</b>	Total exempt purpose expenditures (add lines 38 and 39) . . . . .	<b>40</b>	0 0
<b>41</b>	Lobbying nontaxable amount. Enter the amount from the following table - <b>If the amount on line 40 is -</b> <b>The lobbying nontaxable amount is -</b> Not over \$500,000 . . . . . 20% of the amount on line 40 . . . . . Over \$500,000 but not over \$1,000,000 . . . . . \$100,000 plus 15% of the excess over \$500,000 Over \$1,000,000 but not over \$1,500,000 . . . . . \$175,000 plus 10% of the excess over \$1,000,000 Over \$1,500,000 but not over \$17,000,000 . . . . . \$225,000 plus 5% of the excess over \$1,500,000 Over \$17,000,000 . . . . . \$1,000,000	<b>41</b>	0 0
<b>42</b>	Grassroots nontaxable amount (enter 25% of line 41) . . . . .	<b>42</b>	0 0
<b>43</b>	Subtract line 42 from line 36. Enter -0- if line 42 is more than line 36	<b>43</b>	0 0
<b>44</b>	Subtract line 41 from line 38. Enter -0- if line 41 is more than line 38	<b>44</b>	0 0

**Caution:** If there is an amount on either line 43 or line 44, you must file Form 4720.

**4-Year Averaging Period Under Section 501(h)**

(Some organizations that made a section 501(h) election do not have to complete all of the five columns below.)

See the instructions for lines 45 through 50 on page 11 of the instructions.)

Calendar year (or fiscal year beginning in)	Lobbying Expenditures During 4-Year Averaging Period				
	(a) 2002	(b) 2001	(c) 2000	(d) 1999	(e) Total
<b>45</b> Lobbying nontaxable amount . . . . .					0
<b>46</b> Lobbying ceiling amount (150% of line 45(e)) . . . . .					0
<b>47</b> Total lobbying expenditures . . . . .					0
<b>48</b> Grassroots nontaxable amount . . . . .					0
<b>49</b> Grassroots ceiling amount (150% of line 48(e)) . . . . .					0
<b>50</b> Grassroots lobbying expenditures . . . . .					0

**Part VI-B Lobbying Activity by Nonelecting Public Charities**

(For reporting only by organizations that did not complete Part VI-A) (See page 11 of the instructions.)

During the year, did the organization attempt to influence national, state or local legislation, including any attempt to influence public opinion on a legislative matter or referendum, through the use of:

	Yes	No	Amount
<b>a</b> Volunteers . . . . .		X	
<b>b</b> Paid staff or management (Include compensation in expenses reported on lines c through h.) . . . . .		X	
<b>c</b> Media advertisements . . . . .		X	
<b>d</b> Mailings to members, legislators, or the public . . . . .		X	
<b>e</b> Publications, or published or broadcast statements . . . . .		X	
<b>f</b> Grants to other organizations for lobbying purposes . . . . .		X	
<b>g</b> Direct contact with legislators, their staffs, government officials, or a legislative body . . . . .		X	
<b>h</b> Rallies, demonstrations, seminars, conventions, speeches, lectures, or any other means . . . . .		X	
<b>i</b> Total lobbying expenditures (Add lines c through h.) . . . . .			0

If "Yes" to any of the above, also attach a statement giving a detailed description of the lobbying activities.



**Institute of International Education, Inc.**  
**Notes to Financial Statements**  
**September 30, 2003, with comparative totals for September 30, 2002**

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The Facility is owned by the Institute and leased by the Institute to the IDA and subleased by the IDA back to the Institute pursuant to a lease agreement (the "Agreement"). The Series 2001 bonds are payable by the IDA through a third party trustee solely from the lease rentals payable by the Institute pursuant to the Agreement, and are not collateralized by any mortgage lien or security interest in the Institute's ownership interest in the Facility. The Series 2001 bonds are secured by a security interest in the Institute's gross revenues. In addition, payment of the principal and interest on the Series 2001 bonds when due is insured. The Series 2001 bonds mature in various amounts, ranging from \$280,000 to \$1,100,000 per year, through 2031. The fair market value of the Series 2001 bonds at September 30, 2003 was \$17,923,000. The nominal interest rates attributable to the Series 2001 bonds range from 4% to 5%.

Principal payments on the Series 2001 bonds for the next five years are due as follows:

<b>Fiscal year</b>		
2004	\$	295,000
2005	\$	305,000
2006	\$	320,000
2007	\$	330,000
2008	\$	345,000

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

**7. Temporarily Restricted Net Assets**

Temporarily restricted net assets were available for the following purposes at September 30:

	<b>2003</b>	<b>2002</b>
International exchange of students and scholars	\$ 25,788,011	\$ 33,463,407
available for unrestricted		
purposes in fiscal year 2004	<u>10,000,000</u>	<u>10,000,000</u>
	<u>\$ 35,788,011</u>	<u>\$ 43,463,407</u>

Temporarily restricted net assets were released from restrictions for the year ended September 30, 2003 for the following purposes:

International exchange of students and scholars	<u>\$ 18,940,134</u>
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Institute of International Education – 13-1624046  
Schedule in Support of Form 990, Part VIII

- 93(a) Income represents reimbursement of costs to produce reports and administration fees for participants international exchange programs.
- 93(b) Income is necessary to pay the costs of publications which are announcements to exchange participants providing information about sources of education exchange opportunities.
- 93(c) Income represents amounts paid by participants to cover costs incurred to design, implement and provide workshops on international exchange issues.
- 93(d) Income represents reimbursement of costs to produce reports indicating international exchange participant's information to existing and potential funds providers.
- 103(b) Miscellaneous excess program funds restricted for educational exchange activities in which the Institute participates.

Institute of International Education 13-1624046

Support for Form 990, Part 111

September 30, 2003

**Primary Exempt Purpose:**

The Institute of International Education, Inc. (the "Institute") develops and administers programs of international educational exchange and technical assistance under renegotiable contracts with government, international organizations, corporations, foundations, colleges and universities in the United States and abroad. The Institute is exempt from federal income tax under Section 501 (c) (3) of the Internal Revenue Code, and has been classified as an organization which is not a private foundation under Section 509(a).

Services to students, teachers, and other professionals from more than 170 countries are provided by the Institute's New York headquarters, regional offices and overseas offices. The Institute also administers educational assistance to universities and foreign countries, sponsors conferences and seminars and provides procurement services on behalf of certain sponsors.

In addition, through general support, the Institute conducts counseling and information services, issues publications, assists international programs in the performing and visual arts 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.

International Education - 13-1624046  
 Program Fees  
 Not Qualifying as Grants  
 Support for Line 1, Page 13  
 September 30, 2003

	<u>Subaccount Number</u>	<u>Total \$</u>
Starr Foundation	F020000	3,405,761
Chubb	F022000	15,400
Morgan Stanley	B028000	340
Levi Strauss	F096000	76,629
Raychem	B107000	10,509
Lsi Logic Corp-COE	B106000	30,325
Chevron - COE	B105000	65,270
Dow Jones COE	B080000	23,100
FMC Children of Employees	B087000	11,000
Lockheed Martin	B121000	44,208
Harmon Int'l Scholar-COE	B114000	127,905
Harsco	B024000	162,509
Phelps Dodge-COE	F180000	24,265
Dole Food COE-Int'l	B142000	18,763
FMC Technologies-COE	B156000	2,900
Williams Int'l School-COE	B153000	7,700
J.P. Morgan Chase-COE	B163000	16,050
Mattel COE Scholarships		17,000
To Page		<b>4,059,634</b>

Institute of International Education - 13-1624046

Support for Form 990, Part 11, Line 23

September 30, 2003

	International Exchange of <u>Persons</u>	Development Training & <u>Assistance</u>	Short-Term International <u>Visitors</u>	Education <u>Services</u>	Other Program <u>Services</u>	
Per Diem	141,679	2,927	4,462	7,911	1,234	
Fees & Honoraria	1,889,079	39,026	59,489	105,476	16,454	
Working Lunch/Meetings	308,855	6,381	9,726	17,245	2,690	
Security Guard Allowance	1,772	37	56	99	15	
Other Grant Expenses	16,790	347	529	937	146	
Advances - Grantee	1,250,938	25,843	39,393	69,846	10,896	
Board & Committee Meeting	7,274	150	229	406	63	
Consultant Fees	4,210	87	133	235	37	
Consultant Fares	116	2	4	6	1	
Meetings and Conferences	1,530,716	31,623	48,203	85,467	13,333	
Rental of Meeting Space	86,092	1,779	2,711	4,807	750	
Medical Expenses & Examinations	59,922	1,238	1,887	3,346	522	
Bank Charges	5,377	111	169	300	47	
Visa Fees	37,294	770	1,174	2,082	325	
Freight, Shipping and Storage	172,988	3,574	5,448	9,659	1,507	
Emergency Loans	2,352	49	74	131	20	
Communication Expenses	65,543	1,354	2,064	3,660	571	
Translation Expenses	113,610	2,347	3,578	6,343	990	
Group Cultural Events	78,304	1,618	2,466	4,372	682	
Interpreters	39,050	807	1,230	2,180	340	
Consultant	2,983,399	61,634	93,950	166,577	25,986	
Translation Expenses - CIES	48,726	1,007	1,534	2,721	424	
Project Office And Administration	481,214	9,941	15,154	26,868	4,191	
Advertising	153,321	3,167	4,828	8,561	1,335	
Alumni Follow-on	8,417	174	265	470	73	
Selection Committee	16,277	336	513	909	142	
Evaluation	37,767	780	1,189	2,109	329	
Miscellaneous Expenses	484,723	10,014	15,264	27,064	4,222	
Total to Form 990, Part 11, Line 23	<u>10,025,806</u>	<u>207,121</u>	<u>315,721</u>	<u>559,788</u>	<u>87,327</u>	11,195,763

Institute of International Education - 13-1624046

Support for Form 990, Part 11, Line 43C

September 30, 2003

	<u>Program</u> <u>Services</u>	<u>Management</u> <u>&amp; General</u>	<u>Fund</u> <u>Raising</u>	<u>Total</u>
	\$	\$	\$	\$
Books & Magazines	30,906	9,359	14,418	54,683
Membership Dues & Conference Fees	82,004	24,833	38,255	145,092
Insurance	345,836	104,727	161,333	611,896
Bank Charges	67,766	20,521	31,614	119,901
Storage	815	247	380	1,442
Loss on Foreign Exchange	1,174	355	548	2,077
Freight	11,569	3,508	5,397	20,474
Investment Management Fees	17,123	5,186	7,988	30,297
Meals	5,663	1,715	2,642	10,020
Bond Interest	582,155	176,289	271,577	1,030,021
Allocation Transfer	51,638	15,637	24,089	91,364
Capital Expenses - Auto	32,497	9,846	15,160	57,503
Capital Expenses - Computer	84,287	25,529	39,319	149,135
Capital Expenses - Furniture	20,795	6,297	9,707	36,799
Miscellaneous Expenses	<u>131,460</u>	<u>39,809</u>	<u>61,327</u>	<u>232,596</u>
Total Form 990, Part11, Line 43c	<u>\$ 1,465,688</u>	<u>\$ 443,858</u>	<u>\$ 683,754</u>	<u>\$ 2,593,300</u>

**Institute of International Education - 13-1624046**

Sale of Assets  
990, Part 1, Line 8  
September 30, 2003

	<u>Proceeds from sale</u>	<u>Cost</u>	<u>Gain on sale</u>
Common and Preferred Stocks	6,006,454	7,270,049	(1,263,595)
Total to Line 8(a)	<input type="text" value="\$6,006,454"/>		
Total to Line 8(b)		<input type="text" value="\$7,616,354"/>	
Total to Line 8(d)			<input type="text" value="(1,609,900)"/>

Institute of International Education - 13-1624046

Statement in Support of form 990  
Part 1, line 9

Description	Gross Revenue	Direct Expenses	Net Income
-----	9a	9b	9c
Chicago benefit	44,850	80,395	(35,545)
Denver benefit	34,760	59,614	(24,854)
Houston benefit	\$47,970	48,726	(756)
San Francisco benefit	47,010	122,022	(75,012)
Trustee Benefit Dinner	419,710	268,018	151,692
Totals	594,300	578,775	15,525

Institute of International Education - 13-1624046  
Schedule in support of 990, Part 1, Line 20  
September 30, 2003

	\$	\$
Market value of Investments September 30, 2002	35,895,071	
Market value of Investments September 30, 2003	<u>42,318,723</u>	
Unrealized Gain		6,423,652
Market value of Third Party Investments September 30, 2002	2,784,347	
Market value of Third Party Investments September 30, 2003	<u>3,089,660</u>	
Unrealized Gain		305,313
Voluntary Services		52,235
Total to Form 990, Part 1, Line 20		<u><u>6,781,200</u></u>

Institute of International Education - 13-1624046  
Schedule of Other Assets  
990, Part IV, Line 58  
September 30, 2003

Beneficial interest in perpetual trusts held by third parties	\$ 3,076,881	
Deposits-Other	45,206	
Bond Issuance Costs	441,578	
Advances Employees	22,717	
Advance - Overseas Offices	213,143	
Taxes Receivable	798	
Book Inventory	22,854	
Publication Receivable	3,587	
Other	64,646	
Total Part IV, Line 58 Other Assets	<table border="1"><tr><td>3,891,410</td></tr></table>	3,891,410
3,891,410		

Institute of International Education - 13-1624046

List of Officers, Directors and Trustees  
 Form 990, Part V  
September 30, 2003

	Title and Average hours per Week devoted to Position -----	Comp -----	Contributions to Employee Benefit Plans -----
Allan Goodman 809 United Nations Plaza New York, NY 10017	President 49	300,000	15,375
David D. Arnold 809 United Nations Plaza New York, NY 10017	Executive Vice President 36	209,944	10,781
James H. Lapple 809 United Nations Plaza New York, NY 10017	Vice President Admin & Finance 44	175,000	12,750
Patti McGill Peterson 3007 Tilden Street Washington, DC 20008	Vice President Council for International Educ 45	162,632	11,400
Mary Kirk 809 United Nations Plaza New York, NY 10017	Vice President Student Exchange 42	140,000	13,300
Edith Cecil 1400 K Street, NW Washington, DC 20005	Vice President Professional Exchange 43	140,000	438
Peggy Blumenthal 809 United Nations Plaza New York, NY 10017	Vice President Educational Services 26	137,500	13,063
Joan Wall 3007 Tilden Street Washington, DC 20008	Deputy Vice President Admin & Finance 38	119,443	11,062
William Stacy Rhodes 1400 K Street, NW Washington, DC 20005	Vice president Development Assistance 37	116,791	7,735

Totals to 990 Part V

1,501,310	95,904
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Institute of International Education - 13-1624046  
Part IV Line 57 a & b Form 990  
Sept 30,2003

Description of Property	NET Costs@9/30/03	Accumulated Depreciation at 10/1/02	Depreciation Current Period	Disposals Current Period	Accumulated Depreciation at 9/30/03
Furniture, Equipment & Improvements 7, 10 & 15 yrs	1,895,509	626,724	226,771		853,495
Other Property		58			58
Office Equipment - 7 Years	572,641	330,891	61,481		392,372
Auto - 3 years	7,023	7,023			7,023
Leasehold Improvements	6,869,101	671,873	291,431		963,304
Computer Software 5 yrs	4,043,870	605,852	697,840		1,303,692
Computer Hardware 4-5 yrs	<u>4,655,806</u>	<u>2,396,338</u>	<u>571,263</u>		<u>2,967,601</u>
Total Computer	8,699,676	3,002,190	1,269,103		4,271,293
Building - 50 years	18,846,730	777,467	627,832		1,405,299
Financial Systems Development	1,734,023	1,163,730	280,556		1,444,286
Fulbright Computer System	197,556	197,549			197,549
Donated Art	10,700				
CIP Consultants IT Reengineering	1,373,458				
CIP Hardware IT Reengineering	72,522				
CIP Software IT Reengineering	68,505				
CIP Travek Exps IT Reengineering	11,854				
CIP Mexico Renovation	98,328				
CIP Bangkok Renovation	29,290				
CIP Hanoi	15,531				
CIP Chicago	21,041				
Less Deferred Credit- Bldg Sale	(6,665,695)				
<b>Total Part IV Line 57 a &amp; b</b>	<b>33,857,793</b>	<b>6,777,505</b>	<b>2,757,174</b>	<b>0</b>	<b>9,534,679</b>

Institute of International Education - 13-1624046

Support for Form 990, Part 111, Line e  
September 30, 2003

Other Program Services

	\$
Research, publications and information services (See page 24 )	779,790
Overseas & Regional Office activities (See Page 25 )	<u>453,661</u>
Total Part 111, Line e	<u>1,233,451</u>

Institute of International Education - 13-1624046

Support for 990 Part IV, Line 54

September 30, 2003

Investment - Securities

	\$
State Street Russell 2000	3,669,351
State Street Russell 1000	16,247,138
Lazard Asset Management	3,282,925
Fiduciary Trust Equity Gift	<u>5,010</u>
 Total to form 990, Part IV, Line 54	 \$ 23,204,424

Institute of International Education - 13-1624046

Surrport for Form 990 , Part 11 Line 22

September 30, 3003

Tuition	24,098,368
Travel and Field Trips	13,269,931
Grantee maintenance	57,815,288
Grantee Book Allowance	1,855,696
Procurement of equipment and Supplies	1,811,070
Insurance	600,411
Grants	<u>6,075,975</u>
Total to 990, Part 11, Line 22	\$105,526,739

Institute of International Education - 13-1624046

Statement in Support of Form 990, Schedule A, Part 111

September 30, 2003

Applications for study or research abroad are available to any United States citizen with an undergraduate degree. A competitive process determines which candidates are screened and eventually selected by independent screening committees.

Institute of International Education – 13-1624046

Support for From 990, Part IV, Line 64 a

September 30, 2003

**Tax-exempt Bond Liabilities**

In November 2001, the Institute of International Education issued \$17,345,000 in tax-exempt term 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 amount outstanding as at September 30, is \$16,552,358 and the unexpended proceeds is \$149,974.

The bond-financed facility is used solely by the Institute of International Education.

**INSTITUTE OF INTERNATIONAL EDUCATION  
BOARD OF TRUSTEES  
2003**

<b>Chairman:</b> Mr. Thomas S. Johnson 809 United Nations Plaza New York, NY 10017	6	<b>Chairman Emeritus:</b> Dr. Henry Kaufman 809 United Nations Plaza New York, NY 10017	6
Mrs. Maryam Ansary 809 United Nations Plaza New York, NY 10017	3	Mr. George J. Donnelly 809 United Nations Plaza New York, NY 10017	3
President Lee C. Bollinger 809 United Nations Plaza New York, NY 10017	2	Mr. Jeffrey E. Epstein 809 United Nations Plaza New York, NY 10017	1
Mrs. Maria Livanos Cattau 809 United Nations Plaza New York, NY 10017	1	Mr. Stephen C. Francis 809 United Nations Plaza New York, NY 10017	2
Mrs. Ella Ciseros 809 United Nations Plaza New York, NY 10017	1	Mr. Victor J. Goldberg 809 United Nations Plaza New York, NY 10017	6
Dr. Dolores E. Cross 809 United Nations Plaza New York, NY 10017	1	Dr. Allan E. Goodman President and CEO 809 United Nations Plaza New York, NY 10017	49
Dr. Richard A. Debs 809 United Nations Plaza New York, NY 10017	3	Mr. Peter M. Gottsegen 809 United Nations Plaza New York, NY 10017	1
Dr. John DiBiaggio 809 United Nations Plaza New York, NY 10017	2	Mr. Jack M. Greenberg 809 United Nations Plaza New York, NY 10017	1
Mr. Robert L. Dilenschneider 809 United Nations Plaza New York, NY 10017	3	Ms. Ruth Hinerfeld 809 United Nations Plaza New York, NY 10017	3
Mr. Howard Dobson 809 United Nations Plaza New York, NY 10017	1	Dr. Henry G. Jarecki 809 United Nations Plaza New York, NY 10017	4

Mr. Julian Johnson 809 United Nations Plaza New York, NY 10017	3	Dr. George Rupp 809 United Nations Plaza New York, NY 10017	1
Dr. Henry A. Kissinger 809 United Nations Plaza New York, NY 10017	1	Mr. Thomas Russo 809 United Nations Plaza New York, NY 10017	6
Mr. E. Michel Kruse 809 United Nations Plaza New York, NY 10017	6	Mr. Frank Savage 809 United Nations Plaza New York, NY 10017	1
Mr. Benjamin F. Lenhardt, Jr. 809 United Nations Plaza New York, NY 10017	1	Mr. John Sexton 809 United Nations Plaza New York, NY 10017	2
Mrs. Jean Bronson Mahoney 809 United Nations Plaza New York, NY 10017	4	The Honorable Paul Simon 809 United Nations Plaza New York, NY 10017	1
Mr. Don Marshall 809 United Nations Plaza New York, NY 10017	4	Ms. Belinda Stronach 809 United Nations Plaza New York, NY 10017	1
The Hon. Donald F. McHenry 809 United Nations Plaza New York, NY 10017	3	Mr. Peter R. Thompson 809 United Nations Plaza New York, NY 10017	6
Ms. Linda R. Meier 809 United Nations Plaza New York, NY 10017	4	Mr. Henrik N. Vanderlip 809 United Nations Plaza New York, NY 10017	4
Mr. Minoru Mori 809 United Nations Plaza New York, NY 10017	1	Ms. Linda Vester 809 United Nations Plaza New York, NY 10017	3
Mr. Karlheinz Muhr 809 United Nations Plaza New York, NY 10017	3	Ms. Faye Wattleton 809 United Nations Plaza New York, NY 10017	1
Mrs. Diane J. Paton 809 United Nations Plaza New York, NY 10017	6		

**LIFE TRUSTEES:**

Mr. Fentress Bracewell  
809 United Nations Plaza 1  
New York, NY 10017

Robin Chandler Duke  
809 United Nations Plaza 2  
New York, NY 10017

Miss Madeline H. McWhinney  
809 United Nations Plaza 1  
New York, NY 10017

Mr. Yoshimitsu Isoi  
809 United Nations Plaza 1  
New York, NY 10017

Mr. Martin Meyerson  
809 United Nations Plaza 1  
New York, NY 10017

Dr. Shoji Kimura  
809 United Nations Plaza 1  
New York, NY 10017

Ms. Yu Serizawa  
809 United Nations Plaza 1  
New York, NY 10017

SIGNIFICANT PROGRAM SERVICE ACTIVITIES\*

Form 990, Part III (a)  
September 30, 2003

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International Exchange of Students and Scholars

Generally, activities of this type involve the exchange of individuals from foreign countries to the United States, from the United States to foreign countries or among foreign countries. In almost all instances, this exchange is within or to an academic setting. Examples of this type of activity are as follows:

- 1) The Institute administered educational exchange programs sponsored by the U.S. Information Agency, sending United States citizens abroad for one year study; bringing foreign students to the United States for academic work.
- 2) The various Ford Foundation sponsored academic Travel and Study grants and its Latin-American fellowship programs.

Total \$142,551,373  
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\*Not covered by auditors' report

SIGNIFICANT PROGRAM SERVICE ACTIVITIES\*

Form 990, Part III (b)  
September 30, 2003

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Development Training and Assistance

Activities of this type involve procurement functions for institutions and universities, and backstopping for consultants, advisors and interns in various activities. Examples of this type of activity are as follows:

- (1) Procurement function for institutions and universities through the world, whereby the Institute serves sponsors in obtaining and shipping of such items as text books, library equipment, etc.
- (2) Backstopping of consultants, advisors and interns engaged in various activities such as population control and public administrative assistance. These activities are sponsored by such organizations as the Agency for International Development and the U.S. Information Agency.

Total	\$2,932,277
	=====

\*Not covered by auditors' report

INSTITUTE OF INTERNATIONAL EDUCATION 13-1624046

SIGNIFICANT PROGRAM SERVICE ACTIVITIES \*

Form 990, Part III (c)  
September 30, 2003

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Short-term International Visitors

Activities of this type involve the administration of programs which establish travel and appointment itineraries for Generally, these visitors are from foreign government posts and worldwide educational organizations. Examples of this type of activity are as follows:

- 1) The International Visitors program sponsored by the United States information Agency.
- 2) The UNESCO program.
- 3) Various Ford Foundation sponsored non-academic grants.

Total	\$4,505,170
	=====

\*Not covered by auditors' report

INSTITUTE OF INTERNATIONAL EDUCATION 13-1624046

SIGNIFICANT PROGRAM SERVICE ACTIVITIES\*

Form 990, Part III (d)  
September 30, 2003

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Educational Services

Activities of this type involve assistance to foreign institutions in such areas as curriculum development, educational system planning and aid in the upgrading of faculty staff. Under this heading is also included the programs of the International Council on Higher Education, which provide a forum at the highest level to deal with common problems in the educational area.

Total	\$7,977,288
	=====

\*Not covered by auditors' report

SIGNIFICANT PROGRAM SERVICE ACTIVITIES\*

Form 990, Part III (e)  
September 30, 2003

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Research, Publication and Information Services

As and integral part of IIE's own activity, the Institute embarks upon original research activities resulting in the publication of material germane to all the various aspects of international education.

A prime example of this type of endeavor is the annual census of foreign nationals currently studying at institutions of higher learning within the United States. This annual census results in the publication "OPEN DOORS," which is considered to be one of the most important source documents for statistical analysis of the foreign student population. In addition, IIE prepares specialized study guides as demand for them emerges among students.

In addition to research and publication, the Institute engages in counseling of both foreign students who wish to study in the United States and American students who plan on furthering their education abroad.

The Institute also maintains one of the most comprehensive and extensive libraries pertaining to international education, as well as a highly refined reference service.

Total \$779,790

SIGNIFICANT PROGRAM SERVICE ACTIVITIES\*

Form 990, Part III (e)  
September 30, 2003

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Overseas and Regional Offices Activities

To facilitate the movement of students in the broad field of international education, IIE has established overseas offices in Mexico City, Mexico; Hong Kong, Bangkok, Thailand, Jakarta, Indonesia, Budapest, Hungary, Cairo, Egypt, Moscow and Vietnam. In addition, IIE has domestic offices located in Chicago, Denver, Houston, San Francisco and Washington, D.C.

The purpose of these offices is to provide a central source of information and an expertise to handle and to cope with the everyday problems which continually arise in administering to foreign students. In addition, the domestic offices also perform the function of a host in assisting international visitors who come to the United States for short-term observations and consultation tours.

Total	\$453,661
	=====

\*Not covered by auditors' report

## Application for Extension of Time To File an Exempt Organization Return

OMB No 1545-1709

▶ File a separate application for each return.

- If you are filing for an **Automatic 3-Month Extension**, complete only **Part I** and check this box  ▶
  - If you are filing for an **Additional (not automatic) 3-Month Extension**, complete only **Part II** (on page 2 of this form)
- Note: Do not complete Part II unless you have already been granted an automatic 3-month extension on a previously filed Form 8868.**

**Part I Automatic 3-Month Extension of Time**—Only submit original (no copies needed)  
**Note: Form 990-T corporations requesting an automatic 6-month extension—check this box and complete Part I only**  ▶  
 All other corporations (including Form 990-C filers) must use Form 7004 to request an extension of time to file income tax returns. Partnerships, REMICs and trusts must use Form 8736 to request an extension of time to file Form 1065, 1066, or 1041

<b>Type or print</b> <small>File by the due date for filing your return. See instructions.</small>	Name of Exempt Organization <b>Institute of International Education</b>	Employer identification number <b>13 : 1624046</b>
	Number, street, and room or suite no. If a P O box, see instructions <b>809 United Nations Plaza</b>	
	City, town or post office, state, and ZIP code. For a foreign address, see instructions. <b>New York, NY 10017</b>	

**Check type of return to be filed** (file a separate application for each return)

- |  |   |                                    |
|--|---|------------------------------------|
| <input checked="" type="checkbox"/> Form 990 | <input type="checkbox"/> Form 990-T (corporation)                 | <input type="checkbox"/> Form 4720 |
| <input type="checkbox"/> Form 990-BL         | <input type="checkbox"/> Form 990-T (sec. 401(a) or 408(a) trust) | <input type="checkbox"/> Form 5227 |
| <input type="checkbox"/> Form 990-EZ         | <input type="checkbox"/> Form 990-T (trust other than above)      | <input type="checkbox"/> Form 6069 |
| <input type="checkbox"/> Form 990-PF         | <input type="checkbox"/> Form 1041-A                              | <input type="checkbox"/> Form 8870 |

- If the organization does **not** have an office or place of business in the United States, check this box  ▶
- If this is for a **Group Return**, enter the organization's four digit Group Exemption Number (GEN) \_\_\_\_\_ If this is for the **whole** group, check this box  ▶. If it is for part of the group, check this box  ▶ and attach a list with the names and EINs of all members the extension will cover.

1 I request an automatic 3-month (6-month, for **990-T corporation**) extension of time until May 2004, to file the exempt organization return for the organization named above. The extension is for the organization's return for  
 ▶  calendar year 20\_\_ or  
 ▶  tax year beginning October 1, 2002, and ending September 30, 2003

2 If this tax year is for less than 12 months, check reason  Initial return  Final return  Change in accounting period


3a If this application is for Form 990-BL, 990-PF, 990-T, 4720, or 6069, enter the tentative tax, less any nonrefundable credits. See instructions. \$ \_\_\_\_\_

b If this application is for Form 990-PF or 990-T, enter any refundable credits and estimated tax payments made. Include any prior year overpayment allowed as a credit. \$ \_\_\_\_\_

c **Balance Due.** Subtract line 3b from line 3a. Include your payment with this form, or, if required, deposit with FTD coupon or, if required, by using EFTPS (Electronic Federal Tax Payment System). See instructions. \$ \_\_\_\_\_

### Signature and Verification

Under penalties of perjury, I declare that I have examined this form, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete, and that I am authorized to prepare this form.

Signature ▶  Title ▶ **Assistant Controller** Date ▶ **January 2, 2004**

**Institute of International  
Education, Inc.**

**Financial Statements  
September 30, 2003**

**Report of Independent Auditors**

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

We have audited the accompanying statement of financial position of Institute of International Education, Inc. (the "Institute") as of September 30, 2003, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Institute's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Institute's 2002 financial statements, and in our report, dated December 6, 2002, we expressed a qualified opinion on those financial statements.

We conducted our audit 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Accounting principles generally accepted in the United States of America require the Institute to consolidate into its financial statements the International Fellowships Fund, Inc., a supporting organization. As more fully explained in Note 1 to the financial statements, the Institute's financial statements are not presented on a consolidated basis.

In our opinion, except for the effect of the matter discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the Institute as of September 30, 2003, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*PricewaterhouseCoopers LLP*

December 5, 2003

**Institute of International Education, Inc.**  
**Statement of Financial Position**  
**As of September 30, 2003 and 2002**

	2003	2002
<b>Assets</b>		
Cash and cash equivalents	\$ 10,093,091	\$ 3,298,314
Reimbursable expenditures under contracts in progress	18,653,139	16,829,869
Contributions receivable	6,551,932	9,739,011
Investments, at fair value	40,280,819	35,895,071
Prepaid expenses and other assets	1,479,234	1,285,539
Fixed assets, net	24,323,118	24,343,519
Restricted cash	181,629	1,451,048
Beneficial interests in perpetual trusts held by third parties	<u>3,076,881</u>	<u>2,784,347</u>
 Total assets	 <u>\$ 104,639,843</u>	 <u>\$ 95,626,718</u>
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Bonds payable	\$ 16,552,358	\$ 16,821,013
Accounts payable and accrued expenses	7,536,498	9,824,876
Sponsored funds received in advance	18,575,770	5,584,421
Deferred income	<u>41,433</u>	<u>592,384</u>
Total liabilities	<u>42,706,059</u>	<u>32,822,694</u>
 Commitments and contingencies		
<b>Net assets</b>		
Unrestricted	21,158,790	13,845,819
Temporarily restricted	35,788,011	43,463,407
Permanently restricted	<u>4,986,983</u>	<u>5,494,798</u>
Total net assets	<u>61,933,784</u>	<u>62,804,024</u>
 Total liabilities and net assets	 <u>\$ 104,639,843</u>	 <u>\$ 95,626,718</u>

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

**Institute of International Education, Inc.**  
**Statement of Activities**  
**For the year ended September 30, 2003, with comparative totals for the year ended**  
**September 30, 2002**

	2003			Total	2002 Total
	Unrestricted	Temporarily Restricted	Permanently Restricted		
<b>Revenues</b>					
Sponsored programs	\$ 145,382,395			\$ 145,382,395	\$ 163,130,478
Contributions	1,588,377	\$ 10,065,600	\$ 50,000	11,703,977	10,080,731
Investment return	5,628,205	1,199,138	(557,815)	6,269,528	(4,264,563)
Sales of publications	235,987			235,987	276,749
Special events					
Contributions	990,500			990,500	1,105,874
Direct costs	(578,775)			(578,775)	(604,992)
Net revenues from special events	411,725			411,725	500,882
Membership fees	369,792			369,792	327,275
Other revenue	624,988			624,988	396,377
Voluntary services	52,235			52,235	121,460
	154,293,704	11,264,738	(507,815)	165,050,627	170,569,389
Net assets released from restrictions	18,940,134	(18,940,134)			
Total revenues	173,233,838	(7,675,396)	(507,815)	165,050,627	170,569,389
<b>Expenses</b>					
Sponsored programs					
International exchange of students and scholars	142,551,373			142,551,373	151,103,865
Development training and assistance	2,932,277			2,932,277	5,768,256
Short-term international visitors	4,505,170			4,505,170	3,945,626
Educational services	7,977,288			7,977,288	5,375,166
Total sponsored programs	157,966,108			157,966,108	166,192,913
Institute, educational and information services					
Overseas and regional office activities	453,661			453,661	423,170
Research, publications and information services	779,790			779,790	1,054,359
Total institute, educational and information services	1,233,451			1,233,451	1,477,529
Total program services	159,199,559			159,199,559	167,670,442
Supporting services					
Management and general	5,637,969			5,637,969	5,397,739
Fund raising	1,083,339			1,083,339	1,097,723
Total supporting services	6,721,308			6,721,308	6,495,462
Total expenses	165,920,867			165,920,867	174,165,904
Increase (decrease) in net assets	7,312,971	(7,675,396)	(507,815)	(870,240)	(3,596,515)
Net assets, beginning of year	13,845,819	43,463,407	5,494,798	62,804,024	66,400,539
Net assets, end of year	\$ 21,158,790	\$ 35,788,011	\$ 4,986,983	\$ 61,933,784	\$ 62,804,024

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

Institute of International Education, Inc.  
Statement of Functional Expenses

For the year ended September 30, 2003, with comparative totals for the year ended September 30, 2002

	Sponsored Programs			Other Programs			Supporting Services					
	International Exchange of Students and Scholars	Development Training and Assistance	Short-Term International Visitors	Educational Services	Total	Overseas and Regional Office Activities	Research Publications and Information Services	Management and General	Fund Raising	Total	2003 Total	2002 Total
<b>Sponsored direct expenses</b>	\$ 23,834,275	\$ 800	\$ 4,066	\$ 259,227	\$ 24,098,368	\$ 912	\$ 912			\$ 24,098,368	\$ 32,960,949	\$ 32,960,949
Tuition	12,106,107	55,045	452,566	655,301	13,269,019					13,269,019	13,066,112	13,066,112
Travel and field trips	55,266,022	31,717	2,334,162	83,387	57,815,288					57,815,288	59,307,981	59,307,981
Grants maintenance	693,615	45,125			738,740					738,740	738,740	738,740
Salaries and related benefits of scientific staff	1,748,934	833,244	74,409	32,353	1,855,696					1,855,696	1,855,696	2,116,377
Grants book allowance	598,470	272		379,356	1,811,070					1,811,070	2,615,925	2,615,925
Procurement of equipment and supplies	595,577	452	39	4,562	600,411					600,411	600,411	715,273
Insurance	39,112			153,572	193,175					193,175	193,175	235,118
Freight, shipment and storage	12,748,728	1,487,746	73,851	3,153,988	17,464,313	2,024				17,466,337	17,137,919	17,137,919
Other	107,730,840	2,454,401	2,939,093	4,721,746	117,846,080	2,936				117,849,016	128,419,505	128,419,505
<b>Other institute expenses</b>	20,281,883	315,266	1,075,045	1,795,660	23,467,854	276,218	\$ 280,291	\$ 2,790,167	\$ 234,143	\$ 3,034,310	27,048,673	27,618,722
Salaries and related benefits	2,506,413	58,391	1,69,555	276,981	3,011,340	39,228	11,288	604,695	7,770	612,465	3,674,321	3,657,964
Occupancy	5,206,420	28,518	83,742	488,772	5,807,452	43,303	323,152	814,507	111,706	926,213	7,100,120	5,858,462
Outside services	724,041	16,901	26,766	126,168	893,876	7,642	25,022	117,038	5,232	122,290	1,048,830	1,397,982
Travel	406,540	6,555	20,505	51,945	485,545	9,226	28,047	23,387	5,527	28,914	551,732	617,639
Postage	802,082	4,196	8,960	58,681	873,919	10,708	15,997	23,084	3,318	28,402	929,026	871,341
Printing and supplies	516,816	1,188	9,746	17,141	544,891	5,942	28,584	2,912	8,469	11,381	590,798	566,344
Information services	385,931	5,705	18,262	39,426	449,424	2,711	233	79,605	531,973	531,973	316,905	316,905
Receptions and meetings	183,306	1,572	4,097	15,578	204,553	3,340	45,132	42,883	18,151	61,034	314,059	412,373
Equipment rentals and repairs	221,499	2,442	7,424	27,774	259,139	14,511	3,066	29,072	1,685	30,757	307,473	457,943
Stationery and supplies	422,344	7,434	21,156	67,242	518,176	23,549	10,175	41,893	3,010	44,903	596,803	677,833
Other	1,285,383	7,500	43,421	111,272	1,447,576	10,144	7,968	443,858	683,754	1,127,612	2,593,300	915,044
Depreciation and amortization	32,942,638	455,668	1,488,779	3,076,640	37,963,745	446,522	778,955	5,015,121	1,082,765	6,097,886	45,287,107	43,348,552
Total	1,877,875	22,208	77,298	178,902	2,156,283	4,203	835	622,848	574	623,422	2,784,743	2,397,847
	\$ 142,551,373	\$ 2,932,277	\$ 4,505,170	\$ 7,977,288	\$ 157,966,108	\$ 453,661	\$ 779,790	\$ 5,637,969	\$ 1,083,339	\$ 6,721,308	\$ 165,920,867	\$ 174,165,904

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

**Institute of International Education, Inc.**  
**Statement of Cash Flows**  
**For the years ended September 30, 2003 and 2002**

	2003	2002
<b>Cash flows from operating activities</b>		
Decrease in net assets	\$ (870,240)	\$ (3,596,515)
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities		
Depreciation and amortization	2,784,289	2,409,190
Amortization of gain on sale of building	(238,060)	(238,060)
Realized loss (gain) on sale of investments and investment income	460,142	(591,555)
Unrealized depreciation on investments	(6,729,670)	4,856,118
Contributions restricted for long-term investment	(62,074)	(51,047)
Change in operating assets and liabilities		
Reimbursable expenditures under contracts in progress	(1,823,270)	(11,443,559)
Contributions receivable	3,187,079	2,677,028
Prepaid expenses and other assets	(193,695)	2,161,477
Accounts payable and accrued expenses	(2,288,378)	4,855,024
Sponsored funds received in advance	12,991,349	(7,222,068)
Deferred income	(550,951)	(50,115)
Net cash provided by (used in) operating activities	<u>6,666,521</u>	<u>(6,234,082)</u>
<b>Cash flows from investing activities</b>		
Purchase of investments	(4,320,982)	(26,262,556)
Proceeds from sale of investments	6,006,455	29,174,121
Purchase of fixed assets	(2,498,710)	(5,242,044)
Use (receipt) of restricted cash	1,269,419	(1,451,048)
Net cash provided by (used in) investing activities	<u>456,182</u>	<u>(3,781,527)</u>
<b>Cash flows from financing activities</b>		
Payment of note payable		(22,602,452)
Proceeds from issuance of bonds		17,004,670
Payment of bonds payable	(280,000)	(195,000)
Contributions restricted for long-term investment	62,074	51,047
Net cash used in financing activities	<u>(217,926)</u>	<u>(5,741,735)</u>
Net increase (decrease) in cash and cash equivalents	6,904,777	(15,757,344)
Cash and cash equivalents at beginning of year	<u>3,298,314</u>	<u>19,055,658</u>
Cash and cash equivalents at end of year	<u>\$ 10,203,091</u>	<u>\$ 3,298,314</u>
<b>Supplemental information</b>		
Cash paid for interest	<u>\$ 802,938</u>	<u>\$ 633,149</u>

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

**Institute of International Education, Inc.**  
**Notes to Financial Statements**  
**September 30, 2003, with comparative totals for September 30, 2002**

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**1. Description of Organization**

The Institute of International Education, Inc. (the "Institute") develops and administers programs of international educational exchange and technical assistance under renegotiable contracts with governments, international organizations, corporations, foundations, colleges and universities in the United States and abroad. The Institute is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code, and has been classified as an organization which is not a private foundation under Section 509(a).

Services to students, teachers, and other professionals from more than 170 countries are provided by the Institute's New York headquarters, regional offices and overseas offices. The Institute also administers educational assistance to universities and foreign countries, sponsors conferences and seminars and provides procurement services on behalf of certain sponsors.

In addition, through general support, the Institute conducts counseling and information services, issues publications, assists international programs in the performing and visual arts 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.

**International Fellowships Fund, Inc.**

In February 2001, the Institute created and incorporated in the State of Delaware the International Fellowships Fund, Inc. ("IFF"), a not-for-profit organization to administer and support the activities of the Institute's International Fellowships Program. The International Fellowships Program provides educational opportunities for individuals from disadvantaged populations. IFF is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and is designated as a Type 1 supporting organization. IFF commenced operations with funding received from the Ford Foundation in the amount of \$275,526,718 in September 2001. The Board of Directors of IFF comprises two members of the Institute's management, two members of the Institute's Board of Trustees and three members from the Ford Foundation. IFF is controlled by the Institute and exists for the benefit of the Institute. Accordingly, IFF's financial position, changes in net assets and cash flows should be consolidated with that of the Institute in accordance with accounting principles generally accepted in the United States of America. However, in the accompanying financial statements the Institute has elected to exclude that information in order to provide a clearer presentation of its own financial position, changes in net assets and cash flows on a stand-alone basis. The Institute provides administrative services to IFF and charges an annual management fee. The management fee charged to IFF for the years ended September 30, 2003 and 2002 was \$291,650 and \$270,000, respectively.

**2. Summary of Significant Accounting Policies**

**Basis of Presentation**

The Institute is required to report revenues, support, expenses, gains and losses based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Institute are classified and reported as follows:

**Permanently Restricted**

Net assets that are subject to donor-imposed stipulations that neither expire with the passage of time nor can be fulfilled or otherwise removed by actions of the Institute are reported as permanently restricted. These net assets include funds which have been designated by the donor to be held and invested in perpetuity, but permit the Institute to use the income and gains for specified and unspecified purposes.

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**Temporarily Restricted**

Contributions that are received with donor stipulations that either expire with the passage of time or can be fulfilled and removed by actions of the Institute pursuant to those stipulations are considered temporarily restricted. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are released to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. In the event the Institute were unable to fulfill their purposes, all funds would be remitted back to the donors.

**Unrestricted**

Net assets that are not subject to donor-imposed stipulations and that may be expended for any purpose in performing the primary objectives of the Institute are considered unrestricted. Unrestricted net assets 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 unrestricted net assets 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 unrestricted net assets unless their use is restricted by explicit donor stipulation or law. Expenses are reported as decreases in unrestricted net assets.

**Support and Revenue**

Revenues from sponsored programs are recognized as the Institute incurs the related expenditures. Cash received before the related expenditures are incurred is recorded as sponsored funds received in advance. To the extent that expenditures are made in excess of cash receipts, reimbursable expenditures on contracts in progress are recorded to the level of anticipated funding in a sponsored program.

Contributions are recorded as revenue when the Institute has an unconditional right to receive those funds. Contributions are recorded in a net asset classification based upon the existence or absence of donor restrictions. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met.

**Reimbursable Expenditures Under Contracts in Progress**

Reimbursable expenditures under contracts in progress represent bona fide receivables in which the Institute has earned revenue primarily on government contracts.

**Cash Equivalents**

All highly liquid investments having an original maturity of 90 days or less at time of purchase, including money market accounts, are considered to be cash equivalents.

**Fixed Assets**

Fixed assets are capitalized at cost and depreciated on a straight-line basis over their estimated useful lives. Leasehold improvements are amortized over the shorter of estimated useful lives or the term of the lease. Depreciation and amortization expense on fixed assets for fiscal years 2003 and 2002 was \$2,757,173 and \$2,382,074, respectively.

**Beneficial Interests in Perpetual Trust Held by Third Parties**

The Institute is an income beneficiary of various trusts funds held by others in perpetuity. As a result, the Institute 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 the Institute's ownership percentages. Changes in fair value to the Institute's beneficial interests are recognized as gains or losses in the permanently restricted net asset category. According to the original donors' stipulation, distributions of net income from these trusts are to be made to the Institute and are to be spent for

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specified purposes. During fiscal years 2003 and 2002, distributions from these trusts in the amount of \$80,412 and \$86,806, respectively, were recorded as temporarily restricted contributions.

**Retirement Benefits**

Retirement benefits coverage is available for substantially all employees provided through individual contributory annuities with selected financial institutions. The Institute's contributions for fiscal years 2003 and 2002 under the provisions of this defined contribution plan were \$1,219,452 and \$1,154,996, respectively.

**Functional Allocation**

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Costs functionalized as "sponsored direct expenses" include all grantee pass-thru expenditures (e.g., tuition, grantee maintenance) and costs functionalized as "other institute expenses" include all operational costs (e.g., salaries, occupancy).

**Volunteer Services/In-Kind Contributions**

Contributed time from volunteers with specialized skills and contributed property are reflected as contributions revenue at their estimated market value as permitted by accounting principles generally accepted in the United States of America.

**Use of Estimates**

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

**Comparative Financial Information**

The accompanying statements of activities and functional expenses are presented with prior year summarized financial information in total, but not by net asset class or functional category. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Institute's financial statements as of and for the year ended September 30, 2002, from which the summarized information was derived.

**Reclassifications**

Certain amounts in the fiscal year 2002 financial statements have been reclassified to conform with the fiscal year 2003 presentation.

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**3. Contributions Receivable**

Contributions receivable consist of the following at September 30:

	2003	2002
<b>Due in</b>		
Less than one year	\$ 3,874,448	\$ 7,170,284
One to five years	<u>2,707,895</u>	<u>2,635,000</u>
	6,582,343	9,805,284
Less - Net present value discount (1.15% in 2003 and 2.58% in 2002)	<u>30,411</u>	<u>66,273</u>
	<u>\$ 6,551,932</u>	<u>\$ 9,739,011</u>

**4. Investments**

Investments as of September 30 consist of the following:

	2003		2002	
	<u>Fair Value</u>	<u>Cost Basis</u>	<u>Fair Value</u>	<u>Cost Basis</u>
Cash and cash equivalents held for reinvestment	\$ 209,258	\$ 209,258	\$ 164,457	\$ 164,457
Corporate and government fixed income	16,867,137	16,666,587	14,772,608	14,654,014
Equities	<u>23,204,424</u>	<u>27,016,252</u>	<u>20,958,006</u>	<u>31,120,234</u>
	<u>\$ 40,280,819</u>	<u>\$ 43,892,097</u>	<u>\$ 35,895,071</u>	<u>\$ 45,938,705</u>

The Institute records investments in equity securities with readily determinable fair values and all investments in debt securities at fair value determined on the basis of quoted market values. Investments are recorded on a trade-date basis. Realized gains and losses are determined on the basis of average cost.

Investment return consisted of the following for the years ended September 30, 2003 and 2002:

	2003	2002
Interest and dividends	\$ 1,216,194	\$ 1,765,436
Realized losses	(1,609,900)	(1,024,559)
Unrealized gains (losses)	<u>6,729,670</u>	<u>(4,856,118)</u>
	6,335,964	(4,115,241)
Less - Investment management fees	<u>(66,436)</u>	<u>(149,322)</u>
Total investment return	<u>\$ 6,269,528</u>	<u>\$ (4,264,563)</u>

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**5. Fixed Assets**

Fixed assets as of September 30 consist of the following:

	Estimated Useful Lives	2003	2002
Building	30 Years	\$ 18,846,730	\$ 18,705,321
Furniture	7 Years	1,895,509	1,794,558
Equipment	4 Years	9,290,041	8,820,155
Software development costs	3-6 Years	3,622,111	2,934,565
Leasehold improvements	3-25 Years	<u>6,869,101</u>	<u>5,770,181</u>
		40,523,492	38,024,780
Less - Accumulated depreciation		<u>(9,534,679)</u>	<u>(6,777,506)</u>
		30,988,813	31,247,274
Less - Unamortized deferred credit		<u>(6,665,695)</u>	<u>(6,903,755)</u>
		<u>\$ 24,323,118</u>	<u>\$ 24,343,519</u>

In July of 2001, the Institute exercised its right of first refusal and repurchased a significant portion of its New York headquarters building at 809 United Nations Plaza. The building is now a condominium with the Institute repurchasing 10 of the 12 available floors. The purchase price was \$22,750,000. In September of 2001, the Institute sold two of the repurchased floors to a foreign government for \$12,000,000. The Institute's basis in the two sold floors was \$4,788,875 and resulted in a gain on sale of \$7,251,030. A portion of the deferred credit associated with the Institute'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 the Institute's fixed assets balance and is being amortized over a 30-year period.

**6. Bonds Payable**

Bonds payable as of September 30 consist of the following:

	2003	2002
Series 2001 bonds	\$ 16,870,000	\$ 17,150,000
Less - Unamortized discount on Series 2001 bonds	<u>317,642</u>	<u>328,987</u>
	<u>\$ 16,552,358</u>	<u>\$ 16,821,013</u>

On November 1, 2001, the Institute issued \$17,345,000 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"). In connection with the issuance of bonds, the Institute incurred costs that are being amortized over the term of the bond (30 years). Total deferred financing costs of \$441,578, net of accumulated amortization of \$31,541 at September 30, 2003, are included in prepaid expenses and other assets.

The Institute has segregated a portion of the bond proceeds, for use in connection with certain capital expenditures, as restricted cash.

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**8. Permanently Restricted Net Assets**

Permanently restricted net assets at September 30 were as follows:

	2003	2002
Beneficial interests in perpetual trusts held by third parties	\$ 3,089,660	\$ 2,784,347
Endowment funds, investment return restricted to international exchange of students and scholars	<u>1,897,323</u>	<u>2,710,451</u>
	<u>\$ 4,986,983</u>	<u>\$ 5,494,798</u>

**9. Sponsored Program Revenue**

Sponsored program revenue for fiscal year 2003 and 2002 was derived from the following major sponsor categories:

	2003	2002
U.S. government agencies	\$ 117,416,839	\$ 126,475,920
Foundations and research organizations	13,835,414	22,803,695
Corporations	6,633,128	5,638,148
Foreign governments and international organizations	<u>7,497,014</u>	<u>8,212,715</u>
	<u>\$ 145,382,395</u>	<u>\$ 163,130,478</u>

**10. Commitments and Contingencies**

Rental expense was \$3,401,998 and \$3,319,273 for the years ended September 30, 2003 and 2002, respectively. The Institute leases space for its regional and certain overseas offices on noncancelable, long-term basis. These agreements, expiring at various dates through 2005, permit the Institute to sublease such space at its option.

Minimum future lease commitments are as follows at September 30, 2003:

Fiscal year	
2004	\$ 2,173,082
2005	1,196,936
2006	130,401
2007	<u>118,227</u>
	<u>\$ 3,618,646</u>

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The Institute, from time to time, 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 the Institute's financial statements.

The Institute receives funding from governmental agencies for various activities which are subject to audit. Although such audits may result in disallowance of certain expenditures which would be absorbed by the Institute, in management's opinion the ultimate outcome of such possible audits would not have a significant effect on the financial condition, changes in net assets or cash flows of the Institute.