

**Institute of International
Education, Inc.**

EIN: 13-1624046

**Report on Federal Awards in
Accordance with OMB Uniform Guidance
September 30, 2016**

Institute of International Education, Inc.

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September 30, 2016

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Report of Independent Auditors

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

Report on the Financial Statements

We have audited the accompanying financial statements of Institute of International Education, Inc. ("IIE"), which comprise the statements of financial position as of September 30, 2016 and 2015, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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



Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Institute of International Education, Inc. as of September 30, 2016 and 2015, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Emphasis of Matter

As discussed in Note 1 to the financial statements, IIE changed the manner in which it accounts for its affiliate, Indonesian International Education Foundation ("IIEF"). Our opinion is not modified with respect to this matter.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards for the year ended September 30, 2016 is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2017 on our consideration of IIE's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters for the year ended September 30, 2016. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of IIE's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering IIE's internal control over financial reporting and compliance.

PricewaterhouseCoopers LLP

New York, New York
December 19, 2017

Institute of International Education, Inc.
Statements of Financial Position
September 30, 2016 and 2015

<i>(in thousands)</i>	2016	2015
Assets		
Cash and cash equivalents	\$ 6,362	\$ 49,927
Accounts receivable on sponsored programs	71,861	68,521
Contributions receivable, net	1,670	986
Investments, at fair value	120,419	111,155
Prepaid expenses and other assets	8,329	7,022
Fixed assets, net	26,456	24,543
Beneficial interests in perpetual trusts held by third parties	3,066	2,976
Total assets	<u>\$ 238,163</u>	<u>\$ 265,130</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 51,330	\$ 86,513
Sponsored funds received in advance	29,573	30,796
Bonds payable, net	11,575	12,119
Total liabilities	<u>92,478</u>	<u>129,428</u>
Commitments and contingencies		
Net assets		
Unrestricted		
Board designated	14,380	13,144
Undesignated, available for general operations	64,904	59,918
Total unrestricted net assets	79,284	73,062
Temporarily restricted	59,808	56,137
Permanently restricted	6,593	6,503
Total net assets	<u>145,685</u>	<u>135,702</u>
Total liabilities and net assets	<u>\$ 238,163</u>	<u>\$ 265,130</u>

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

Institute of International Education, Inc.
Statements of Activities
Years Ended September 30, 2016 and 2015

<i>(in thousands)</i>	2016				2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues								
Sponsored programs	\$ 580,425	\$ -	\$ -	\$ 580,425	\$ 832,314	\$ -	\$ -	\$ 832,314
Contributions	844	7,740	-	8,584	473	7,696	-	8,169
Net assets released from restrictions	9,636	(9,636)	-	-	9,043	(9,043)	-	-
Investment return	6,313	5,567	90	11,970	(3,619)	(2,796)	(215)	(6,630)
Publications and membership fees	747	-	-	747	845	-	-	845
Special events								
Contributions	735	-	-	735	722	-	-	722
Direct costs	(129)	-	-	(129)	(138)	-	-	(138)
Net revenues from special events	606	-	-	606	584	-	-	584
Other revenues	1,157	-	-	1,157	485	-	-	485
Total revenues	\$ 599,728	\$ 3,671	\$ 90	\$ 603,489	\$ 840,125	\$ (4,143)	\$ (215)	\$ 835,767
Expenses								
Program services								
International exchange of students and scholars	\$ 500,282	\$ -	\$ -	\$ 500,282	\$ 749,751	\$ -	\$ -	\$ 749,751
Leadership development educational services	36,670	-	-	36,670	32,873	-	-	32,873
Higher education institutional development	14,482	-	-	14,482	13,680	-	-	13,680
Emergency student and scholar assistance	4,271	-	-	4,271	3,384	-	-	3,384
Research and publications	2,060	-	-	2,060	1,150	-	-	1,150
Total program services	557,765	-	-	557,765	800,838	-	-	800,838
Supporting services								
Management and general	33,560	-	-	33,560	31,315	-	-	31,315
Fund raising	1,067	-	-	1,067	721	-	-	721
Total supporting services	34,627	-	-	34,627	32,036	-	-	32,036
Total expenses	592,392	-	-	592,392	832,874	-	-	832,874
Increase (decrease) in net assets before de-consolidation of IIEF	7,336	3,671	90	11,097	7,251	(4,143)	(215)	2,893
De-consolidation of IIEF	(1,114)	-	-	(1,114)	-	-	-	-
Increase (decrease) in net assets	6,222	3,671	90	9,983	7,251	(4,143)	(215)	2,893
Net assets								
Beginning of year	73,062	56,137	6,503	135,702	65,811	60,280	6,718	132,809
End of year	\$ 79,284	\$ 59,808	\$ 6,593	\$ 145,685	\$ 73,062	\$ 56,137	\$ 6,503	\$ 135,702

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

Institute of International Education, Inc.
Statement of Functional Expenses
Year Ended September 30, 2016

	Program Services					Supporting Services				Total
	International Exchange of Students and Scholars	Leadership Development Educational Services	Higher Education Institutional Development	Emergency Student and Scholar Assistance	Research and Publications	Total Program Services	Management and General	Fund Raising	Total Supporting Services	
<i>(in thousands)</i>										
Grantee expenses										
Grantee stipends and grants	\$ 196,436	\$ 9,092	\$ 1,434	\$ 708	\$ 35	\$ 207,705	\$ -	\$ -	\$ -	\$ 207,705
Tuition, books and fees	161,076	3,764	747	1,407	-	166,994	-	-	-	166,994
Enrichment programs	10,677	2,706	32	7	-	13,422	-	-	-	13,422
Grantee travel	14,343	5,329	913	25	-	20,610	-	-	-	20,610
Grantee health insurance	5,995	15	8	25	-	6,043	-	-	-	6,043
Other	7,846	193	8	4	-	8,051	-	-	-	8,051
	<u>396,373</u>	<u>21,099</u>	<u>3,142</u>	<u>2,176</u>	<u>35</u>	<u>422,825</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>422,825</u>
Institute expenses										
Employee salaries and benefits	28,206	6,818	5,323	1,404	1,010	42,761	18,512	482	18,994	61,755
Occupancy	5,263	812	1,016	224	155	7,470	4,344	87	4,431	11,901
Travel, receptions and benefits	5,188	1,226	1,430	92	292	8,228	1,215	43	1,258	9,486
Communication	1,120	212	289	91	57	1,769	1,887	28	1,915	3,684
Purchased services	58,877	6,012	2,808	233	449	68,379	8,796	375	9,171	77,550
Other	5,255	491	474	51	62	6,333	(1,194)	52	(1,142)	5,191
	<u>103,909</u>	<u>15,571</u>	<u>11,340</u>	<u>2,095</u>	<u>2,025</u>	<u>134,940</u>	<u>33,560</u>	<u>1,067</u>	<u>34,627</u>	<u>169,567</u>
	<u>\$ 500,282</u>	<u>\$ 36,670</u>	<u>\$ 14,482</u>	<u>\$ 4,271</u>	<u>\$ 2,060</u>	<u>\$ 557,765</u>	<u>\$ 33,560</u>	<u>\$ 1,067</u>	<u>\$ 34,627</u>	<u>\$ 592,392</u>

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

Institute of International Education, Inc.
Statement of Functional Expenses
Year Ended September 30, 2015

	Program Services					Supporting Services				Total
	International Exchange of Students and Scholars	Leadership Development Educational Services	Higher Education Institutional Development	Emergency Student and Scholar Assistance	Research and Publications	Total Program Services	Management and General	Fund Raising	Total Supporting Services	
<i>(in thousands)</i>										
Grantee expenses										
Grantee stipends and grants	\$ 261,623	\$ 10,521	\$ 1,653	\$ 493	\$ -	\$ 274,290	\$ -	\$ -	\$ -	\$ 274,290
Tuition, books and fees	345,110	1,371	959	1,544	-	348,984	-	-	-	348,984
Enrichment programs	10,251	6,440	877	24	-	17,592	-	-	-	17,592
Grantee travel	15,646	2,424	588	50	-	18,708	-	-	-	18,708
Grantee health insurance	5,705	15	11	43	-	5,774	-	-	-	5,774
Other	22,578	1,389	346	22	-	24,335	-	-	-	24,335
	<u>660,913</u>	<u>22,160</u>	<u>4,434</u>	<u>2,176</u>	<u>-</u>	<u>689,683</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>689,683</u>
Institute expenses										
Employee salaries and benefits	32,337	6,992	3,244	870	634	44,077	14,319	377	14,696	58,773
Occupancy	5,719	842	670	139	116	7,486	3,935	60	3,995	11,481
Travel, receptions and benefits	2,220	673	738	35	73	3,739	1,244	97	1,341	5,080
Communication	1,549	156	275	42	93	2,115	1,611	51	1,662	3,777
Purchased services	46,723	1,942	1,465	90	180	50,400	7,934	111	8,045	58,445
Other	290	108	2,854	32	54	3,338	2,272	25	2,297	5,635
	<u>88,838</u>	<u>10,713</u>	<u>9,246</u>	<u>1,208</u>	<u>1,150</u>	<u>111,155</u>	<u>31,315</u>	<u>721</u>	<u>32,036</u>	<u>143,191</u>
	<u>\$ 749,751</u>	<u>\$ 32,873</u>	<u>\$ 13,680</u>	<u>\$ 3,384</u>	<u>\$ 1,150</u>	<u>\$ 800,838</u>	<u>\$ 31,315</u>	<u>\$ 721</u>	<u>\$ 32,036</u>	<u>\$ 832,874</u>

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

Institute of International Education, Inc.
Statements of Cash Flows
Years Ended September 30 2016 and 2015

<i>(in thousands)</i>	2016	2015
Cash flows from operating activities		
Increase in net assets	\$ 9,983	\$ 2,893
Adjustments to reconcile increase in net assets to net cash (used in) provided by operating activities		
Depreciation and amortization	3,863	2,760
Amortization of gain on sale of building	(239)	(238)
Loss on disposal of fixed assets	287	113
Amortization of bond issuance costs	24	22
Amortization of premium on bonds	(43)	(37)
Loss on bond extinguishment	-	498
De-consolidation of IIEF (Note 1)	1,114	-
Net realized gains on sales of investments	(2,220)	(2,435)
Net unrealized (gains) losses on investments	(8,106)	10,350
Change in operating assets and liabilities		
Accounts receivable on sponsored programs	(6,565)	8,008
Contributions receivable, net	(684)	35
Prepaid expenses and other assets	(1,675)	(1,630)
Accounts payable and accrued expenses	(31,711)	2,230
Sponsored funds received in advance	(4)	(259)
Net cash (used in) provided by operating activities	<u>(35,976)</u>	<u>22,310</u>
Cash flows from investing activities		
Purchase of investments	(1,883)	(2,680)
Proceeds from sale of investments	2,855	4,736
Purchase of fixed assets	(7,214)	(7,475)
Cash outflow due to de-consolidation of IIEF (Note 1)	(822)	-
Net cash used in investing activities	<u>(7,064)</u>	<u>(5,419)</u>
Cash flows from financing activities		
Payments made on bond obligations	(525)	(655)
Net cash used in financing activities	<u>(525)</u>	<u>(655)</u>
Net (decrease) increase in cash and cash equivalents	(43,565)	16,236
Cash and cash equivalents		
Beginning of year	49,927	33,691
End of year	<u>\$ 6,362</u>	<u>\$ 49,927</u>
Supplemental information		
Cash paid for interest	\$ 452	\$ 757
Non-cash supplemental information		
Bond defeasance	\$ -	\$ 13,324
Fixed assets included in accounts payable	110	1,393
Non-cash transactions associated with IIEF de-consolidation (Note 1)	292	-

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

Institute of International Education, Inc.

Notes to Financial Statements

September 30, 2016 and 2015

(in thousands)

1. Description of Organization

The financial statements include the accounts of all Institute of International Education, Inc.'s (the "Institute") affiliates, both domestic and international, including those which are separately incorporated and perform activities in the name of the Institute. All significant intercompany transactions have been eliminated. Accordingly, the accompanying financial statements include the financial positions, statements of activities, functional expenses and cash flows of the Institute and the Indonesian International Education Foundation ("IIEF"), (collectively, "IIE"). Effective October 1, 2015, management determined that IIEF no longer met the criteria for consolidation and accordingly, IIEF is not reflected in the financial statements as of and for the year ended September 30, 2016.

Institute of International Education, Inc.

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

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

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

Indonesian International Education Foundation

IIEF was established in May, 1992 and is located in South Jakarta, Indonesia. IIEF has developed expertise in four core areas: Scholarship and Fellowship Management, Capacity Development Initiatives, Services to Education and Testing and Certification.

2. Summary of Significant Accounting Policies

Basis of Presentation

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

- Unrestricted net assets – net assets that are not subject to donor-imposed restrictions and that may be expended for any purpose in performing the primary objectives of IIE. 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

Institute of International Education, Inc.
Notes to Financial Statements
September 30, 2016 and 2015

(in thousands)

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.

- Temporarily restricted net assets – net assets that are subject to donor restrictions that either expire with the passage of time or can be fulfilled and removed by actions of IIE. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is met, temporarily restricted net assets are released to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. In the event IIE is unable to meet their purposes, all remaining funds would be remitted back to the donors, unless subsequently re-designated by the donor.
- Permanently restricted net assets – net assets that are subject to donor-imposed restrictions that neither expire with the passage of time nor can be fulfilled or otherwise removed by actions of IIE. These net assets include funds which have been designated by the donor to be held and invested in perpetuity, but permit IIE to use the income and gains for specified and unspecified purposes.

Use of Estimates

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

Revenues

Revenue is recognized when earned. Revenues from cost reimbursable sponsored programs are recognized as IIE incurs the related expenditures to the extent of anticipated funding. Fixed fee revenue from sponsored programs is recognized on a percentage of completion basis.

Contributions are recorded as revenue when IIE 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.

Cash Equivalents

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

Accounts receivable on sponsored programs

To the extent that revenues are recognized in excess of cash receipts, accounts receivable on sponsored agreements are reported in the statement of financial position.

Institute of International Education, Inc.
Notes to Financial Statements
September 30, 2016 and 2015

(in thousands)

Beneficial Interests in Perpetual Trusts Held by Third Parties

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

Changes in fair value of IIE's beneficial interests are recognized as gains or losses in the permanently restricted net asset category. According to the original donors' stipulation, distributions of net income from these trusts are to be made to IIE and are to be spent for specified purposes. During fiscal years 2016 and 2015, distributions from these trusts in the amount of \$90 and \$216, respectively, were recorded as temporarily restricted contributions.

Sponsored Funds Received in Advance

Cash received prior to recognizing revenue is reported as sponsored funds received in advance in the statement of financial position.

Retirement Benefits

Retirement benefits coverage is available for substantially all employees, provided through individual investment accounts with selected financial institutions. IIE's contributions for fiscal years 2016 and 2015 under the provisions of this defined contribution plan were \$3,262 and \$3,042, respectively.

The Institute has active 457B and 457F deferred compensation plans which are offered to select management. The employee contributions are capped at the annual Federal limit for deferred compensation. The assets related to this plan are included in prepaid expenses and other assets and amounted to \$1,832 and \$1,606 as of September 30, 2016 and 2015, respectively. The assets primarily consist of money market funds and other marketable securities which are considered Level 1 based on the fair value hierarchy described in Note 3. The liabilities that relate to these plans are included in accounts payable and accrued expenses.

Functional Allocation

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

Investments

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

Institute of International Education, Inc.

Notes to Financial Statements

September 30, 2016 and 2015

(in thousands)

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

Fixed Assets

Fixed assets are recorded at cost. Depreciation is provided over the estimated useful lives of the related assets using the straight-line method, ranging from two (2) to thirty (30) years. Such estimates are based upon management's judgments of how long the assets will remain in service. Amortization of leasehold improvements is computed using the straight-line method over the shorter of the remaining lease term or the estimated useful lives of the improvements. Depreciation and amortization expenses on fixed assets for fiscal years 2016 and 2015 were \$3,863 and \$2,760, respectively.

IIE periodically evaluates the estimated recoverability of its long lived assets, annually or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Indirect Costs

IIE recovers indirect costs by allocating such costs to specific programs administered by IIE. Indirect costs are those costs incurred by common and joint objectives (or activities) and therefore, cannot be readily assigned to a specific direct cost objective. Indirect costs include general and administrative and facility costs. IIE allocates and recovers these costs to federal programs at a rate negotiated with its cognizant federal agency.

Taxes

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

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standard Update ("ASU") 2014-09, *Revenue from Contracts with Customers* (Topic 606). This standard implements a single framework for recognition of all revenue earned from customers. This framework ensures that entities appropriately reflect the consideration to which they expect to be entitled in exchange for goods and services by allocating transaction price to identified performance obligations and recognizing revenue as performance obligations are satisfied. Qualitative and quantitative disclosures are required to enable users of financial statements to

Institute of International Education, Inc.

Notes to Financial Statements

September 30, 2016 and 2015

(in thousands)

understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The standard is effective for fiscal years beginning after December 15, 2017. IIE is evaluating the impact this standard will have on the financial statements.

In April 2015, the FASB issued ASU 2015-03 (Subtopic 835-30), *Imputation of Interest - Simplifying the Presentation of Debt Issue Costs*. This standard requires all costs incurred to issue debt to be presented in the statement of financial position as a direct deduction from the carrying value of the associated debt liability. IIE adopted this guidance in the fiscal year ended September 30, 2016 and applied on a retrospective basis. The effect of the retrospective application was a decrease in prepaid expenses and other assets and a decrease in bonds payable by \$386 as of September 30, 2015.

In January 2016, the FASB issued ASU 2016-01, *Financial Instruments - Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*. Per this guidance, entities that are not public business entities are not required to apply the fair value of financial instruments disclosure guidance in the General Subsection of Section 825-10-50. IIE adopted this guidance in the fiscal year ended September 30, 2016.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. Under the new guidance, lessees will be required to recognize the following for all leases (with the exception of leases with a term of twelve months or less) at the commencement date: (a) a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and (b) a right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. Under the new guidance, lessor accounting is largely unchanged. The guidance requires a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented. A full retrospective transition approach is not permitted. This new standard is effective for fiscal years beginning after December 15, 2018, with early application permitted. IIE is evaluating the impact this standard will have on the financial statements.

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

Reclassification

Certain reclassifications have been made to amounts previously reported in the financial statements to conform to the current year's presentation. These reclassifications have no effect on the reported increase in net assets.

Institute of International Education, Inc.
Notes to Financial Statements
September 30, 2016 and 2015

(in thousands)

3. Financial Instruments

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

- Level 1 Quoted prices are available in active markets for identical investments as of the reporting date, without adjustment. The type of investments in Level 1 includes listed equities held in the name of IIE, and excludes listed equities and other securities held indirectly through commingled funds.
- Level 2 Pricing inputs, including broker quotes, are generally those other than exchange quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies.
- Level 3 Pricing inputs are unobservable for the investment and includes situations where there is little, if any, market activity for the investment. Investments that are included in this category generally include privately held investments and securities held in partnership format.

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

Market Approach

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

Cost Approach

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

Income Approach

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

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

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

Institute of International Education, Inc.
Notes to Financial Statements
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(in thousands)

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

	2016			Total
	Level 1 Quoted Prices in Active Markets	Level 2 Other Significant Observable	Level 3 Significant Unobservable Inputs	
Cash equivalents	\$ 1,155	\$ -	\$ -	\$ 1,155
Equity securities				
US	31,057	-	-	31,057
International	8,328	-	-	8,328
Commodities	7,627	-	-	7,627
Debt securities				
Bond funds	20,700	-	-	20,700
Sub-total	68,867	-	-	68,867
Investments measured at net asset value				51,552
Total investments	\$ 68,867	\$ -	\$ -	\$ 120,419
	2015			
	Level 1 Quoted Prices in Active Markets	Level 2 Other Significant Observable	Level 3 Significant Unobservable Inputs	Total
Cash equivalents	\$ 2,119	\$ -	\$ -	\$ 2,119
Equity securities				
US	26,746	-	-	26,746
International	7,709	-	-	7,709
Commodities	6,304	-	-	6,304
Debt securities				
Bond funds	20,371	-	-	20,371
Sub-total	63,249	-	-	63,249
Investments measured at net asset value				47,906
Total investments	\$ 63,249	\$ -	\$ -	\$ 111,155

Institute of International Education, Inc.
Notes to Financial Statements
September 30, 2016 and 2015

(in thousands)

IIE's assets with a fair value estimate using net asset value per share as a basis at September 30, 2016 and 2015 are as follows:

	Fair Value Estimated Using Net Assets Value Per Share					
	Fair Value September 30, 2016	Fair Value September 30, 2015	Unfunded Commitment	Settlement Terms*	Redemption Frequency*	Redemption Notice Period
International equity funds	\$ 26,245	\$ 23,682	\$ -	Redemptions occur at NAV	Monthly	Less than 30 days
Domestic equity funds	17,361	17,384	-	Redemptions occur at NAV	Monthly	Less than 30 days
Bond funds	7,946	6,840	-	Redemptions occur at NAV	Monthly	Less than 30 days
	<u>\$ 51,552</u>	<u>\$ 47,906</u>				

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

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

	2016	2015
Interest and dividends	\$ 1,888	\$ 1,630
Net realized gains	2,220	2,435
Net unrealized gains (losses)	<u>8,106</u>	<u>(10,350)</u>
	12,214	(6,285)
Less: Investment management fees	<u>(244)</u>	<u>(345)</u>
Total investment return	<u>\$ 11,970</u>	<u>\$ (6,630)</u>

Institute of International Education, Inc.
Notes to Financial Statements
September 30, 2016 and 2015

(in thousands)

4. Fixed Assets, Net

Fixed assets as of September 30 consist of the following:

	Estimated Useful Lives	Asset Value	
		2016	2015
Building	30 Years	\$ 18,975	\$ 18,975
Furniture	7 Years	1,019	1,019
Equipment	2–4 Years	3,639	3,660
Software development costs	3–7 Years	30,151	25,020
Leasehold improvements	3–25 Years	10,682	10,539
		<u>64,466</u>	<u>59,213</u>
Less: Accumulated depreciation		<u>(34,439)</u>	<u>(30,860)</u>
		30,027	28,353
Less: Unamortized deferred credit		<u>(3,571)</u>	<u>(3,810)</u>
Total fixed assets, net		<u>\$ 26,456</u>	<u>\$ 24,543</u>

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

5. Bonds Payable, Net

Bonds payable as of September 30 consist of the following:

	2016	2015
Series 2014 bonds	\$ 11,300	\$ 11,825
Unamortized premium	637	680
Deferred financing costs	<u>(362)</u>	<u>(386)</u>
Total bonds payable, net	<u>\$ 11,575</u>	<u>\$ 12,119</u>

On November 1, 2001, the Institute issued \$17,345 in tax exempt term bonds (the "Series 2001 bonds") through the New York City Industrial Development Agency ("IDA") to provide funds for the acquisition, equipping and improvement of the New York City office (the "Facility"). On November 25, 2014, the Institute issued \$12,480 in tax exempt revenue refunding bonds (the "Series 2014 bonds") through the Build NYC Resource Corporation ("Build NYC") to refund the outstanding Series 2001 bonds.

Institute of International Education, Inc.
Notes to Financial Statements
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(in thousands)

Deferred financing costs represent direct costs incurred to obtain the bonds payable. In connection with the issuance of these bonds, the Institute incurred costs that are being amortized to interest expense on a straight-line basis over the remaining term of the bond (30 years), which approximates the effective interest method. Total deferred financing costs of \$362 and \$386, net of accumulated amortization of \$44 and \$20 at September 30, 2016 and 2015, respectively, are included in as a reduction to the bonds payable.

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

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

Fiscal years	Principal Payments	Bond Premium Amortization	Deferred Financing Amortization	Total
2017	\$ 550	\$ 43	\$ (24)	\$ 569
2018	580	43	(24)	599
2019	605	43	(24)	624
2020	620	43	(24)	639
2021	655	43	(24)	674
Thereafter	8,290	422	(242)	8,470
	<u>\$ 11,300</u>	<u>\$ 637</u>	<u>\$ (362)</u>	<u>\$ 11,575</u>

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

6. Temporarily Restricted Net Assets

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

	2016	2015
International exchange of students and scholars	<u>\$ 59,808</u>	<u>\$ 56,137</u>
Total temporarily restricted net assets	<u>\$ 59,808</u>	<u>\$ 56,137</u>

Institute of International Education, Inc.
Notes to Financial Statements
September 30, 2016 and 2015

(in thousands)

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

	2016	2015
International exchange of students and scholars	\$ <u>9,636</u>	\$ <u>9,043</u>
Total net assets released from restrictions	\$ <u>9,636</u>	\$ <u>9,043</u>

7. Permanently Restricted Net Assets

Permanently restricted net assets available to support programs at September 30 are as follows:

	2016	2015
Beneficial interests in perpetual trusts held by third parties	\$ 3,066	\$ 2,976
Endowment funds, investment return restricted to international exchange of students and scholars	<u>3,527</u>	<u>3,527</u>
Total permanently restricted net assets	\$ <u>6,593</u>	\$ <u>6,503</u>

8. Endowment Net Assets

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

- The duration and preservation of the endowment fund;
- The purposes of IIE and the endowment fund;
- General economic conditions;
- The possible effect of inflation or deflation;
- The expected total return from income and the appreciation of investments;
- Other resources of IIE;
- Alternatives to expenditure of the endowment fund; and
- The investment policy of IIE.

IIE's endowment consists of invested assets as directed by the Board of Trustees which are classified as permanently restricted net assets and term endowments, which can be included within the temporarily restricted and unrestricted net assets. IIE considers its term endowment to be that portion of temporarily restricted net assets, which are restricted by time and purpose, and its board designated funds.

Institute of International Education, Inc.
Notes to Financial Statements
September 30, 2016 and 2015

(in thousands)

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

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

In accordance with current New York State law, IIE is required to preserve the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result, so long as there is no explicit donor stipulation to the contrary, IIE classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) realized and unrealized gains and losses to the permanent endowment when stipulated by the donor gift instrument. The remaining portion of the donor restricted endowment that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by IIE in a manner consistent with the standard of prudence prescribed by law.

For financial reporting purposes, donor-restricted endowment fund appreciation, gains and income exceeding donor restrictions are classified as temporarily restricted net assets until those amounts are appropriated for expenditure by IIE in a manner consistent with the standard of prudence prescribed by law. Upon appropriation, appreciation and earning are reclassified as unrestricted net assets.

For each donor-restricted endowment fund, IIE classified as temporarily restricted net assets the portion of the fund that is not designated as permanently restricted net assets until appropriated for expenditure by IIE. In initially applying the guidance to its donor-restricted endowment funds in existence upon NYPMIFA enactment, IIE determined that there were no accumulated amounts earned on donor restricted endowment funds in excess of appropriation. As a result, no reclassification to temporarily restricted net assets was required.

Institute of International Education, Inc.
Notes to Financial Statements
September 30, 2016 and 2015

(in thousands)

At September 30, 2016, the endowment net asset composition by type of fund and purpose consisted of the following:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted funds				
Scholarships and professional development	\$ -	\$ 14,850	\$ 2,163	\$ 17,013
Scholar Rescue Fund	-	32,797	1,364	34,161
Fulbright Legacy Fund	-	4,247	-	4,247
Board designated funds				
Fulbright Legacy Fund	8,455	-	-	8,455
Scholar Rescue Fund	5,634	-	-	5,634
Andrew Heiskell Endowment	291	-	-	291
Total endowments	<u>\$ 14,380</u>	<u>\$ 51,894</u>	<u>\$ 3,527</u>	<u>\$ 69,801</u>

At September 30, 2015, the endowment net asset composition by type of fund and purpose consisted of the following:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted funds				
Scholarships and professional development	\$ -	\$ 16,464	\$ 2,162	\$ 18,626
Scholar Rescue Fund	-	29,699	1,365	31,064
Fulbright Legacy Fund	-	3,942	-	3,942
Board designated funds				
Fulbright Legacy Fund	7,737	-	-	7,737
Scholar Rescue Fund	5,053	-	-	5,053
Andrew Heiskell Endowment	272	-	-	272
Total endowments	<u>\$ 13,062</u>	<u>\$ 50,105</u>	<u>\$ 3,527</u>	<u>\$ 66,694</u>

Institute of International Education, Inc.
Notes to Financial Statements
September 30, 2016 and 2015

(in thousands)

Changes in endowment net assets for the year ended September 30, 2016 and 2015 consisted of the following:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets at September 30, 2014	\$ 12,282	\$ 56,101	\$ 3,527	\$ 71,910
Investment return				
Investment income, net of fees	162	754	-	916
Realized gains	308	1,154	-	1,462
Unrealized losses	(1,335)	(4,703)	-	(6,038)
Total investment losses	(865)	(2,795)	-	(3,660)
Contributions	1,750	1,433	-	3,183
Appropriation of endowment assets used for expenditures	(105)	(4,634)	-	(4,739)
Endowment net assets at September 30, 2015	13,062	50,105	3,527	66,694
Investment return				
Investment income, net of fees	199	850	-	1,049
Realized gains	289	990	-	1,279
Unrealized gains	1,010	3,649	-	4,659
Total investment gains	1,498	5,489	-	6,987
Contributions	-	1,067	-	1,067
Appropriation of endowment assets used for expenditures	(180)	(4,767)	-	(4,947)
Endowment net assets at September 30, 2016	<u>\$ 14,380</u>	<u>\$ 51,894</u>	<u>\$ 3,527</u>	<u>\$ 69,801</u>

9. Sponsored Programs Revenue

Sponsored programs revenue for fiscal years 2016 and 2015 was derived from the following major sponsor categories:

	2016	2015
U.S. government agencies	\$ 239,936	\$ 224,109
Foundations and research organizations	69,644	41,300
Corporations	13,082	15,847
Foreign governments and international organizations	257,763	551,058
Total sponsored programs revenue	<u>\$ 580,425</u>	<u>\$ 832,314</u>

In fiscal year 2014, IIE began the Brazil Scientific Mobility Program, which was substantially completed in fiscal year 2016 and resulted in a decline in sponsored programs revenue from foreign governments and international organizations, and accompanying program services expenses, from 2015 to 2016.

Institute of International Education, Inc.
Notes to Financial Statements
September 30, 2016 and 2015

(in thousands)

10. Commitments and Contingencies

Operating Leases

Rental expense was \$5,457 and \$5,449 for the years ended September 30, 2016 and 2015, respectively. IIE leases space for certain domestic and overseas offices on a non-cancelable, long-term basis. These agreements, expiring at various dates through 2022, permit IIE to sublease such space at its option.

Minimum future lease commitments are as follows at September 30, 2016:

Fiscal years	
2017	\$ 4,121
2018	4,079
2019	3,162
2020	2,731
2021	2,539
Thereafter	<u>337</u>
	<u>\$ 16,969</u>

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

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

11. Subsequent Events

IIE has performed an evaluation of subsequent events through December 19, 2017, which is the date the financial statements were issued. IIE has determined that all events or transactions, including estimates, required to be recognized in accordance with generally accepted accounting principles, are included in the financial statements.

Institute of International Education, Inc.
Schedule of Expenditures of Federal Awards
Year Ended September 30, 2016

Federal Program	Federal Contract ID	CFDA No.	Direct	Pass-Through	Pass-Through Entity	Pass-Through Entity Sponsor Number	Total Federal Expenditures	Passed to Subrecipients
United States Department of State								
Educational and Cultural Affairs Bureau								
Hubert H Humphrey Fellowship Program FY12	S-ECAAS-12-CA-005(DT)	19.010	\$ 34,207	\$ -			\$ 34,207	\$ 31,955
Hubert H Humphrey Fellowship Program FY13	S-ECAGD-13-CA-008(DT)	19.010	900,356	-			900,356	397,213
Hubert H Humphrey Fellowship Program FY14	S-ECAGD-14-CA-1037	19.010	413,010	-			413,010	173,631
Hubert H Humphrey Fellowship Program FY15	S-ECAGD-15-CA-1017	19.010	6,981,301	-			6,981,301	2,001,998
Hubert H Humphrey Fellowship Program FY16	S-ECAGD-16-CA-1014	19.010	4,634,047	-			4,634,047	246,669
			<u>12,962,921</u>	<u>-</u>			<u>12,962,921</u>	<u>2,851,466</u>
Benjamin A. Gilman Scholarship Program FY14	S-ECAGD-14-CA-1071	19.011	(554)	-			(554)	-
Benjamin A. Gilman Scholarship Program FY15	S-ECAGD-15-CA-1029	19.011	8,586,506	-			8,586,506	-
Benjamin A. Gilman Scholarship Program FY16	S-ECAGD-16-CA-1081	19.011	3,253,023	-			3,253,023	-
			<u>11,838,975</u>	<u>-</u>			<u>11,838,975</u>	<u>-</u>
Fulbright Student Program FY11	S-ECAAE-11-CA-011(MJ)	19.400	169	-			169	-
Fulbright Student Program FY12	S-ECAAE-12-CA-007 (M.J)	19.400	172,732	-			172,732	-
Fulbright Student Program FY13	S-ECAGD-13-CA-017 (M.J)	19.400	1,592,045	-			1,592,045	-
Fulbright Student Program FY14	S-ECAGD-14-CA-1017	19.400	9,278,560	-			9,278,560	231,109
Fulbright Student Program FY15	S-ECAGD-15-CA-1015	19.400	37,731,119	-			37,731,119	2,966,922
Fulbright Student Program FY16	S-ECAGD-16-CA-1004	19.400	36,257,234	-			36,257,234	3,302,141
			<u>85,031,859</u>	<u>-</u>			<u>85,031,859</u>	<u>6,500,172</u>
Fulbright Scholar Program FY12	S-ECAAE-12-CA-008(KF)	19.401	45,000	-			45,000	-
Fulbright Scholar Program FY13	S-ECAGD-13-CA-013(KF)	19.401	329,933	-			329,933	-
Fulbright Scholar Program FY14	S-ECAGD-14-CA-1032	19.401	2,693,614	-			2,693,614	55,715
Fulbright Scholar Program FY15	S-ECAGD-15-CA-1016	19.401	16,710,304	-			16,710,304	869,671
Fulbright Scholar Program FY16	S-ECAGD-16-CA-1003	19.401	14,295,268	-			14,295,268	1,120
			<u>34,074,119</u>	<u>-</u>			<u>34,074,119</u>	<u>926,506</u>
Fulbright Classroom Teacher Exchange Program/Distinguished FY 2016 Fulbright Distinguished Awards in Teaching	S-ECAAS-12-CA-013(DT)	19.408	(1,528)	-			(1,528)	-
FY13 Fulbright Classroom Teacher Exchange Program	S-ECAGD-16-CA-1006	19.408	743,124	-			743,124	90,155
FY14 Fulbright Distinguished Awards in Teaching Program	S-ECAGD-13-CA-003(AR)	19.408	323,215	-			323,215	39,216
FY15 Teacher Exchange Program	S-ECAGD-14-CA-1021	19.408	112,378	-			112,378	-
	S-ECAGD-15-CA-1011	19.408	1,104,797	-			1,104,797	210,984
			<u>2,281,986</u>	<u>-</u>			<u>2,281,986</u>	<u>340,355</u>
TechWomen Central Asia 2014-15	S-ECAGD-14-CA-1148	19.415	384,967	-			384,967	-
TechWomen FY15	S-ECAGD-15-CA-1124	19.415	1,577,109	-			1,577,109	-
TechWomen Program- Middle East North Africa FY13	S-ECAPE-12-CA-152(FA)	19.415	650,710	-			650,710	-
TechWomen Program- Sub Saharan Africa FY13	S-ECAPE-12-CA-151(AR)	19.415	555,727	-			555,727	-
			<u>3,168,513</u>	<u>-</u>			<u>3,168,513</u>	<u>-</u>
Open Doors FY14	S-ECAGD-14-GR-1028	19.432	(19,958)	-			(19,958)	-
Open Doors FY16	S-ECAGD-16-GR-1022	19.432	550,000	-			550,000	-
			<u>530,042</u>	<u>-</u>			<u>530,042</u>	<u>-</u>
EducationUSA Advising Program: Regional and Country Global Innovation Initiative	S-ECAGD-13-CA-029(CB)	19.011	200,888	-			200,888	(172,937)
International Visitor Leadership Program (IVLP) FY2014	S-ECAGD-13-CA-149(DT)	19.401	1,433,268	-			1,433,268	1,136,396
EducationUSA Leadership Institutes FY2015	S-ECAGD-14-CA-1026	19.402	10,295,395	-			10,295,395	-
Global EducationUSA Services FY2016	S-ECAGD-15-CA-1101	19.432	393,125	-			393,125	21,323
	S-ECAGD-16-CA-1011	19.432	5,480,488	-			5,480,488	25,000
Total Educational and Cultural Affairs Bureau			<u>167,691,579</u>	<u>-</u>			<u>167,691,579</u>	<u>11,628,281</u>
Near Eastern Affairs Bureau								
Iraq Scholar Rescue	S-NEAIR-07-CA-105	19.016	12,257	-			12,257	113
NEA Iraq Scholar Rescue FY 2015	S-NEAIQ-14-CA-1001	19.016	380,228	-			380,228	23,033
			<u>392,485</u>	<u>-</u>			<u>392,485</u>	<u>23,146</u>
Iran Scholar Rescue Fund	S-LMAQM-10-GR-071	19.221	4,285	-			4,285	-
Women's Enterprise for Sustainability	S-NEAPI-12-CA-004	19.500	662,566	-			662,566	214,636
Total Near Eastern Affairs Bureau			<u>1,059,336</u>	<u>-</u>			<u>1,059,336</u>	<u>237,782</u>
National Institute on Drug Abuse								
15-16 Humphrey - NIDA	KF-3053	19.U01	116,768	-			116,768	33,951
16-17 HHH NIDA	n/a	19.U02	28,809	-			28,809	-
NIDA 2014-2015	NIDA-2805	19.U03	2,782	-			2,782	-
Total National Institute on Drug Abuse			<u>148,359</u>	<u>-</u>			<u>148,359</u>	<u>33,951</u>
14-15 HHH INL	S-INLEC-14-GR-1003	19.704	1,919	-			1,919	-
Syria Consortium for Higher Education	S-NEAPD-14-CA-1003	19.021	683,403	-			683,403	5,717
Amideast BFCE Enrichment	n/a	19.U04	-	10,891	AMIDEAST	8-1-2015	10,891	-
Total United States Department of State			<u>169,584,596</u>	<u>10,891</u>			<u>169,595,487</u>	<u>11,905,731</u>

The accompanying notes are an integral part of the Schedule.

Institute of International Education, Inc.
Schedule of Expenditures of Federal Awards
Year Ended September 30, 2016

Federal Program	Federal Contract ID	CFDA No.	Direct	Pass-Through	Pass-Through Entity	Pass-Through Entity Sponsor Number	Total Federal Expenditures	Passed to Subrecipients
United States Agency for International Development								
LOTUS Scholarship Program	263-A-00-10-00026-00	98.001	\$ 2,828,333	\$ -			\$ 2,828,333	\$ 20,966
Democracy Grant and Fellowships (DGF) Program	AID-OAA-A-12-00039	98.001	3,719,849	-			3,719,849	152,526
Local Scholarship Program (LSP) in Non Public Universities	AID-263-A-15-00020	98.001	1,379,231	-			1,379,231	183,817
Sustainable Higher Education Research Alliances (SHERA)	AID-497-A-16-00004	98.001	237,813	-			237,813	13,200
USAID InStep India - ASU SUBAWARD	14-306	98.001	86,199	-			86,199	-
Timor-Leste Hillary Clinton Scholarship Program	AID-486-C-12-00007	98.U01	644,727	-			644,727	-
Scholarships and Training for Egyptian Professionals (STEP)	AID-263-TO-14-00001	98.U02	8,075,303	-			8,075,303	290,576
Vietnam Partner Capacity Development (PCD) Program	AID-440-TO-14-00001	98.U03	1,719,682	-			1,719,682	370,935
Tanzania Participant Training Program	AID-621-TO-14-00001	98.U04	960,977	-			960,977	412,708
PRESTASI III	AID-497-TO-14-00002	98.U05	3,100,776	-			3,100,776	967,759
PRESTASI II	AID-497-C-12-00004	98.U00	-	1,887,744	Indonesian International Education Foundation	PRESTASI II-CPFF-2012-II-E	1,887,744	-
Agricultural - Livestock Growth Program-Ethiopia FY13-17	AID-663-C-12-00009	98.U06	-	56,062	Cultivating New Frontiers in Agriculture (CNFA)	CNFA/II-E	56,062	-
APEC Mobility Workshop	AID-OAA-I-12-00039	98.U07	-	14,557	Nathan Associates, Inc.	30019-10-1-002	14,557	-
India Forestry Tour NYS #6	AID-386-C-12-00002	98.U08	-	51,833	Tetra Tech, Inc.	ARD-II-E-1072-1602	51,833	-
EMDAP Laos	AID-486-LA-14-00001	98.U09	-	10,234	Volunteers for Economic Growth Alliance	VEGA-II-E Subagreement No. 12	10,234	-
EMDAP Mexico - Climate Change	AID-523-LA-16-00001	98.U10	-	22,809	Volunteers for Economic Growth Alliance	VEGA-II-E Sub-Agreement 14	22,809	-
EMDAP Uganda	AID-617-LA-14-00003	98.U11	-	68,508	Volunteers for Economic Growth Alliance	VEGA-II-E Subagreement No. 13	68,508	-
USAID/Indonesia - VEGA/EMDAP	497-A-00-05-00042-00	98.U12	-	(54)	Volunteers for Economic Growth Alliance	VEGA-II-E SUB-AGREEMENT NO.2	(54)	-
VEGA/EMDAP - Public-Private Econ. Partnership Specialist	115-A-00-08-00003-00	98.U13	-	3,750	Volunteers for Economic Growth Alliance	VEGA-II-E Sub-Agreement No. 6	3,750	-
Afghanistan WLD	AID-306-I-14-00010	98.U14	-	352	Tetra Tech, Inc.	Tetra Tech-WLD-II-E-03	352	-
India Forestry Tour SAR #5	AID-386-C-12-00002	98.U15	-	1,609	Tetra Tech, Inc.	Tetra Tech ARD-II-E-1072-16012	1,609	-
Total United States Agency for International Development			22,752,890	2,117,404			24,870,294	2,412,487
United States Department of Defense								
ROTC Program 2009 - 2013	HQ0034-08-2-0024	12.357	(65)	-			(65)	-
ROTC Language and Culture Project 2013-2018	H98210-13-2-0001	12.357	17,680,563	-			17,680,563	17,116,631
			17,680,498	-			17,680,498	17,116,631
English for Heritage Language Speakers (EHLS) FY17	H98210-15-C-0026	12.U01	-	12,490	Center for Applied Linguistics (CAL)	NSEP01-016-10-SC-II-E-00	12,490	-
English-Heritage Language Speakers (EHLS) 2016	H98210-15-C-0026	12.U02	-	546,119	Center for Applied Linguistics (CAL)	NSEP01-1-014-10-II-E-00	546,119	7,601
			-	558,609			558,609	7,601
National Security Education Program (NSEP) FY2012	H98210-11-2-0001	12.550	19,672,340	-			19,672,340	10,285,038
National Security Education Program (NSEP)	HQ0034-08-2-0022	12.550	(20,200)	-			(20,200)	-
Boren Flagship 2016-21	H98210-16-2-0002	12.550	8,393,672	-			8,393,672	4,165,662
Total United States Department of Defense			45,726,310	558,609			46,284,919	31,574,932
United States Department of Treasury								
Field Research Fellowship Program FY15 Task Order	TPD-IAF-12-C-0015	21.U01	324,073	-			324,073	-
OY4 Field Research Fellowship Program Task Order	TPD-IAF-12-C-0015	21.U02	227,429	-			227,429	-
Total United States Department of Treasury			551,502	-			551,502	-
United States Embassy								
100K Strong BNC Exchange Connections	S-BR250-13-GR131	19.040	(1,543)	-			(1,543)	-
NATO Strategic Communications Center Specialists Program	S-LG750-15-GR-030	19.040	12,848	-			12,848	-
Fulbright Ukraine STEP Program 2014	SUP30014GR193	19.040	76,790	-			76,790	-
American Center Director	SUP30014CA327	19.040	35,324	-			35,324	-
Embassy of Caracas Troconis Cancer Research	SVE14015GR-073	19.040	25,517	-			25,517	-
U.S. Mexico Academic Mobility Study	SMX53015CA169	19.040	50,985	-			50,985	-
Indonesian LPDP U.S. Universities Tour	SID320-15-GR-089	19.040	23,069	-			23,069	-
Humanities Summer School	S-RS500-16-GR-058	19.040	23,680	-			23,680	-
US Embassy Brazilia Internationl Campaign Fellows at the Univ. of Akron	S-BR250-16-GR0073	19.040	662	-			662	-
2016 Distinguished Humphrey Program_South Africa	SF75016GR010	19.040	12,620	-			12,620	-
Study Tour for Food Experts from Italy	S-IT700-14-GR-086	19.040	109	-			109	-
Fulbright Visiting Scholar Program Iraq FY12	SIZ-100-11-GR070	19.021	75,170	-			75,170	75,170
Iraq Visiting Scholar 2016	SIZ-100-15-GR019	19.021	429,720	-			429,720	231,892
Master's level Exchanges for Kosovo Students	S-KV420-11-GR-062	19.415	82,240	-			82,240	-
MA Degree Program Academic Year 2013	S-KV420-11-GR-111	19.415	47,945	-			47,945	-
MARA Scholars	na	19.U05	-	15,606	MARA	MARA-3165	15,606	-
Total United States Embassy			895,136	15,606			910,742	307,062
Total Expenditures of Federal Awards			\$ 239,510,434	\$ 2,702,510			\$ 242,212,944	\$ 46,200,212

The accompanying notes are an integral part of the Schedule.

Institute of International Education, Inc.
Notes to Schedule of Expenditures of Federal Awards
Year Ended September 30, 2016

1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of Institute of International Education, Inc. ("IIE") under programs of the federal government for the year ended September 30, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a portion of the operations of IIE, it is not intended to and does not present the financial position, changes in net assets, or cash flows of IIE. Catalog of Federal Domestic Assistance ("CFDA") numbers and pass-through numbers are presented for those programs for which such numbers are available. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

2. Summary of Significant Accounting Policies

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

3. Indirect Cost Rate

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



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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Institute of International Education, Inc. ("IIE"), which comprise the statement of financial position as of September 30, 2016, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 19, 2017. Our report included an emphasis of matter paragraph that noted IIE changed the manner in which it accounts for its affiliate, Indonesian International Education Foundation ("IIEF"). Our opinion was not modified with respect to this matter.

Internal Control Over Financial Reporting

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

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

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



Compliance and Other Matters

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

Purpose of this Report

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

PricewaterhouseCoopers LLP

New York, New York
December 19, 2017



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

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

Report on Compliance for Each Major Federal Program

We have audited Institute of International Education, Inc.'s ("IIE") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of IIE's major federal programs for the year ended September 30, 2016. IIE's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, IIE complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2016.



Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2016-001. Our opinion on each major federal program is not modified with respect to this matter.

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

Report on Internal Control Over Compliance

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

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

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

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

A handwritten signature in cursive script that reads "PricewaterhouseCoopers LLP".

New York, New York
December 19, 2017

Institute of International Education, Inc. and Affiliates
Schedule of Findings and Questioned Costs
Year Ended September 30, 2016

Section I: Summary of Auditors' Results

Financial Statements

Type of Auditors' report issued	Unmodified	
Internal control over financial reporting:		
Material weakness(es) identified?	<u> </u> Yes	<u> X </u> No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	<u> </u> Yes	<u> X </u> None Reported
Noncompliance material to consolidated financial statements noted?	<u> </u> Yes	<u> X </u> No

Federal Awards

Internal control over major programs:		
Material weakness(es) identified?	<u> </u> Yes	<u> X </u> No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	<u> </u> Yes	<u> X </u> None Reported
Type of Auditors' report issued on compliance for major programs	Unmodified	
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	<u> X </u> Yes	<u> </u> No

Identification of major programs

CFDA Numbers	Name of Federal Program or Cluster
19.400	Fulbright Student Program
19.432	GlobalEducationUSA Services
12.357	ROTC Language and Culture Project
12.550	Boren Flagship
98.001	Democracy Grants and Fellowships Program
98.U04	Tanzania Participant Training Program
98.001	Local Scholarship Program
19.401	Global Innovation Initiative

Dollar threshold used to distinguish between Type A and Type B Programs	\$ 3,000,000
Auditee qualified as low risk auditee?	<u> </u> Yes <u> X </u> No

Institute of International Education, Inc.

Schedule of Findings and Questioned Costs

Year Ended September 30, 2016

Section II – Financial Statement Findings

No financial statement findings were reported as a result of our audit.

Section III – Federal Awards Findings and Questioned Costs

Finding 2016-001

Criteria or specific requirement

Per 2 CFR 200.512(a)(1), the audit reporting package must be submitted within the earlier of 30 calendar days after receipt of the auditor's report(s), or nine months after the end of the audit period.

Condition

IIE's data collection form and audit reporting package for fiscal year 2016 will be submitted after the nine-month reporting deadline.

Questioned costs

No questioned costs related to this finding.

Context

In recent years, IIE has met the nine-month reporting deadline. However, due to delays caused by a system implementation in fiscal year 2016 as further described below, IIE missed the reporting deadline for fiscal year 2016.

Effect

IIE will be a high-risk auditee for the fiscal year 2017 and 2018 audit years. In addition, the results of the fiscal 2016 audit were not made available to Federal award sponsors on a timely basis.

Cause

IIE implemented the PeopleSoft accounting system in April 2016, which required the conversion of data from the legacy accounting system into PeopleSoft and also the set-up of awards in PeopleSoft's grant management module. Management identified certain issues related to award set-up that resulted in revenue not being properly processed for financial reporting purposes. Management undertook an extensive review of all awards that were set-up in the PeopleSoft system to ensure that revenue was properly processed and recognized for fiscal year 2016. This review caused a delay in the financial close process and caused IIE to miss the nine-month reporting deadline.

Recommendation

We recommend IIE take the necessary steps to ensure the financial closing process takes place in a timely manner in order for IIE to have adequate time to meet the Single Audit reporting deadlines.

Views of responsible officials and planned corrective actions

IIE is implementing controls and processes to ensure that awards are properly set-up in the PeopleSoft accounting system and to allow for a timely financial closing process to take place. In addition, IIE has engaged consultants experienced in the PeopleSoft grant module to assist in preparing for the fiscal year 2017 audit.

Institute of International Education, Inc.
Summary of Status of Prior Year Findings
Year Ended September 30, 2016

Finding 2015-1

Summary

For the FY2015 audit, PwC identified formula errors in an excel schedule that supported a year-end accrual for a non-US government program. The impact of the spreadsheet errors was an overstatement of the expense accrual of \$40.6 million and an offsetting overstatement of the program revenue accrual of \$40.6 million. The costs were pass through costs and did not impact any indirect allocations. Therefore, there was no impact on net assets or net working capital.

At the time that PwC identified the error, a concurrent review of the spreadsheet was being performed by the IIE program finance director who identified further errors with the accrual determination. The net effect of these errors was an understatement of the expense and revenue accruals of \$8.0 million as of September 30, 2014.

The impact of the errors was either gross up or gross down of program revenue and expenses as well as program receivables and accounts payable and accrued expenses. The costs were pass through costs and did not impact any indirect allocations. Therefore, there was no impact to net assets or working capital or to other programs.

Update for 2016

This specific finding was remediated in fiscal year 2016. Management performed an extensive review of internal controls related to the accrual of incurred costs at year-end. In addition to using the functionality of the PeopleSoft ERP system, the year-end cost accruals went through several layers of internal review to ensure accuracy. Management continues its effort in strengthening business processes and deploying technology to strengthen internal controls where appropriate.



The Power
of International
Education

Jason Czyz
Chief Finance Officer

December 18, 2017

PricewaterhouseCoopers LLP
300 Madison Avenue
New York, NY 10017

RE: Fiscal Year 2016 Immaterial Noncompliance Finding 2016-001 Corrective Action Plan per 2 CFR
§200.511(c)

Dear PricewaterhouseCoopers:

Mid-way through fiscal year 2016, IIE implemented the PeopleSoft ERP system 9.2. IIE has hundreds of awards and thus a very large amount of historical data had to be migrated from legacy systems, in addition to setting up on-going and new awards in PeopleSoft. This award-related conversion did not go as smoothly as anticipated and delayed our ability to produce complete GAAP financial statements. As noted by PWC, IIE brought these challenges to their attention prior to commencing the audit. IIE is implementing the following remediation steps:

- IIE reviewed in detail all awards that were active in FY16 by analyzing the set-up and history of each award.
- IIE is undertaking a similar process for FY17 and expects to be done by mid-April 2018.
- It is estimated that remediation of award configuration will be complete by the end of FY18.

Sincerely,

A handwritten signature in black ink, appearing to read 'Jason Czyz', written over a light blue horizontal line.

Jason Czyz