

**Institute of International  
Education, Inc.**

**Report on Federal Awards in  
Accordance with OMB Uniform Guidance  
September 30, 2017  
EIN: 13-1624046**

# Institute of International Education, Inc.

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September 30, 2017

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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, 2017 and 2016, and the related statements of activities, of functional expenses and of cash flows for the years then ended, and the related notes to the financial statements.

#### ***Management's Responsibility for the Financial Statements***

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

#### ***Auditors' Responsibility***

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

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



***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Institute of International Education, Inc. as of September 30, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

***Other Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards for the year ended September 30, 2017 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 January 10, 2019 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, 2017. 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  
January 10, 2019

**Institute of International Education, Inc.**  
**Statements of Financial Position**  
**September 30, 2017 and 2016**

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<i>(in thousands)</i>	<b>2017</b>	<b>2016</b>
<b>Assets</b>		
Cash and cash equivalents	\$ 15,254	\$ 6,362
Accounts receivable on sponsored programs, net	56,239	71,861
Contributions receivable, net	1,011	1,670
Investments, at fair value	131,474	120,419
Prepaid expenses and other assets	9,226	8,329
Fixed assets, net	24,134	26,456
Beneficial interests in perpetual trusts held by third parties	3,170	3,066
Total assets	<u>\$ 240,508</u>	<u>\$ 238,163</u>
<b>Liabilities and Net Assets</b>		
Liabilities		
Accounts payable and accrued expenses	\$ 43,634	\$ 51,330
Sponsored funds received in advance	30,486	29,573
Bonds payable, net	11,007	11,575
Total liabilities	<u>85,127</u>	<u>92,478</u>
Commitments and contingencies		
Net assets		
Unrestricted		
Board designated	15,806	14,380
Undesignated, available for general operations	68,645	64,904
Total unrestricted net assets	84,451	79,284
Temporarily restricted	64,233	59,808
Permanently restricted	6,697	6,593
Total net assets	<u>155,381</u>	<u>145,685</u>
Total liabilities and net assets	<u>\$ 240,508</u>	<u>\$ 238,163</u>

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

**Institute of International Education, Inc.**  
**Statements of Activities**  
**Years Ended September 30, 2017 and 2016**

	2017				2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<i>(in thousands)</i>								
<b>Revenues</b>								
Sponsored programs	\$ 340,520	\$ -	\$ -	\$ 340,520	\$ 580,425	\$ -	\$ -	\$ 580,425
Contributions	3,643	7,140	-	10,783	1,450	7,740	-	9,190
Net assets released from restrictions	9,499	(9,499)	-	-	9,636	(9,636)	-	-
Investment return	8,805	6,784	104	15,693	6,313	5,567	90	11,970
Publications and membership fees	1,137	-	-	1,137	747	-	-	747
Other revenues	2,183	-	-	2,183	1,157	-	-	1,157
Total revenues	\$ 365,787	\$ 4,425	\$ 104	\$ 370,316	\$ 599,728	\$ 3,671	\$ 90	\$ 603,489
<b>Expenses</b>								
Program services								
International exchange of students and scholars	\$ 266,475	\$ -	\$ -	\$ 266,475	\$ 500,282	\$ -	\$ -	\$ 500,282
Leadership development educational services	33,552	-	-	33,552	36,670	-	-	36,670
Higher education institutional development	13,572	-	-	13,572	14,482	-	-	14,482
Emergency student and scholar assistance	5,009	-	-	5,009	4,271	-	-	4,271
Research and publications	1,475	-	-	1,475	2,060	-	-	2,060
Total program services	320,083	-	-	320,083	557,765	-	-	557,765
Supporting services								
Management and general	38,316	-	-	38,316	33,560	-	-	33,560
Fund raising	2,221	-	-	2,221	1,067	-	-	1,067
Total supporting services	40,537	-	-	40,537	34,627	-	-	34,627
Total expenses	360,620	-	-	360,620	592,392	-	-	592,392
Increase in net assets before de-consolidation of IIEF	5,167	4,425	104	9,696	7,336	3,671	90	11,097
De-consolidation of IIEF	-	-	-	-	(1,114)	-	-	(1,114)
Increase in net assets	5,167	4,425	104	9,696	6,222	3,671	90	9,983
<b>Net assets</b>								
Beginning of year	79,284	59,808	6,593	145,685	73,062	56,137	6,503	135,702
End of year	\$ 84,451	\$ 64,233	\$ 6,697	\$ 155,381	\$ 79,284	\$ 59,808	\$ 6,593	\$ 145,685

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

**Institute of International Education, Inc.**  
**Statement of Functional Expenses**  
**Year Ended September 30, 2017**

	Program Services					Supporting Services				Total
	International Exchange of Students and Scholars	Leadership Development Educational Services	Higher Education Institutional Development	Emergency Student and Scholar Assistance	Research and Publications	Total Program Services	Management and General	Fund Raising	Total Supporting Services	
<i>(in thousands)</i>										
<b>Grantee expenses</b>										
Grantee stipends and grants	\$ 116,206	\$ 16,125	\$ 291	\$ 734	\$ -	\$ 133,356	\$ -	\$ -	\$ -	\$ 133,356
Tuition, books and fees	30,843	(368)	607	1,561	-	32,643	-	-	-	32,643
Enrichment programs	9,750	242	109	15	-	10,116	-	-	-	10,116
Grantee travel	15,303	2,243	1,695	76	-	19,317	-	-	-	19,317
Grantee health insurance	3,608	42	17	35	-	3,702	-	-	-	3,702
Other	985	135	219	17	-	1,356	-	-	-	1,356
	<u>176,695</u>	<u>18,419</u>	<u>2,938</u>	<u>2,438</u>	<u>-</u>	<u>200,490</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>200,490</u>
<b>Institute expenses</b>										
Employee salaries and benefits	27,453	6,587	5,163	1,231	703	41,137	19,873	1,231	21,104	62,241
Occupancy	5,409	1,060	1,006	226	135	7,836	4,997	228	5,225	13,061
Travel, receptions and benefits	6,811	636	1,629	130	54	9,260	1,065	99	1,164	10,424
Communication	1,119	174	322	36	59	1,710	1,897	50	1,947	3,657
Purchased services	44,462	6,442	1,534	343	412	53,193	7,658	592	8,250	61,443
Other	4,526	234	980	605	112	6,457	2,826	21	2,847	9,304
	<u>89,780</u>	<u>15,133</u>	<u>10,634</u>	<u>2,571</u>	<u>1,475</u>	<u>119,593</u>	<u>38,316</u>	<u>2,221</u>	<u>40,537</u>	<u>160,130</u>
	<u>\$ 266,475</u>	<u>\$ 33,552</u>	<u>\$ 13,572</u>	<u>\$ 5,009</u>	<u>\$ 1,475</u>	<u>\$ 320,083</u>	<u>\$ 38,316</u>	<u>\$ 2,221</u>	<u>\$ 40,537</u>	<u>\$ 360,620</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, 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>										
<b>Grantee expenses</b>										
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>
<b>Institute expenses</b>										
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.**  
**Statements of Cash Flows**  
**Years Ended September 30 2017 and 2016**

<i>(in thousands)</i>	<b>2017</b>	<b>2016</b>
<b>Cash flows from operating activities</b>		
Increase in net assets	\$ 9,696	\$ 9,983
Adjustments to reconcile increase in net assets to net cash provided by (used in) operating activities		
Depreciation and amortization	4,431	3,863
Amortization of gain on sale of building	(238)	(239)
Loss on disposal of fixed assets	-	287
Amortization of bond issuance costs	24	24
Amortization of premium on bonds	(42)	(43)
De-consolidation of IIEF	-	1,114
Net realized gains on sales of investments	(4,030)	(2,220)
Net unrealized gains on investments	(9,970)	(8,106)
Change in operating assets and liabilities		
Accounts receivable on sponsored programs	15,622	(6,565)
Contributions receivable, net	659	(684)
Prepaid expenses and other assets	(897)	(1,675)
Accounts payable and accrued expenses	(7,696)	(31,711)
Sponsored funds received in advance	913	(4)
Net cash provided by (used in) operating activities	<u>8,472</u>	<u>(35,976)</u>
<b>Cash flows from investing activities</b>		
Purchase of investments	(4,763)	(1,883)
Proceeds from sale of investments	7,604	2,855
Purchase of fixed assets	(1,871)	(7,214)
Cash outflow due to de-consolidation of IIEF	-	(822)
Net cash provided by (used in) investing activities	<u>970</u>	<u>(7,064)</u>
<b>Cash flows from financing activities</b>		
Payments made on bond obligations	(550)	(525)
Net cash used in financing activities	<u>(550)</u>	<u>(525)</u>
Net increase (decrease) in cash and cash equivalents	8,892	(43,565)
<b>Cash and cash equivalents</b>		
Beginning of year	<u>6,362</u>	<u>49,927</u>
End of year	<u>\$ 15,254</u>	<u>\$ 6,362</u>
<b>Supplemental information</b>		
Cash paid for interest	\$ 439	\$ 452
<b>Non-cash supplemental information</b>		
Fixed assets included in accounts payable	\$ -	\$ 110
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, 2017 and 2016

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(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, rescue programs, issues publications, and conducts conferences, seminars and other special projects, which provide assistance to individuals, colleges, universities and other organizations on matters of international education and cultural exchange.

##### **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, 2017 and 2016**

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(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 straight line 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, net of allowances for doubtful accounts, are reported in the statements of financial position. The allowance for doubtful accounts is determined by a review of account balances, including the age of the balance and historical collection experience. As of September 30, 2017 and 2016, the allowance for doubtful accounts was \$875 and \$121, respectively.

**Institute of International Education, Inc.**  
**Notes to Financial Statements**  
**September 30, 2017 and 2016**

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(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 2017 and 2016, changes in fair value of IIE's beneficial interests in the amount of \$104 and \$90, respectively, were recorded as permanently restricted contributions.

**Sponsored Funds Received in Advance**

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

**Retirement Benefits**

Retirement benefits coverage is available for substantially all employees, provided through a 403(b) Plan. IIE's contributions for fiscal years 2017 and 2016 under the provisions of this defined contribution plan were \$3,467 and \$3,262, 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 \$2,061 and \$1,832 as of September 30, 2017 and 2016, 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 in the statements of financial position.

**Functional Allocation**

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

**Investments**

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

**Institute of International Education, Inc.**  
**Notes to Financial Statements**  
**September 30, 2017 and 2016**

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(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 2017 and 2016 were \$4,431 and \$3,863, respectively.

IIE periodically evaluates the estimated recoverability of its long-lived assets, annually or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. There were no impairments of long-lived assets at September 30, 2017.

**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. 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, IIE pays payroll and use taxes in the normal course of business where required, and some activities may be subject to sales and value added taxes in certain jurisdictions. Accordingly, IIE pays or maintains appropriate provisions to account for such liabilities.

**Recent Accounting Pronouncements**

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

**Institute of International Education, Inc.**  
**Notes to Financial Statements**  
**September 30, 2017 and 2016**

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(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.

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.

In June 2018, the FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This update assists not-for-profit entities in evaluating whether transactions should be accounted for as contributions or as exchange transactions, and in determining whether a contribution is conditional. IIE should apply the amendments in this update on contributions received to annual periods beginning after June 15, 2018 and on contributions made to annual periods beginning after December 15, 2018. IIE is evaluating the impact this standard will have on the financial statements.

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

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

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

	2017			Total
	Level 1 Quoted Prices in Active Markets	Level 2 Other Significant Observable	Level 3 Significant Unobservable Inputs	
Cash equivalents	\$ 182	\$ -	\$ -	\$ 182
Equity securities				
US	28,818	-	-	28,818
International	9,938	-	-	9,938
Commodities	7,707	-	-	7,707
Debt securities				
Bond funds	20,495	-	-	20,495
Sub-total	67,140	-	-	67,140
Investments measured at net asset value				64,334
Total investments	\$ 67,140	\$ -	\$ -	\$ 131,474
	2016			
	Level 1 Quoted Prices in Active Markets	Level 2 Other Significant Observable	Level 3 Significant Unobservable Inputs	Total
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

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

IIE's assets with a fair value estimate using net asset value per share as a basis at September 30, 2017 and 2016 are as follows:

	Fair Value Estimated Using Net Assets Value Per Share					
	Fair Value September 30, 2017	Fair Value September 30, 2016	Unfunded Commitment	Settlement Terms	Redemption Frequency	Redemption Notice Period
International equity funds	\$ 32,106	\$ 26,245	\$ -	Redemptions occur at NAV	Monthly	Less than 30 days
Domestic equity funds	20,076	17,361	-	Redemptions occur at NAV	Monthly	Less than 30 days
Bond funds	7,949	7,946	-	Redemptions occur at NAV	Daily	2 days in advance
Real asset funds	4,203	-	-	Redemptions occur at NAV	Daily	2 days in advance
	<u>\$ 64,334</u>	<u>\$ 51,552</u>				

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

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

	2017	2016
Interest and dividends	\$ 1,943	\$ 1,888
Net realized gains	4,030	2,220
Net unrealized gains	9,970	8,106
	<u>15,943</u>	<u>12,214</u>
Less: Investment management fees	(250)	(244)
Total investment return	<u>\$ 15,693</u>	<u>\$ 11,970</u>

**Institute of International Education, Inc.**  
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(in thousands)

**4. Fixed Assets, Net**

Fixed assets as of September 30 consist of the following:

	Estimated Useful Lives	Asset Value	
		2017	2016
Building	30 Years	\$ 18,975	\$ 18,975
Furniture	7 Years	1,019	1,019
Equipment	2–4 Years	3,971	3,639
Software development costs	3–7 Years	31,855	30,151
Leasehold improvements	3–25 Years	10,517	10,682
		<u>66,337</u>	<u>64,466</u>
Less: Accumulated depreciation		<u>(38,870)</u>	<u>(34,439)</u>
		27,467	30,027
Less: Unamortized deferred credit		<u>(3,333)</u>	<u>(3,571)</u>
Total fixed assets, net		<u>\$ 24,134</u>	<u>\$ 26,456</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:

	2017	2016
Series 2014 bonds	\$ 10,750	\$ 11,300
Unamortized bond premium	595	637
Deferred financing costs, net	<u>(338)</u>	<u>(362)</u>
Total bonds payable, net	<u>\$ 11,007</u>	<u>\$ 11,575</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

**Institute of International Education, Inc.**  
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(in thousands)

(the “Series 2014 bonds”) through the Build NYC Resource Corporation (“Build NYC”) to refund the outstanding Series 2001 bonds.

Deferred financing costs represent direct costs incurred to obtain the bonds payable. In connection with the issuance of these bonds, the Institute incurred costs that are being amortized to interest expense on a straight-line basis over the remaining term of the bond (30 years), which approximates the effective interest method. Net deferred financing costs of \$338 and \$362 at September 30, 2017 and 2016, 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:

<b>Fiscal years</b>	<b>Principal Payments</b>	<b>Bond Premium Amortization</b>	<b>Deferred Financing Amortization</b>	<b>Total</b>
2018	\$ 580	\$ 43	\$ (24)	\$ 599
2019	605	43	(24)	624
2020	620	43	(24)	639
2021	655	43	(24)	674
2022	685	43	(24)	704
Thereafter	7,605	380	(218)	7,767
	<u>\$ 10,750</u>	<u>\$ 595</u>	<u>\$ (338)</u>	<u>\$ 11,007</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:

	<b>2017</b>	<b>2016</b>
International exchange of students and scholars	<u>\$ 64,233</u>	<u>\$ 59,808</u>
Total temporarily restricted net assets	<u>\$ 64,233</u>	<u>\$ 59,808</u>

**Institute of International Education, Inc.**  
**Notes to Financial Statements**  
**September 30, 2017 and 2016**

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(in thousands)

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

	<b>2017</b>	<b>2016</b>
International exchange of students and scholars	\$ 9,499	\$ 9,636
Total net assets released from restrictions	<u>\$ 9,499</u>	<u>\$ 9,636</u>

**7. Permanently Restricted Net Assets**

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

	<b>2017</b>	<b>2016</b>
Beneficial interests in perpetual trusts held by third parties	\$ 3,170	\$ 3,066
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>\$ 6,697</u>	<u>\$ 6,593</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

**Institute of International Education, Inc.**  
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(in thousands)

portion of temporarily restricted net assets, which are restricted by time and purpose, and its board designated funds.

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**  
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(in thousands)

At September 30, 2017, 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	\$ -	\$ 13,433	\$ 2,163	\$ 15,596
Scholar Rescue Fund	-	36,087	1,364	37,451
Fulbright Legacy Fund	-	7,726	-	7,726
Board designated funds				
Fulbright Legacy Fund	9,219	-	-	9,219
Scholar Rescue Fund	6,267	-	-	6,267
Andrew Heiskell Endowment	320	-	-	320
Total endowments	<u>\$ 15,806</u>	<u>\$ 57,246</u>	<u>\$ 3,527</u>	<u>\$ 76,579</u>

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>

**Institute of International Education, Inc.**  
**Notes to Financial Statements**  
**September 30, 2017 and 2016**

(in thousands)

Changes in endowment net assets for the years ended September 30, 2017 and 2016 consisted of the following:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Endowment net assets at September 30, 2015</b>	\$ 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)
<b>Endowment net assets at September 30, 2016</b>	14,380	51,894	3,527	69,801
Investment return				
Investment income, net of fees	203	807	-	1,010
Realized gains	496	1,855	-	2,351
Unrealized gains	1,307	4,075	-	5,382
Total investment gains	2,006	6,737	-	8,743
Contributions	-	3,957	-	3,957
Appropriation of endowment assets used for expenditures	(580)	(5,342)	-	(5,922)
<b>Endowment net assets at September 30, 2017</b>	<u>\$ 15,806</u>	<u>\$ 57,246</u>	<u>\$ 3,527</u>	<u>\$ 76,579</u>

**9. Sponsored Programs Revenue**

Sponsored programs revenue for fiscal years 2017 and 2016 was derived from the following major sponsor categories:

	2017	2016
U.S. government agencies	\$ 240,370	\$ 239,936
Foundations and research organizations	74,293	69,644
Corporations	11,896	13,082
Foreign governments and international organizations	13,961	257,763
Total sponsored programs revenue	<u>\$ 340,520</u>	<u>\$ 580,425</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 2016 to 2017.

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(in thousands)

**10. Commitments and Contingencies**

**Operating Leases**

Rental expense was \$6,036 and \$5,457 for the years ended September 30, 2017 and 2016, 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, 2017:

<b>Fiscal years</b>	
2018	\$ 4,201
2019	3,290
2020	2,832
2021	2,539
2022	58
Thereafter	<u>279</u>
	<u>\$ 13,199</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 January 10, 2019, 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, 2017

Federal Program	Federal Contract ID	CFDA No.	Direct	Pass-Through	Pass-Through Entity	Pass-Through Entity Sponsor Number	Total Federal Expenditures	Passed to Subrecipients
<b>United States Department of State</b>								
<b>Educational and Cultural Affairs Bureau</b>								
Hubert H Humphrey Fellowship Program FY12	S-ECAAS-12-CA-005(DT)	19.010	\$ 1,287	\$ -			\$ 1,287	\$ -
Hubert H Humphrey Fellowship Program FY13	S-ECAGD-13-CA-008(DT)	19.010	27,023	-			27,023	41,334
Hubert H Humphrey Fellowship Program FY14	S-ECAGD-14-CA-1037	19.010	92,355	-			92,355	(781)
Hubert H Humphrey Fellowship Program FY15	S-ECAGD-15-CA-1017	19.010	351,349	-			351,349	513,970
Hubert H Humphrey Fellowship Program FY16	S-ECAGD-16-CA-1014	19.010	6,265,010	-			6,265,010	2,940,029
Hubert H Humphrey Fellowship Program FY17	S-ECAGD-17-CA-1020	19.010	4,224,898	-			4,224,898	742,201
			<u>10,961,922</u>	<u>-</u>			<u>10,961,922</u>	<u>4,236,753</u>
Benjamin A. Gilman Scholarship Program FY15	S-ECAGD-15-CA-1029	19.011	1,140	-			1,140	-
Benjamin A. Gilman Scholarship Program FY16	S-ECAGD-16-CA-1081	19.011	9,259,910	-			9,259,910	-
Benjamin A. Gilman Scholarship Program FY17	S-ECAGD-17-CA-1057	19.011	3,950,884	-			3,950,884	-
EducationUSA Advising Program: Regional and Country	S-ECAGD-13-CA-029(CB)	19.011	(6,801)	-			(6,801)	-
			<u>13,205,133</u>	<u>-</u>			<u>13,205,133</u>	<u>-</u>
Fulbright Student Program FY10	S-ECAAE-10-CA-036(CS)	19.400	13,893	-			13,893	-
Fulbright Student Program FY12	S-ECAAE-12-CA-007 (MJ)	19.400	12,306	-			12,306	-
Fulbright Student Program FY13	S-ECAGD-13-CA-017 (MJ)	19.400	317,953	-			317,953	-
Fulbright Student Program FY14	S-ECAGD-14-CA-1017	19.400	759,561	-			759,561	110,057
Fulbright Student Program FY15	S-ECAGD-15-CA-1015	19.400	11,003,146	-			11,003,146	(137,847)
Fulbright Student Program FY16	S-ECAGD-16-CA-1004	19.400	34,331,475	-			34,331,475	(368,885)
Fulbright Student Program FY17	S-ECAGD-17-CA-1015	19.400	38,688,051	-			38,688,051	1,719,479
AMIDEAST Fulbright Foreign Student Program for MENA FY15	S-ECAGD-15-CA-1019	19.400	-	257	America-Mideast Education & Training	20319-15-01	257	-
AMIDEAST	S-ECAGD-16-CA-1002	19.400	-	446,877	America-Mideast Education & Training	20202-16-01	446,877	-
			<u>85,126,385</u>	<u>447,134</u>			<u>85,573,519</u>	<u>1,322,804</u>
Fulbright Scholar Program FY10	S-ECAAE-10-CA-034(SM)	19.401	373	-			373	-
Fulbright Scholar Program FY12	S-ECAAE-12-CA-008(KF)	19.401	601	-			601	-
Fulbright Scholar Program FY13	S-ECAGD-13-CA-013(KF)	19.401	933,206	-			933,206	165,000
Fulbright Scholar Program FY14	S-ECAGD-14-CA-1032	19.401	469,486	-			469,486	-
Fulbright Scholar Program FY15	S-ECAGD-15-CA-1016	19.401	2,521,027	-			2,521,027	268,804
Fulbright Scholar Program FY16	S-ECAGD-16-CA-1003	19.401	16,073,124	-			16,073,124	2,055,191
Fulbright Scholar Program FY17	S-ECAGD-17-CA-1016	19.401	15,273,143	-			15,273,143	-
Global Innovation Initiative	S-ECAGD-13-CA-149(DT)	19.401	921,672	-			921,672	853,087
			<u>36,192,632</u>	<u>-</u>			<u>36,192,632</u>	<u>3,342,082</u>
Fulbright Classroom Teacher Exchange Program/Distinguish FY 2016 Fulbright Distinguished Awards in Teaching	S-ECAAS-12-CA-013(DT)	19.408	28	-			28	-
FY13 Fulbright Classroom Teacher Exchange Program	S-ECAGD-16-CA-1006	19.408	1,197,068	-			1,197,068	135,390
FY14 Fulbright Distinguished Awards in Teaching Program	S-ECAGD-13-CA-003(AR)	19.408	363,359	-			363,359	(24,510)
FY17 Fulbright Distinguished Awards in Teaching Program	S-ECAGD-14-CA-1021	19.408	274,549	-			274,549	-
FY15 Teacher Exchange Program	S-ECAGD-17-CA-1010	19.408	755,697	-			755,697	-
	S-ECAGD-15-CA-1011	19.408	48,812	-			48,812	(86,367)
			<u>2,639,513</u>	<u>-</u>			<u>2,639,513</u>	<u>24,513</u>
TechWomen Central Asia 2014-15	S-ECAGD-14-CA-1148	19.415	1,918	-			1,918	-
TechWomen FY15	S-ECAGD-15-CA-1124	19.415	2,335,088	-			2,335,088	-
TechWomen Program- Middle East North Africa FY13	S-ECAPE-12-CA-152(FA)	19.415	8	-			8	-
TechWomen Program- Sub Saharan Africa FY13	S-ECAPE-12-CA-151(AR)	19.415	3,380	-			3,380	-
			<u>2,340,394</u>	<u>-</u>			<u>2,340,394</u>	<u>-</u>
Open Doors FY15	S-ECAGD-14-GR-1028	19.432	743	-			743	-
Open Doors FY16	S-ECAGD-16-GR-1022	19.432	99,877	-			99,877	-
Open Doors FY17	S-ECAGD-17-GR-1007	19.432	751,786	-			751,786	-
EducationUSA Leadership Institutes FY2015	S-ECAGD-15-CA-1101	19.432	100,479	-			100,479	31,984
EducationUSA Leadership Institutes FY2017	S-ECAGD-16-CA-1137	19.432	278,855	-			278,855	60,568
Global EducationUSA Services FY2016	S-ECAGD-16-CA-1011	19.432	6,776,355	-			6,776,355	989,539
			<u>8,008,095</u>	<u>-</u>			<u>8,008,095</u>	<u>1,082,091</u>
International Visitor Leadership Program (IVLP) FY2014	S-ECAGD-14-CA-1026	19.402	9,436,181	-			9,436,181	-
<b>Total Educational and Cultural Affairs Bureau</b>			<u>167,910,255</u>	<u>447,134</u>			<u>168,357,389</u>	<u>10,008,243</u>
<b>Near Eastern Affairs Bureau</b>								
NEA Iraq Scholar Rescue FY 2015	S-NEAIQ-14-CA-1001	19.016	276,563	-			276,563	50,000
Women's Enterprise for Sustainability	S-NEAPI-12-CA-004	19.500	27,231	-			27,231	2,550
Women's Enterprise for Sustainability	S-NEAAC-16-GR-1047	19.500	809,097	-			809,097	120,058
<b>Total Near Eastern Affairs Bureau</b>			<u>1,112,891</u>	<u>-</u>			<u>1,112,891</u>	<u>172,608</u>
<b>National Institute on Drug Abuse</b>								
15-16 Humphrey - NIDA	KF-3053	19.U01	4,574	-			4,574	1,618
16-17 HHH NIDA	n/a	19.U02	88,905	-			88,905	55,715
NIDA 2014-2015	NIDA-2805	19.U03	1,276	-			1,276	-
<b>Total National Institute on Drug Abuse</b>			<u>94,755</u>	<u>-</u>			<u>94,755</u>	<u>57,333</u>
14-15 HHH INL	S-INLEC-14-GR-1003	19.704	987	-			987	-
Syria Consortium for Higher Education	S-NEAPD-14-CA-1003	19.021	560,172	-			560,172	208,353
<b>Total United States Department of State</b>			<u>169,679,060</u>	<u>447,134</u>			<u>170,126,194</u>	<u>10,446,537</u>

**Institute of International Education, Inc.**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended September 30, 2017**

Federal Program	Federal Contract ID	CFDA No.	Direct	Pass-Through	Pass-Through Entity	Pass-Through Entity Sponsor Number	Total Federal Expenditures	Passed to Subrecipients
<b>United States Agency for International Development</b>								
LOTUS Scholarship Program	263-A-00-10-00026-00	98.001	\$ 1,804,799	\$ -			\$ 1,804,799	\$ 5,343
Democracy Grant and Fellowships (DGF) Program	AID-OAA-A-12-00039	98.001	3,373,008	-			3,373,008	404,586
Local Scholarship Program (LSP) in Non Public Universities	AID-263-A-15-00020	98.001	1,860,701	-			1,860,701	240,612
Sustainable Higher Education Research Alliances (SHERA)	AID-497-A-16-00004	98.001	982,649	-			982,649	147,082
USAID InStep India - ASU SUBAWARD	14-306	98.001	3,273	-			3,273	-
Timor-Leste Hillary Clinton Scholarship Program	AID-486-C-12-00007	98.U01	385,692	-			385,692	-
Scholarships and Training for Egyptian Professionals (STEP)	AID-263-TO-14-00001	98.U02	7,615,769	-			7,615,769	21,744
Vietnam Partner Capacity Development (PCD) Program	AID-440-TO-14-00001	98.U03	1,316,585	-			1,316,585	(124,913)
Tanzania Participant Training Program	AID-621-TO-14-00001	98.U04	761,797	-			761,797	-
PRESTASI III	AID-497-TO-14-00002	98.U05	4,116,984	-			4,116,984	-
Learning Links Program Girls Literacy Initiative Liberia	AID-669-A-17-00004-IIE	98.U16	432	-			432	-
JAdi Penguasaha Mandiri (JAPRI)	AID-497-A-17-00005	98.U17	180,306	-			180,306	42,634
PRESTASI II	AID-497-C-12-00004	98.U00	-	818,384	Indonesian International Education Foundation	PRESTASI II-CPFF-2012-IIE	818,384	-
Agricultural - Livestock Growth Program-Ethiopia FY13-17	AID-663-C-12-00009	98.U06	-	80,789	Cultivating New Frontiers in Agriculture (CNFA)	CNFA/IIE	80,789	-
India Forestry Tour NYS #6	AID-386-C-12-00002	98.U08	-	8,051	Tetra Tech, Inc.	ARD-IIE-1072-1602	8,051	-
EMDAP Mexico - Climate Change	AID-523-LA-16-00001	98.U10	-	73,484	Volunteers for Economic Growth Alliance	VEGA-IIE Sub-Agreement 14	73,484	-
EMDAP Uganda	AID-617-LA-14-00003	98.U11	-	(5,221)	Volunteers for Economic Growth Alliance	VEGA-IIE Subagreement No. 13	(5,221)	-
VEGA/EMDAP - Public-Private Econ. Partnership Specialist	115-A-00-08-00003-00	98.U13	-	49	Volunteers for Economic Growth Alliance	VEGA-IIE Sub-Agreement No. 6	49	-
India Forestry Tour SAR #5	AID-386-C-12-00002	98.U15	-	51,361	Tetra Tech, Inc.	Tetra Tech ARD-IIE-1072-16012	51,361	-
<b>Total United States Agency for International Development</b>			<b>22,401,995</b>	<b>1,026,897</b>			<b>23,428,892</b>	<b>737,088</b>
<b>United States Department of Defense</b>								
ROTC Language and Culture Project 2013-2018	H98210-13-2-0001	12.357	16,524,583	-			16,524,583	15,479,043
			16,524,583	-			16,524,583	15,479,043
English for Heritage Language Speakers (EHLS) FY17	H98210-15-C-0026	12.U01	-	556,040	Center for Applied Linguistics (CAL)	NSEP01-016-10-SC-IIE-00	556,040	-
English-Heritage Language Speakers (EHLS) 2016	H98210-15-C-0026	12.U02	-	(8,456)	Center for Applied Linguistics (CAL)	NSEP01-1-014-10-IIE-00	(8,456)	-
			-	547,584			547,584	-
National Security Education Program (NSEP) FY2012	H98210-11-2-0001	12.550	2,004,947	-			2,004,947	1,887,550
Boren Flagship 2016-21	H98210-16-2-0002	12.550	28,509,992	-			28,509,992	19,013,585
<b>Total United States Department of Defense</b>			<b>47,039,522</b>	<b>547,584</b>			<b>47,587,106</b>	<b>36,380,178</b>
<b>United States Department of Treasury</b>								
Field Research Fellowship Program FY15 Task Order	TPD-IAF-12-C-0015	21.U01	(434)	-			(434)	-
OY4 Field Research Fellowship Program Task Order	TPD-IAF-12-C-0015	21.U02	590,756	-			590,756	-
<b>Total United States Department of Treasury</b>			<b>590,322</b>	<b>-</b>			<b>590,322</b>	<b>-</b>
<b>United States Embassy</b>								
Fulbright Ukraine STEP Program 2014	SUP30014GR193	19.040	(798)	-			(798)	-
Embassy of Caracas Troconis Cancer Research	SVE14015GR-073	19.040	(3,502)	-			(3,502)	-
U.S. Mexico Academic Mobility Study	SMX53015CA169	19.040	1,824	-			1,824	-
Indonesian LPDP U.S. Universities Tour	SID320-15-GR-089	19.040	1,849	-			1,849	-
Fulbright Visiting Scholar Program Iraq FY12	SIZ-100-11-GR070	19.021	4,987	-			4,987	-
Iraq Visiting Scholar 2016	SIZ-100-15-GR019	19.021	21,434	-			21,434	(36,345)
Master's level Exchanges for Kosovo Students	S-KV420-11-GR-062	19.415	120,315	-			120,315	-
MA Degree Program Academic Year 2013	S-KV420-11-GR-111	19.415	61,182	-			61,182	-
DOS Give it Back Program	SEG30017GR0036	19.021	15,637	-			15,637	-
2017 Iraq Fulbright Visiting Scholar	SIZ-100-16-GR016	19.021	705,711	-			705,711	304,969
2016 Distinguished Humphrey Program_South Africa	SF75016GR010	19.040	4,953	-			4,953	-
GET US Embassy Brasilia Intl Campaign Fellow Uakron	SBR25016GR0073	19.040	-	47,094	U.S. Department of State	S-BR250-16-GR0073	47,094	-
SEA3 Scholar Engagement to Advance Academic Achievement	S-ET-100-17-GR-093	19.040	2,971	-			2,971	-
Fulbright Moldova ETA	SMD700-17-GR040	19.040	9,320	-			9,320	-
Fulbright Moscow Summer School 2017	SRS50017GR0076	19.040	46,087	-			46,087	-
IIE Study Abroad -Singapore Workshop	SSN10017GR025	19.040	7,890	-			7,890	-
TeachHER Travel Grant	S-FR530-16-GR015	19.040	9,510	-			9,510	-
Publishing in International Journals	SUP30016GR0264	19.040	6,223	-			6,223	-
<b>Total United States Embassy</b>			<b>1,015,593</b>	<b>47,094</b>			<b>1,062,687</b>	<b>268,624</b>
<b>United States Agency for International Development</b>								
Improving Rural Energy Services	DOT-I-00-04-00003 03	21.U01	14	-			14	-
<b>Total United States Agency for International Development</b>			<b>14</b>	<b>-</b>			<b>14</b>	<b>-</b>
<b>National Institute of Health</b>								
Fulbright-Fogarty Fellowship Program	n/a	93.989	13,500	-			13,500	-
<b>Total National Institute of Health</b>			<b>13,500</b>	<b>-</b>			<b>13,500</b>	<b>-</b>
<b>Total Expenditures of Federal Awards</b>			<b>\$ 240,740,006</b>	<b>\$ 2,068,709</b>			<b>\$ 242,808,715</b>	<b>\$ 47,832,427</b>

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, 2017**

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**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, 2017. 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, 2017, and the related statements of activities, of functional expenses and of cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 10, 2019.

**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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency (Finding 2017-001).



**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*.

**IIE’s Response to Findings**

IIE’s response to the 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 the financial statements and, accordingly, we express no opinion on it.

**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.

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

New York, New York  
January 10, 2019



**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, 2017. 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, 2017.



### ***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 2017-002. 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

*PricewaterhouseCoopers LLP*

New York, New York  
January 10, 2019

# Institute of International Education, Inc.

## Schedule of Findings and Questioned Costs

### Year Ended September 30, 2017

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#### Section I: Summary of Auditors' Results

##### Financial Statements

Type of Auditors' report issued **Unmodified**

Internal control over financial reporting:

Material weakness(es) identified?        Yes   X   No

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

Noncompliance material to consolidated financial statements noted?        Yes   X   No

##### Federal Awards

Internal control over major programs:

Material weakness(es) identified?        Yes   X   No

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

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

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

##### Identification of major programs

###### CFDA Numbers

19.400  
19.401  
19.010  
98.U02  
98.U05  
98.001  
98.001

###### Name of Federal Program or Cluster

Fulbright Student Program  
Fulbright Scholar Program  
Hubert H Humphrey Fellowship Program  
Scholarships and Training for Egyptian Professionals (STEP)  
PRESTASI III / PRESTASI II  
LOTUS Scholarship Program  
Sustainable Higher Education Research Alliances (SHERA)

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

Auditee qualified as low risk auditee?        Yes   X   No

**Institute of International Education, Inc.**  
**Schedule of Findings and Questioned Costs**  
**Year Ended September 30, 2017**

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**Section II – Financial Statement Findings**

**Finding 2017-001 (Significant Deficiency)**

Condition

As a result of our audit procedures on accounts receivable on sponsored programs and sponsored funds received in advance, we identified several contract balances that required adjustment. Accordingly, management performed a detailed review of accounts receivable on sponsored programs and sponsored funds received in advance and wrote off balances that were no longer supportable (i.e., accounts receivable with no expectation of future cash receipts and sponsored funds received in advance for contracts that were fully spent with no future revenues to be earned).

Effect

These adjustments resulted in an increase in net assets of approximately \$2.3 million.

Cause

A majority of the contracts that required adjustments were contracts that had ended in previous years and management had not zeroed out the balances upon settlement of the contract. This was primarily due to these contract balances being transferred to the People Soft accounting system in April, 2016. However, the system conversion required extensive remediation, which required management to deploy resources to the remediation efforts and therefore, review procedures on completed contracts was not performed timely.

Recommendation

We recommend management re-institute review procedures on completed contracts to ensure contract balances are appropriately adjusted on a timely basis upon settlement of the contract.

Views of responsible officials and planned corrective actions

IIE will implement a procedure to thoroughly review the reasonableness of accounts receivable and sponsored funds received in advance for awards upon settlement of the contract.

# Institute of International Education, Inc.

## Schedule of Findings and Questioned Costs

### Year Ended September 30, 2017

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#### Section III – Federal Awards Findings and Questioned Costs

##### Finding 2017-002

###### 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 2017 will be submitted after the nine-month reporting deadline (fiscal year 2017 Uniform Guidance report issued on January 10, 2019).

###### Questioned costs

No questioned costs related to this finding.

###### Context

Prior to fiscal year 2016, 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 years 2016 and 2017.

###### Effect

IIE will be a high-risk auditee for the fiscal year 2018 and 2019 audit years. The data collection form for fiscal year 2016 was filed in December 2017.

###### 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 years 2016 and 2017. 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.

**Institute of International Education, Inc.**  
**Summary of Status of Prior Year Findings**  
**Year Ended September 30, 2017**

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**Finding 2016-001**

Summary

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 per 2 CFR 200.512(a)(1).

Status

The data collection form for fiscal year 2016 was filed in December 2017. The fiscal year 2017 Uniform Guidance report was issued on January 10, 2019 and the fiscal year 2017 data collection form is expected to be filed in January 2019 (see Finding 2017-002). Management has a corrective action in place for the fiscal year 2018 remediation and as described in the corrective action plan for finding 2017-001.



The Power  
of International  
Education

Jason Czyz  
Chief Financial Officer

January 10, 2019

PricewaterhouseCoopers LLP  
300 Madison Avenue  
New York, NY 10017

RE: Fiscal Year 2017 Findings

Dear PricewaterhouseCoopers:

Below please find IIE's responses and corrective action plans for the two findings contained in the fiscal year 2017 financial statement and uniform guidance audit.

Financial Statement Finding 2017-001 (Significant Deficiency)

During the course of the audit, several contract balances required adjustment. The procedures for resolving this finding must be divided into two categories: remediation and post-remediation. IIE will review closed awards within thirty days after completion and determine whether any adjustments will need to be made, or if additional transactions are not complete the award will be re-reviewed at a later, appropriate date.

Finding 2017-002; Timely Completion of the Uniform Guidance Audit

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. IIE has been in regular communication with them about the migration issues and steps to remediate. The production of the fiscal year 2017 financial statements marks a significant improvement as awards were re-setup and the accounting was processed through the financial system. However, this took longer than anticipated because of the large amount of data. We expect the fiscal year 2018 remediation to move more quickly for two reasons: 1) greater familiarization with PeopleSoft and the remediation process; and 2) unlike the fiscal year 2017 remediation, we are not remediating inception to date data but rather a single fiscal year. In February 2019 the remediation environment will be populated with data, verified and then the data will be re-processed. This process will likely take until mid to late March. Beginning of April will begin the quality control process and commence producing draft financial reports. The fiscal year 2018 remediation is tentatively planned to be completed by April 30, 2019 and the fiscal year 2019 remediation tentatively completed by September 30, 2019.

Sincerely,

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

Jason Czyz