

**Institute of International
Education, Inc.**

**Report on Federal Awards in
Accordance with OMB Uniform Guidance
September 30, 2018
EIN: 13-1624046**

Institute of International Education, Inc.

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September 30, 2018

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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, 2018 and 2017, 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, 2018 and 2017, 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, 2018 is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and is not a required part of the financial statements. The information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 24, 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, 2018. 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
June 24, 2019

Institute of International Education, Inc.
Statements of Financial Position
September 30, 2018 and 2017

<i>(in thousands)</i>	2018	2017
Assets		
Cash and cash equivalents	\$ 13,870	\$ 15,254
Accounts receivable on sponsored programs	57,560	56,239
Contributions receivable, net	4,756	1,011
Investments, at fair value	115,706	131,474
Prepaid expenses and other assets	11,306	9,226
Fixed assets, net	22,010	24,134
Beneficial interests in perpetual trusts held by third parties	3,195	3,170
Total assets	<u>\$ 228,403</u>	<u>\$ 240,508</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 40,684	\$ 43,634
Sponsored funds received in advance	24,389	30,486
Bonds payable, net	10,408	11,007
Total liabilities	<u>75,481</u>	<u>85,127</u>
Commitments and contingencies		
Net assets		
Unrestricted		
Board designated	16,551	15,806
Undesignated, available for general operations	62,861	68,645
Total unrestricted net assets	79,412	84,451
Temporarily restricted	66,788	64,233
Permanently restricted	6,722	6,697
Total net assets	<u>152,922</u>	<u>155,381</u>
Total liabilities and net assets	<u>\$ 228,403</u>	<u>\$ 240,508</u>

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

Institute of International Education, Inc.
Statements of Activities
Years Ended September 30, 2018 and 2017

<i>(in thousands)</i>	2018				2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues								
Sponsored programs	\$ 333,515	\$ -	\$ -	\$ 333,515	\$ 340,520	\$ -	\$ -	\$ 340,520
Contributions	2,432	8,347	-	10,779	3,643	7,140	-	10,783
Net assets released from restrictions	9,795	(9,795)	-	-	9,499	(9,499)	-	-
Investment return	4,342	4,003	25	8,370	8,805	6,784	104	15,693
Publications and membership fees	538	-	-	538	1,137	-	-	1,137
Other revenues	1,241	-	-	1,241	2,183	-	-	2,183
Total revenues	\$ 351,863	\$ 2,555	\$ 25	\$ 354,443	\$ 365,787	\$ 4,425	\$ 104	\$ 370,316
Expenses								
Program services								
International exchange of students and scholars	\$ 263,932	\$ -	\$ -	\$ 263,932	\$ 266,475	\$ -	\$ -	\$ 266,475
Leadership development educational services	29,159	-	-	29,159	33,552	-	-	33,552
Higher education institutional development	15,579	-	-	15,579	13,572	-	-	13,572
Emergency student and scholar assistance	5,247	-	-	5,247	5,009	-	-	5,009
Research and publications	1,659	-	-	1,659	1,475	-	-	1,475
Total program services	315,576	-	-	315,576	320,083	-	-	320,083
Supporting services								
Management and general	39,550	-	-	39,550	38,316	-	-	38,316
Fund raising	1,776	-	-	1,776	2,221	-	-	2,221
Total supporting services	41,326	-	-	41,326	40,537	-	-	40,537
Total expenses	356,902	-	-	356,902	360,620	-	-	360,620
Change in net assets	(5,039)	2,555	25	(2,459)	5,167	4,425	104	9,696
Net assets								
Beginning of year	84,451	64,233	6,697	155,381	79,284	59,808	6,593	145,685
End of year	\$ 79,412	\$ 66,788	\$ 6,722	\$ 152,922	\$ 84,451	\$ 64,233	\$ 6,697	\$ 155,381

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

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

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

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

Institute of International Education, Inc.
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>										
Grantee expenses										
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>
Institute expenses										
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.
Statements of Cash Flows
Years Ended September 30 2018 and 2017

<i>(in thousands)</i>	2018	2017
Cash flows from operating activities		
Change in net assets	\$ (2,459)	\$ 9,696
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities		
Depreciation and amortization	4,357	4,431
Amortization of gain on sale of building	(238)	(238)
Amortization of bond issuance costs	24	24
Amortization of premium on bonds	(43)	(42)
Net realized gain on sales of investments	(8,877)	(4,030)
Net unrealized loss (gain) on investments	1,995	(9,970)
Changes in operating assets and liabilities:		
Accounts receivable on sponsored programs	(1,321)	15,622
Contributions receivable, net	(3,745)	659
Prepaid expenses and other assets	(2,080)	(897)
Accounts payable and accrued expenses	(2,950)	(7,696)
Sponsored funds received in advance	(6,097)	913
Net cash (used in) provided by operating activities	<u>(21,434)</u>	<u>8,472</u>
Cash flows from investing activities		
Purchase of investments	(8,592)	(4,763)
Proceeds from sale of investments	31,217	7,604
Purchase of fixed assets	(1,995)	(1,871)
Net cash provided by investing activities	<u>20,630</u>	<u>970</u>
Cash flows from financing activities		
Payments made on bond obligations	(580)	(550)
Net cash used in financing activities	<u>(580)</u>	<u>(550)</u>
Net (decrease) increase in cash and cash equivalents	(1,384)	8,892
Cash and cash equivalents		
Beginning of year	15,254	6,362
End of year	<u>\$ 13,870</u>	<u>\$ 15,254</u>
Supplemental information		
Cash paid for interest	\$ 412	\$ 439
Cash paid for taxes	54	-

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

Institute of International Education, Inc.

Notes to Financial Statements

September 30, 2018 and 2017

(in thousands)

1. Description of Organization

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

Institute of International Education, Inc.

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

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

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

2. Summary of Significant Accounting Policies

Basis of Presentation

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

- 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 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.

Institute of International Education, Inc.
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(in thousands)

- 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 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 when earned.

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 sponsor program revenues are recognized in excess of cash receipts, accounts receivable on sponsored programs, net of allowances for doubtful accounts, are reported in the statements of financial position. The allowance for doubtful accounts is determined by a review of account balances, including the age of the balance and historical collection experience. As of September 30, 2018 and 2017, the allowance for doubtful accounts was \$878 and \$875, respectively.

Contributions

Contributions are recorded as unrestricted or temporarily restricted support depending upon the existence and/or nature of donor restrictions. Support that is restricted by donors is reported as an

Institute of International Education, Inc.
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September 30, 2018 and 2017

(in thousands)

increase in temporarily restricted net assets and then reclassified to unrestricted net assets when the restriction expires. Temporarily restricted contributions which are received and expended in the same period are classified within unrestricted activities. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at estimated fair value. Contributions to be received after one year are discounted at a rate commensurate with the risk involved. Amortization of the discount is recorded as additional contribution revenue and used in accordance with donor-imposed restrictions, if any, on the contributions. For contributions receivable as of September 30, 2018, \$3,572 is expected to be collected in one year or less and \$1,300 is expected to be collected between one year and five years. For contributions receivable as of September 30, 2017, \$1,001 was expected to be collected between one year and five years. At September 30, 2018 and 2017, the discount on contributions receivable was \$116 and \$0, respectively.

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 2018 and 2017, changes in fair value of IIE's beneficial interests in the amount of \$25 and \$104, respectively, were recorded as permanently restricted contributions.

Sponsored Funds Received in Advance

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

Retirement Benefits

Retirement benefits coverage is available for substantially all employees, provided through a 403(b) Plan. IIE's contributions for fiscal years 2018 and 2017 under the provisions of this defined contribution plan were \$3,233 and \$3,467, respectively.

The Institute has active 457(b) and 457(f) 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 \$2,404 and \$2,061 as of September 30, 2018 and 2017, 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

Institute of International Education, Inc.
Notes to Financial Statements
September 30, 2018 and 2017

(in thousands)

expenses” include support expenditures such as tuition and grantee maintenance, and costs functionalized as “Institute expenses” include all services and operational costs (e.g., salaries, occupancy).

Investments

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

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

Fixed Assets

Fixed assets are recorded at cost. Depreciation is provided over the estimated useful lives of the related assets using the straight-line method, ranging from two (2) to thirty (30) years. Such estimates are based upon management’s judgments of how long the assets will remain in service. Amortization of leasehold improvements is computed using the straight-line method over the shorter of the remaining lease term or the estimated useful lives of the improvements. Depreciation and amortization expenses on fixed assets for fiscal years 2018 and 2017 were \$4,357 and \$4,431, 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, 2018 or 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 to and recovers these costs from federal programs at a rate negotiated with its cognizant federal agency.

Taxes

The Institute is a not-for-profit organization exempt from federal income tax under Section 501(c)(3) of the U.S. Internal Revenue Code. The Institute is not generally required to pay corporate income tax in most 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.

Institute of International Education, Inc.
Notes to Financial Statements
September 30, 2018 and 2017

(in thousands)

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standard Update (“ASU”) 2014-09, *Revenue from Contracts with Customers* (Topic 606). This standard implements a single framework for recognition of all revenue earned from customers. This framework ensures that entities appropriately reflect the consideration to which they expect to be entitled in exchange for goods and services by allocating transaction price to identified performance obligations and recognizing revenue as performance obligations are satisfied. Qualitative and quantitative disclosures are required to enable users of financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The standard is effective for fiscal years beginning after December 15, 2017. IIE is evaluating the impact this standard will have on the financial statements.

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

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

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(in thousands)

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.

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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:

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

	2017			
	Level 1 Quoted Prices in Active Markets	Level 2 Other Significant Observable	Level 3 Significant Unobservable Inputs	Total
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

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IIE's assets with a fair value estimate using net asset value per share as a basis at September 30, 2018 and 2017 are as follows:

Fair Value Estimated Using Net Assets Value Per Share						
	Fair Value September 30, 2018	Fair Value September 30, 2017	Unfunded Commitment	Settlement Terms*	Redemption Frequency*	Redemption Notice Period
International equity funds	\$ 28,333	\$ 32,106	-	Redemptions occur at NAV	Monthly	Less than 30 days
Domestic equity funds	19,701	20,076	-	Redemptions occur at NAV	Monthly	Less than 30 days
Bond funds	9,230	7,949	-	Redemptions occur at NAV	Daily	2 days in advance
Real asset funds	4,527	4,203	-	Redemptions occur at NAV	Daily	2 days in advance
	<u>\$ 61,791</u>	<u>\$ 64,334</u>	<u>-</u>			

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

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

	2018	2017
Interest and dividends	\$ 1,775	\$ 1,943
Net realized gain	8,877	4,030
Net unrealized gain (loss)	<u>(1,995)</u>	<u>9,970</u>
	8,657	15,943
Less: Investment management fees	<u>(287)</u>	<u>(250)</u>
Total investment return	<u>\$ 8,370</u>	<u>\$ 15,693</u>

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4. Fixed Assets, Net

Fixed assets as of September 30 consist of the following:

	Estimated Useful Lives	Asset Value	
		2018	2017
Building	30 Years	\$ 18,975	\$ 18,975
Furniture	7 Years	1,019	1,019
Equipment	2–4 Years	4,008	3,971
Software development costs	3–7 Years	33,813	31,855
Leasehold improvements	3–25 Years	10,517	10,517
		<u>68,332</u>	<u>66,337</u>
Less: Accumulated depreciation		<u>(43,227)</u>	<u>(38,870)</u>
		25,105	27,467
Less: Unamortized deferred credit		<u>(3,095)</u>	<u>(3,333)</u>
Total fixed assets, net		<u>\$ 22,010</u>	<u>\$ 24,134</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:

	2018	2017
Series 2014 bonds	\$ 10,170	\$ 10,750
Unamortized bond premium	552	595
Deferred financing costs, net	<u>(314)</u>	<u>(338)</u>
Total bonds payable, net	<u>\$ 10,408</u>	<u>\$ 11,007</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

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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.

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 \$314 and \$338 at September 30, 2018 and 2017, 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
2019	\$ 605	\$ 43	\$ (24)	\$ 624
2020	620	43	(24)	639
2021	655	43	(24)	674
2022	685	43	(24)	704
2023	715	43	(24)	734
Thereafter	6,890	337	(194)	7,033
	<u>\$ 10,170</u>	<u>\$ 552</u>	<u>\$ (314)</u>	<u>\$ 10,408</u>

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

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6. Temporarily Restricted Net Assets

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

	2018	2017
International exchange of students and scholars	\$ <u>66,788</u>	\$ <u>64,233</u>
Total temporarily restricted net assets	\$ <u>66,788</u>	\$ <u>64,233</u>

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

	2018	2017
International exchange of students and scholars	\$ <u>9,795</u>	\$ <u>9,499</u>
Total net assets released from restrictions	\$ <u>9,795</u>	\$ <u>9,499</u>

7. Permanently Restricted Net Assets

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

	2018	2017
Beneficial interests in perpetual trusts held by third parties	\$ 3,195	\$ 3,170
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>6,722</u>	\$ <u>6,697</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;

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- 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.

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.

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(in thousands)

At September 30, 2018, 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	\$ -	\$ 11,202	\$ 2,163	\$ 13,365
Scholar Rescue Fund	-	37,820	1,364	39,184
Fulbright Legacy Fund	-	9,323	-	9,323
Board designated funds				
Fulbright Legacy Fund	9,560	-	-	9,560
Scholar Rescue Fund	6,660	-	-	6,660
Andrew Heiskell Endowment	331	-	-	331
Total endowments	<u>\$ 16,551</u>	<u>\$ 58,345</u>	<u>\$ 3,527</u>	<u>\$ 78,423</u>

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>

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Changes in endowment net assets for the years ended September 30, 2018 and 2017 consisted of the following:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets at September 30, 2016	\$ 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)
Endowment net assets at September 30, 2017	15,806	57,246	3,527	76,579
Investment return				
Investment income, net of fees	190	774	-	964
Realized gains	1,193	4,238	-	5,431
Unrealized losses	(226)	(1,079)	-	(1,305)
Total investment gains	1,157	3,933	-	5,090
Contributions	-	1,798	-	1,798
Appropriation of endowment assets used for expenditures	(412)	(4,632)	-	(5,044)
Endowment net assets at September 30, 2018	\$ 16,551	\$ 58,345	\$ 3,527	\$ 78,423

9. Sponsored Programs Revenue

Sponsored programs revenue for fiscal years 2018 and 2017 was derived from the following major sponsor categories:

	2018	2017
U.S. government agencies	\$ 235,339	\$ 240,370
Foundations and research organizations	73,820	74,293
Corporations	7,286	11,896
Foreign governments and international organizations	17,070	13,961
Total sponsored programs revenue	\$ 333,515	\$ 340,520

10. Commitments and Contingencies

Operating Leases

Rental expense was \$5,772 and \$6,036 for the years ended September 30, 2018 and 2017, respectively. IIE leases space for certain domestic and overseas offices on a non-cancelable, long-term basis. These agreements, expiring at various dates through 2023, permit IIE to sublease such space at its option.

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Minimum future lease commitments are as follows at September 30, 2018:

Fiscal years		
2019	\$	3,515
2020		3,064
2021		2,687
2022		211
2023		219
Thereafter		<u>253</u>
	\$	<u>9,949</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 June 24, 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, 2018

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	\$ (16,840)	\$ -			\$ (16,840)	\$ -
Hubert H Humphrey Fellowship Program FY13	S-ECAGD-13-CA-008(DT)	19.010	(65,062)	-			(65,062)	-
Hubert H Humphrey Fellowship Program FY14	S-ECAGD-14-CA-1037	19.010	(70,218)	-			(70,218)	-
Hubert H Humphrey Fellowship Program FY15	S-ECAGD-15-CA-1017	19.010	(46,646)	-			(46,646)	-
Hubert H Humphrey Fellowship Program FY16	S-ECAGD-16-CA-1014	19.010	971,881	-			971,881	236,925
Hubert H Humphrey Fellowship Program FY17	S-ECAGD-17-CA-1020	19.010	6,445,097	-			6,445,097	2,582,110
Hubert H Humphrey Fellowship Program FY18	S-ECAGD-18-CA-1027	19.010	4,828,004	-			4,828,004	778,476
			<u>12,046,216</u>	<u>-</u>			<u>12,046,216</u>	<u>3,597,511</u>
Benjamin A. Gilman Scholarship Program FY15	S-ECAGD-15-CA-1029	19.011	4,943	-			4,943	-
Benjamin A. Gilman Scholarship Program FY16	S-ECAGD-16-CA-1081	19.011	(36,553)	-			(36,553)	-
Benjamin A. Gilman Scholarship Program FY17	S-ECAGD-17-CA-1057	19.011	10,135,014	-			10,135,014	-
Benjamin A. Gilman Scholarship Program FY18	SECAGD18CA0015	19.011	3,132,103	-			3,132,103	-
			<u>13,235,507</u>	<u>-</u>			<u>13,235,507</u>	<u>-</u>
Fulbright Student Program FY12	S-ECAAE-12-CA-007 (M.J)	19.400	(486)	-			(486)	-
Fulbright Student Program FY13	S-ECAGD-13-CA-017 (M.J)	19.400	(42,880)	-			(42,880)	-
Fulbright Student Program FY14	S-ECAGD-14-CA-1017	19.400	403,285	-			403,285	-
Fulbright Student Program FY15	S-ECAGD-15-CA-1015	19.400	54,776	-			54,776	(326,150)
Fulbright Student Program FY16	S-ECAGD-16-CA-1004	19.400	9,014,486	-			9,014,486	1,253,785
Fulbright Student Program FY17	S-ECAGD-17-CA-1015	19.400	35,125,326	-			35,125,326	1,617,695
Fulbright Student Program FY18	S-ECAGD-18-CA-1009	19.400	41,674,734	-			41,674,734	1,722,293
FY18 Fulbright Israel - AMIDEAST	S-ECAGD-18-CA-1004	19.400	-	40,901	America-Mideast Education & Training	20215-18-01	40,901	-
			<u>86,229,241</u>	<u>40,901</u>			<u>86,270,142</u>	<u>4,267,623</u>
Fulbright Scholar Program FY13	S-ECAGD-13-CA-013(KF)	19.401	(51,701)	-			(51,701)	-
Fulbright Scholar Program FY14	S-ECAGD-14-CA-1032	19.401	814,977	-			814,977	300,622
Fulbright Scholar Program FY15	S-ECAGD-15-CA-1016	19.401	309,968	-			309,968	(11,157)
Fulbright Scholar Program FY16	S-ECAGD-16-CA-1003	19.401	593,171	-			593,171	437,474
Fulbright Scholar Program FY17	S-ECAGD-17-CA-1016	19.401	15,025,988	-			15,025,988	641,400
Fulbright Scholar Program FY18	S-ECAGD-18-CA-1024	19.401	15,030,676	-			15,030,676	-
Global Innovation Initiative	S-ECAGD-13-CA-149(DT)	19.401	453,182	-			453,182	409,850
			<u>32,176,261</u>	<u>-</u>			<u>32,176,261</u>	<u>1,778,189</u>
FY13 Fulbright Classroom Teacher Exchange Program	S-ECAGD-13-CA-003(AR)	19.408	20,325	-			20,325	-
FY15 Fulbright Classroom Teacher Exchange Program	S-ECAGD-15-CA-1011	19.408	351,305	-			351,305	-
FY14 Fulbright Distinguished Awards in Teaching Program	S-ECAGD-14-CA-1021	19.408	129,571	-			129,571	-
FY16 Fulbright Distinguished Awards in Teaching Program	S-ECAGD-16-CA-1006	19.408	78,633	-			78,633	-
FY17 Fulbright Distinguished Awards in Teaching Program	S-ECAGD-17-CA-1010	19.408	913,743	-			913,743	208,903
FY18 Fulbright Distinguished Awards in Teaching Program	S-ECAGD-18-CA-1022	19.408	819,587	-			819,587	-
			<u>2,313,164</u>	<u>-</u>			<u>2,313,164</u>	<u>208,903</u>
TechWomen FY15	S-ECAGD-15-CA-1124	19.415	2,500,459	-			2,500,459	-
Stevens Initiative: HIVE	S-ECAGD-16-CA-1126	19.415	-	108,179	Aspen Institute	SI_IIIE1_SUBR_2017	108,179	9,465
			<u>2,500,459</u>	<u>108,179</u>			<u>2,608,638</u>	<u>9,465</u>
Open Doors FY18	S-ECAGD-18-CA-1003	19.432	500,000	-			500,000	-
EducationUSA Leadership Institutes FY2017	S-ECAGD-16-CA-1137	19.432	(6,084)	-			(6,084)	(10,000)
Global EducationUSA Services FY2016	S-ECAGD-16-CA-1011	19.432	6,015,602	-			6,015,602	760,561
			<u>6,509,518</u>	<u>-</u>			<u>6,509,518</u>	<u>750,561</u>
International Visitor Leadership Program (IVLP) FY2014	S-ECAGD-14-CA-1026	19.402	2,864,010	-			2,864,010	-
International Visitor Leadership Program (IVLP) FY2018	S-ECAGD-18-CA-1011	19.402	6,936,304	-			6,936,304	-
			<u>9,800,314</u>	<u>-</u>			<u>9,800,314</u>	<u>-</u>
			<u>164,810,680</u>	<u>149,080</u>			<u>164,959,760</u>	<u>10,612,252</u>
Total Educational and Cultural Affairs Bureau								
Near Eastern Affairs Bureau								
NEA Iraq Scholar Rescue FY 2015	S-NEAIQ-14-CA-1001	19.016	123,688	-			123,688	-
Women's Enterprise for Sustainability	S-NEAAC-16-GR-1047	19.500	656,110	-			656,110	80,383
SRF USG Iraq Distance Learning Initiatives	S-NEAAC-18-GR-0031	19.600	6,267	-			6,267	-
Syria Consortium for Higher Education	S-NEAPD-14-CA-1003	19.021	471,901	-			471,901	150,000
			<u>1,257,966</u>	<u>-</u>			<u>1,257,966</u>	<u>230,383</u>
Total Near Eastern Affairs Bureau								
National Institute on Drug Abuse								
15-16 Humphrey - NIDA	NIDA-3050	19.010	(1,194)	-			(1,194)	-
16-17 HHH NIDA	NIDA86	19.010	3,824	-			3,824	-
2017-2018 NIDA Humphrey Program Award	NIDA151	19.010	44,495	-			44,495	16,415
Hubert H Humphrey NIDA AY18	HHH18020000	19.010	16,137	-			16,137	7,679
			<u>63,262</u>	<u>-</u>			<u>63,262</u>	<u>24,094</u>
Total National Institute on Drug Abuse								
Total United States Department of State			<u>166,131,908</u>	<u>149,080</u>			<u>166,280,988</u>	<u>10,866,729</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, 2018

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	\$ 2,220,009	\$ -			\$ 2,220,009	\$ 659,197
Democracy Fellowships and Grants (DFG) FY2012	AID-OAA-A-12-00039	98.001	2,399,730	-			2,399,730	84,514
Local Scholarship Program(LSP)in Non Public Universities	AID-263-A-15-00020	98.001	2,959,583	-			2,959,583	1,570,490
Sustainable Higher Education Research Alliances (SHERA)	AID-497-A-16-00004	98.001	2,707,312	-			2,707,312	1,807,719
EMDAP Mexico - Climate Change	AID-523-LA-16-00001	98.001	-	46,972	Volunteers for Economic Growth Alliance	VEGA-IIIE Sub-Agreement 14	46,972	-
EMDAP Uganda	AID-617-LA-14-00003	98.001	-	(151)	Volunteers for Economic Growth Alliance	VEGA-IIIE Subagremnt No.13	(151)	-
JAdi Pengusaha Mandiri (JAPRI)	AID-497-A-17-00005	98.001	860,997	-			860,997	423,072
Learning Links Program Girls Literacy Initiative Liberia	AID-669-A-17-00004-IIIE	98.001	-	62,827	The Kaizen Company	AID-669-A-17-00004-IIIE	62,827	-
Timor-Leste Hillary Clinton Scholarship Program	AID-486-C-12-00007	98.U00	(8,852)	-			(8,852)	-
Egypt STEP FY2014	AID-263-TO-14-00001	98.U01	7,812,455	-			7,812,455	-
Vietnam Partner Capacity Development (PCD) Program	AID-440-TO-14-00001	98.U02	1,016,782	-			1,016,782	-
Tanzania Participant Training Program	AID-621-TO-14-00001	98.U03	869,017	-			869,017	-
PRESTASI-3	AID-497-TO-14-00002	98.U04	4,925,206	-			4,925,206	-
PRESTASI II	AID-497-C-12-00004	98.U05	-	2,144	Indonesia International Education Fdtn	67AID-497-C-12-00004	2,144	-
India Forestry Tour SAR #5	AID-386-C-12-00002	98.U06	-	45	Tetra Tech, Inc.	TetraTechARDIIE-1072-1601	45	-
Total United States Agency for International Development			25,762,239	111,837			25,874,076	4,544,992
United States Department of Defense								
ROTC Language and Culture Project 2013-2018	H98210-13-2-0001	12.357	16,930,538	-			16,930,538	16,855,247
ROTC Language and Culture Project 2018-2023	H98210-18-2-0002	12.357	904,614	-			904,614	859,287
			17,835,152	-			17,835,152	17,714,534
English-Heritage Language Speakers (EHLS) 2016	H98210-15-C-0026	12.U00	-	53	Center for Applied Linguistics	NSEP01-1-014-10-IIIE-00	53	-
English for Heritage Language Speakers (EHLS) FY17	H98210-15-C-0026	12.U01	-	(29,445)	Center for Applied Linguistics	NSEP01-016-10-SC-IIIE-00	(29,445)	-
English for Heritage Language Speakers FY18	H98210-15-C-0026_02	12.U02	-	540,532	Center for Applied Linguistics	NSEP01-018-10-IIIE-00	540,532	-
English for Heritage Language Speakers FY19	H98210-18-C-0014	12.U03	-	23,048	Center for Applied Linguistics	NSEP01-020-10-IIIE-CRSC01	23,048	-
			-	534,188			534,188	-
National Security Education Program (NSEP) FY2012	H98210-11-2-0001	12.550	(559,957)	-			(559,957)	(559,957)
National Security Education Program 2016-21	H98210-16-2-0002	12.550	25,435,951	-			25,435,951	18,420,661
Total United States Department of Defense			42,711,146	534,188			43,245,334	35,575,238
United States Department of Treasury								
IAF Fellowship FY18-20	20343118D00001	21.U04	292,126	-			292,126	-
Total United States Department of Treasury			292,126	-			292,126	-
United States Embassy								
Iraq Visiting Scholar 2016	SIZ-100-15-GR019	19.021	60	-			60	-
BFCE Workshop Keynote Speaker	S-EG-300-15-GR083	19.021	-	64	Binational Fulbright Commission in Egypt	0218 BFCE Speaker	64	-
Palestinian Higer Education Reform and Partnership Proje	S-IS400-17-GR-0052	19.021	168,287	-			168,287	-
2017 Iraq Fulbright Visiting Scholar	SIZ-100-16-GR016	19.021	1,007,748	-			1,007,748	320,625
Fulbright ETA to Belarus AY 17-18	S-BO-492-17-GR510	19.040	9,685	-			9,685	-
SEA3 Scholar Engagement to Advance Academic Achievement	S-ET100-17-GR-093	19.040	126,878	-			126,878	-
Fulbright Moldova ETA	SMD700-17-GR040	19.040	22,958	-			22,958	-
Fulbright Moscow Summer School 2017	SRS50017GR0076	19.040	(237)	-			(237)	-
45th Fulbright Moscow Anniversary Award	SRS50017GR0102	19.040	8,002	-			8,002	-
IIIE Study Abroad -Singapore Workshop	SSN10017GR025	19.040	1,513	-			1,513	-
Fulbright Kyrgyzstan, 2018-2019, U.S. Embassy in Kyrgyzs	SKG10018GR0023	19.040	1,765	-			1,765	-
Master's level Exchanges for Kosovo Students	S-KV420-11-GR-062	19.415	96,774	-			96,774	-
FB ETAs in Kazakhstan	SKZ10017GR007	19.421	29,758	-			29,758	-
Fulbright Kosovo Master's Level	SKV42017GR0136	19.900	4,720	-			4,720	-
Fulbright Uzbekistan, 2018-2019, U.S. Embassy in Uzbekis	SUZ80018GR0026	19.900	864	-			864	-
Total United States Embassy			1,478,775	64			1,478,839	320,625
United States Department of Education								
IRS program	P017A170039	84.U00	65,939	-			65,939	-
Total United States Department of Education			65,939	-			65,939	-
Total Expenditures of Federal Awards			\$ 236,442,133	\$ 795,169			\$ 237,237,302	\$ 51,307,584

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, 2018

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, 2018. 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, 2018, and the related statements of activities, of functional expenses and of cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 24, 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 have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as 2018-001 that we consider to be a significant deficiency.



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 Finding

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 the response.

Purpose of this Report

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

PricewaterhouseCoopers LLP

New York, New York
June 24, 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 with the Uniform Guidance**

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

Report on Compliance for Each Major Federal Program

We have audited Institute of International Education, Inc.'s ("IIE") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of IIE's major federal programs for the year ended September 30, 2018. 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, 2018.



Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2018-002 and 2018-003. Our opinion on each major federal program is not modified with respect to this matter.

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

Report on Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify a deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2018-002, that we consider to be a significant deficiency.

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

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

PricewaterhouseCoopers LLP

New York, New York
June 24, 2019

Institute of International Education, Inc.
Schedule of Findings and Questioned Costs
Year Ended September 30, 2018

Section I: Summary of Auditors' Results

Financial Statements

Type of Auditors' report issued

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

Yes No

Significant deficiency(ies) identified that are not considered to be material weaknesses?

Yes None Reported

Noncompliance material to consolidated financial statements noted?

Yes No

Federal Awards

Internal control over major programs:

Material weakness(es) identified?

Yes No

Significant deficiency(ies) identified that are not considered to be material weaknesses?

Yes None Reported

Type of Auditors' report issued on compliance for major programs

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

Yes No

Identification of major programs

CFDA Numbers

19.400
 19.011
 19.402
 19.415
 98.U02

Name of Federal Program or Cluster

Fulbright Student Program
 Benjamin A. Gilman Scholarship Program
 International Visitor Leadership Program
 TechWomen
 Vietnam Partner Capacity Development Program

Dollar threshold used to distinguish between Type A and Type B Programs

\$ 3,000,000

Auditee qualified as low risk auditee?

Yes No

Institute of International Education, Inc.

Schedule of Findings and Questioned Costs

Year Ended September 30, 2018

Section II – Financial Statement Findings

Finding 2018-001: Reconciliation of Cash Accounts (Significant Deficiency)

Condition

During the audit of cash and cash equivalents, we identified several cash accounts that were not timely reconciled throughout the year. At September 30, 2018, approximately \$567,000 of unadjusted differences exist. Based on review of the unadjusted differences, they are due to certain 2018 cash transactions not being timely recorded, 2018 cash transactions recorded in incorrect accounts and historical errors in recording cash transactions that were not corrected.

Effect

These unadjusted differences overstate cash and cash equivalents by approximately \$567,000 at September 30, 2018. In addition, there is a risk of fraud when cash accounts are not reconciled timely and correctly throughout the year.

Cause

Per discussion with management, the cash accounts were not reconciled consistently during the year due to turnover in finance as well as complications recording cash transactions correctly due to the People Soft remediation process. The last fully reconciled period during fiscal year 2018 was for the month of May.

Recommendation

We recommend management investigate and correct all unadjusted differences that exist as of September 30, 2018. In addition, we recommend management reconcile all cash accounts on a monthly basis, with any required adjustments recorded timely and that all cash reconciliations evidence the appropriate level of review.

Views of responsible officials and planned corrective actions

Refer to management's corrective actions on pages 36 and 37.

Section III – Federal Awards Findings and Questioned Costs

Finding 2018-002: Allowable Costs/Costs Principles – Cost Transfers (Significant Deficiency)

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

Institute of International Education, Inc.
Schedule of Findings and Questioned Costs
Year Ended September 30, 2018

CFDA Number and Title	Program Name	Federal Contract ID	Budget Period (Award Year)	Name of Pass-Through Entity
19.400	Fulbright Student Program	S-ECAGD-16-CA-1004 S-ECAGD-15-CA-1015 S-ECAGD-14-CA-1017	10/29/2015 - 9/30/2020 (FY16) 12/11/2014 - 9/30/2019 (FY15) 10/1/2013 - 9/30/2018 (FY14)	Not applicable
19.011	Benjamin Gilman Scholarship Program	S-ECAGD-17-CA-1057 S-ECAGD-16-CA-1081	7/31/2017 - 9/30/2018 (FY17) 7/15/2016 - 10/30/2017 (FY16)	Not applicable
19.402	International Visitor Leadership Program	S-ECAGD-14-CA-1026	10/1/2013 - 12/31/2017 (FY14)	Not applicable
19.415	TechWomen	S-ECAGD-15-CA-1124	9/24/2015 - 5/31/2019 (FY15)	Not applicable

Criteria or specific requirement

The Uniform Guidance requires that non-federal entities establish written accounting procedures and policies that support the accumulation of costs consistent with the cost principles delineated in Subpart E. IIE's cost transfer policy states that the purpose of the policy is to support regulatory compliance on cost with respect to allowability, reasonableness, and allocability. While not explicitly required in the relevant regulations, IIE also includes a general timeframe in which cost transfers must be processed (generally within 90 days after the initial charge), and additional approval requirements for circumstances where that timeframe is surpassed.

IIE's cost transfer policy includes requirements for the documentation and approval that must accompany cost transfers as well as the general timeframe in which cost transfers must be processed (generally within 90 days after the initial charge).

Condition

We selected a sample of fifty seven cost transfers for testing totaling \$202,517. Our sample included both payroll and non-payroll corrections/re-distributions. We noted the following with regards to the samples selected for testing:

Program	Total Expenditures Fiscal Year 2018	Total Gross Cost Transfers in FY2018	Total Amount of Cost Transfers Selected for Testing	Total Sample Selections	Total Amount of Transfers >90 Days in Sample Selection	Total Sample Selections > 90 Days	Average Days Outstanding for Selections > 90 Days
Fulbright Student Program	\$86,270,142	\$1,624,605	\$190,169	25	\$64,308	14	383
Benjamin A. Gilman	\$13,235,507	\$88,539	\$7,659	25	\$7,659	25	192
International Visitor Leadership Program	\$9,800,314	\$8,379	\$4,283	6	\$387	1	212
TechWomen	\$2,500,459	\$406	\$406	1	\$406	1	295

Questioned costs

There are no questioned costs associated with this finding as the costs transferred were allowable and allocable to the awards to which they were transferred.

Effect

Cost transfers are processed outside of the timeframe referenced in IIE's policy (greater than 90 days).

Institute of International Education, Inc.
Schedule of Findings and Questioned Costs
Year Ended September 30, 2018

Cause

Management has a cost transfer policy which includes a general timeframe during which cost transfers should be detected and processed (generally 90 days). While the policy states that items requiring correction should be identified, corrected, and documented in a timely and consistent manner (generally 90 days), there were cost transfers processed in excess of the stated timeframe.

For the Benjamin A. Gilman Scholarship Program, the FY18 award was not set up timely in the system. Although these costs were ultimately transferred to the FY18 contract, there was not a timely process to transfer the charges to the FY18 contract.

For Fulbright Student Program, TechWomen and International Visitor Leadership Program, costs were initially miscoded to an incorrect award or incorrect expense accounts within an award and were not identified and transferred until after the suggested 90 days in IIE’s policy.

Recommendation

We recommend management educate staff on the cost transfer policy, with a specific emphasis on the importance of processing costs to the correct contract. In addition, we recommend management implement a monthly review of costs for timely detection and processing of any necessary cost transfers.

Views of responsible officials and planned corrective actions

Refer to management’s corrective actions on pages 36 and 37.

Finding 2018-003: Procurement

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

CFDA Number and Title	Program Name	Federal Contract ID	Budget Period (Award Year)	Name of Pass-Through Entity
19.400	Fulbright Student Program	S-ECAGD-18-CA-1009	12/12/2017 -9/30/2022 (FY18)	Not applicable

Criteria or specific requirement

Per 2 CFR 200.320(b), small purchase procedures are those relatively simple and informal procurement methods for securing services, supplies, or other property that do not cost more than the Simplified Acquisition Threshold. If small purchase procedures are used, price or rate quotations must be obtained from an adequate number of qualified sources.

Institute of International Education, Inc.
Schedule of Findings and Questioned Costs
Year Ended September 30, 2018

Per IIE's procurement policy, competitive pricing analysis is required for small purchase procurements, unless a valid single or sole source justification is documented. At least three prices or quotations must be sought.

Condition

For Fulbright Student Program, the auditor noted one vendor in our sample selection where competitive pricing documentation was not available. Total costs for this vendor in fiscal year 2018 were \$17,706.

Questioned Costs

There are no questioned costs associated with this finding.

Effect

IIE could not demonstrate that the procurement policy was followed since the competitive pricing documentation was not maintained.

Cause

IIE did not maintain documentation with respect to competitive pricing analyses that were performed.

Recommendation

We recommend management educate staff on the procurement policy and the importance of maintaining documentation related to competitive pricing analyses that are performed.

Views of responsible officials and planned corrective actions

Refer to management's corrective actions on pages 36 and 37.

Institute of International Education, Inc.

Summary of Status of Prior Year Findings

Year Ended September 30, 2018

Findings 2016-001 and 2017-002

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 and 2017. 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) for fiscal years 2016 and 2017.

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 was filed in January 2019 (see Finding 2017-002). This matter was remediated in 2018 since the 2018 Uniform Guidance report was issued prior to June 30, 2019 and the data collection form will be filed by the June 30, 2019 deadline.

Finding 2017-001

Summary

In 2017, there were several contract balances related to accounts receivable on sponsored programs and sponsored funds received in advance that required adjustment as they were no longer supportable. Management instituted a review process on completed contracts to ensure contract balances were appropriately adjusted on a timely basis upon settlement of the contract.

Status

No adjustments were required in 2018.



The Power
of International
Education

Jason Czyz
Chief Financial Officer

June 24, 2019

PricewaterhouseCoopers LLP
300 Madison Avenue
New York, NY 10017

RE: Fiscal Year 2018 Findings

Dear PricewaterhouseCoopers:

Below please find IIE's responses and corrective action plans for the three findings contained in the fiscal year 2018 financial statements and uniform guidance audit.

Finding 2018-001: Reconciliation of Cash Accounts (Significant Deficiency)

IIE is committed to performing timely monthly reconciliations of all cash accounts. IIE has hired staff to reconcile the fiscal year 2019 monthly balances and has made management changes to the general ledger team responsible for review of these monthly reconciliations.

Effective June 2019, IIE has changed the oversight of the cash application team which we believe will enable better communication between the general ledger team and cash application team to quickly identify and resolve reconciling items. IIE is also reviewing PeopleSoft system capabilities to apply cash received via download files from our banks to reduce the time to record cash received against the appropriate accounts receivable invoice. If we determine that this automation is appropriate for our business needs, we anticipate this download process will be tested and implemented in PeopleSoft by December 31, 2019.

Finding 2018-002: Allowable Costs/Costs Principles – Cost Transfers (Significant Deficiency)

As noted by PWC, none of the transfers are questioned on the grounds of allowability or allocability; the transfers were the correct action to take and this finding relates solely to the timeliness of the transfers. IIE is committed to ensuring costs are recorded in accordance with all requirements and will revisit the prudence of having a policy that is stricter than the regulations require when it comes to timeliness.

Based on this finding, IIE will revisit its cost transfer policy to clarify the guidance, enhance the policy where needed, and improve its practicality to meet the work IIE performs for our sponsors. Likewise, this guidance will provide structure and approval workflow for cost transfers that must occur past any specified time period.

IIE will conduct mandatory training on the following: reducing the need for cost transfers, timely cost transfers and the process for transferring costs after any specified time period, proper coding of costs at the time the expense is incurred, identification of errors in a timely manner, and the importance of timely cost transfers once an error has been identified. This training will occur by December 31, 2019.

Finding 2018-003: Procurement (Control Deficiency)

IIE's policies and procedures support the importance of competitive procurements and price analysis, as well as the importance of maintaining audit ready documentation. To address this finding, IIE will implement mandatory procurement training for all IIE team members by December 31, 2019.

Sincerely,

A handwritten signature in black ink, appearing to read "Jason Czyz". The signature is written in a cursive style with a large initial "J" and a long, sweeping tail.

Jason Czyz