

Financial Statements and Uniform
Guidance Supplementary Information
as Required by Title 2 U.S. Code of
Federal Regulations (CFR) *Part 200*,
Uniform Administrative Requirements,
Cost Principles, and *Audit*
Requirements for Federal Awards and
Government Auditing Standards and
Related Information

Institute of International Education, Inc.

September 30, 2022 and 2021

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

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

Report on the financial statements**Opinion**

We have audited the financial statements of Institute of International Education, Inc. ("IIE"), which comprise the statement of financial position as of September 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of IIE as of September 30, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for opinion

We conducted our audit of the financial statements in accordance with auditing standards generally accepted in the United States of America (US GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of IIE and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of matter

As discussed in Notes 2 and 11 to the financial statements in 2022, IIE adopted Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*. Our opinion is not modified with respect to this matter.

Other matter

The financial statements of IIE as of and for the year ended September 30, 2021 were audited by other auditors who expressed an unmodified opinion on those financial statements in their report dated June 1, 2022.

Responsibilities of management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about IIE's ability to continue as a going concern for one year after the date the financial statements are available to be issued.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with US GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about IIE's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole as of and for the year ended September 30, 2022. The schedule of expenditures of federal awards for the year ended September 30, 2022, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform*

Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, is presented for purposes of additional analysis and is not a required part of the financial statements. Such supplementary 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. These additional procedures included 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 US GAAS. In our opinion, the accompanying supplementary information 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 13, 2023 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. 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.

Grant Thornton LLP

New York, New York
June 13, 2023

Institute of International Education, Inc.

STATEMENTS OF FINANCIAL POSITION

**September 30,
(in thousands)**

| | 2022 | 2021 |
|--|-------------|-------------|
| ASSETS | | |
| Cash and cash equivalents | \$ 71,055 | \$ 69,428 |
| Accounts receivable on sponsored programs, net | 51,017 | 37,518 |
| Contributions receivable, net | 4,606 | 1,268 |
| Investments, at fair value | 188,742 | 221,823 |
| Prepaid expenses and other assets | 6,614 | 7,719 |
| Fixed assets, net | 13,724 | 11,695 |
| Right-of-use assets | 37,317 | - |
| Beneficial interests in perpetual trusts held by third parties | 2,827 | 3,555 |
| | \$ 375,902 | \$ 353,006 |
| Total assets | | |
| LIABILITIES AND NET ASSETS | | |
| Liabilities | | |
| Accounts payable and accrued expenses | \$ 48,669 | \$ 44,571 |
| Sponsored funds received in advance | 32,143 | 28,596 |
| Lease liabilities | 43,978 | - |
| | 124,790 | 73,167 |
| Total liabilities | | |
| Net assets | | |
| Without donor restrictions | | |
| Board-designated endowment funds | 93,247 | 108,698 |
| Undesignated, available for general operations | 76,854 | 79,232 |
| | 170,101 | 187,930 |
| Total net assets without donor restrictions | | |
| With donor restrictions | 81,011 | 91,909 |
| Total net assets | 251,112 | 279,839 |
| Total liabilities and net assets | \$ 375,902 | \$ 353,006 |

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

Institute of International Education, Inc.

STATEMENTS OF ACTIVITIES

Years ended September 30,
(in thousands)

| | 2022 | | | 2021 | | |
|---|--|----------------------------|------------|--|----------------------------|------------|
| | Without Donor Donor Restrictions | With Donor Restrictions | Total | Without Donor Donor Restrictions | With Donor Restrictions | Total |
| Revenues | | | | | | |
| Sponsored programs | \$ 304,364 | \$ - | \$ 304,364 | \$ 241,763 | \$ - | \$ 241,763 |
| Contributions | 815 | 14,336 | 15,151 | 2,487 | 6,681 | 9,168 |
| Net assets released from restrictions | 12,169 | (12,169) | - | 9,048 | (9,048) | - |
| Investment (loss) return | (26,073) | (13,065) | (39,138) | 16,820 | 13,071 | 29,891 |
| Publications and membership fees | 677 | - | 677 | 499 | - | 499 |
| Other revenues | 469 | - | 469 | 156 | - | 156 |
| | | | | | | - |
| Total revenues | \$ 292,421 | \$ (10,898) | \$ 281,523 | \$ 270,773 | \$ 10,704 | \$ 281,477 |
| Expenses | | | | | | |
| Program services | | | | | | |
| International exchange of students and scholars | \$ 229,228 | \$ - | \$ 229,228 | \$ 178,362 | \$ - | \$ 178,362 |
| Leadership development educational services | 30,924 | - | 30,924 | 21,979 | - | 21,979 |
| Higher education institutional development | 10,594 | - | 10,594 | 9,160 | - | 9,160 |
| Emergency student and scholar assistance | 8,460 | - | 8,460 | 5,572 | - | 5,572 |
| Research and publications | 1,091 | - | 1,091 | 1,037 | - | 1,037 |
| Total program services | 280,297 | - | 280,297 | 216,110 | - | 216,110 |
| Supporting services | | | | | | |
| Management and general | 28,056 | - | 28,056 | 27,192 | - | 27,192 |
| Fundraising | 1,897 | - | 1,897 | 1,132 | - | 1,132 |
| Total supporting services | 29,953 | - | 29,953 | 28,324 | - | 28,324 |
| Total expenses | 310,250 | - | 310,250 | 244,434 | - | 244,434 |
| CHANGE IN NET ASSETS | (17,829) | (10,898) | (28,727) | 26,339 | 10,704 | 37,043 |
| Net assets | | | | | | |
| Beginning of year | 187,930 | 91,909 | 279,839 | 161,591 | 81,205 | 242,796 |
| End of year | \$ 170,101 | \$ 81,011 | \$ 251,112 | \$ 187,930 | \$ 91,909 | \$ 279,839 |

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

Institute of International Education, Inc.

STATEMENT OF FUNCTIONAL EXPENSES

Year ended September 30, 2022
(in thousands)

| | 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 | Fundraising | | Total Supporting Services |
| Grantee expenses | | | | | | | | | | |
| Grantee stipends and grants | \$ 109,093 | \$ 10,254 | \$ 126 | \$ 2,616 | \$ - | \$ 122,089 | \$ - | \$ - | \$ - | \$ 122,089 |
| Tuition, books and fees | 29,891 | 128 | 491 | 3,075 | - | 33,585 | - | - | - | 33,585 |
| Enrichment programs | 307 | 978 | 84 | 134 | - | 1,503 | - | - | - | 1,503 |
| Grantee travel | 5,005 | 2,830 | 1,049 | 126 | - | 9,010 | - | - | - | 9,010 |
| Grantee health insurance | 3,940 | 211 | - | 80 | - | 4,231 | - | - | - | 4,231 |
| Other | 2,544 | 187 | 179 | 23 | - | 2,933 | - | - | - | 2,933 |
| | <u>150,780</u> | <u>14,588</u> | <u>1,929</u> | <u>6,054</u> | <u>-</u> | <u>173,351</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>173,351</u> |
| Institute expenses | | | | | | | | | | |
| Employee salaries and benefits | 25,153 | 7,936 | 5,507 | 1,582 | 725 | 40,903 | 16,696 | 1,210 | 17,906 | 58,809 |
| Occupancy | 4,038 | 1,009 | 693 | 288 | 117 | 6,145 | 4,443 | 251 | 4,694 | 10,839 |
| Travel, receptions and benefits | 1,123 | 749 | 665 | 16 | 35 | 2,588 | 391 | 77 | 468 | 3,056 |
| Communication | 479 | 172 | 108 | 17 | 14 | 790 | 691 | 33 | 724 | 1,514 |
| Purchased services | 44,925 | 6,127 | 1,003 | 464 | 168 | 52,687 | 4,100 | 317 | 4,417 | 57,104 |
| Other | 2,730 | 343 | 689 | 39 | 32 | 3,833 | 1,735 | 9 | 1,744 | 5,577 |
| | <u>78,448</u> | <u>16,336</u> | <u>8,665</u> | <u>2,406</u> | <u>1,091</u> | <u>106,946</u> | <u>28,056</u> | <u>1,897</u> | <u>29,953</u> | <u>136,899</u> |
| | <u>\$ 229,228</u> | <u>\$ 30,924</u> | <u>\$ 10,594</u> | <u>\$ 8,460</u> | <u>\$ 1,091</u> | <u>\$ 280,297</u> | <u>\$ 28,056</u> | <u>\$ 1,897</u> | <u>\$ 29,953</u> | <u>\$ 310,250</u> |

The accompanying notes are an integral part of this financial statement.

Institute of International Education, Inc.

STATEMENT OF FUNCTIONAL EXPENSES

Year ended September 30, 2021
(in thousands)

| | 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 | Fundraising | | Total Supporting Services |
| Grantee expenses | | | | | | | | | | |
| Grantee stipends and grants | \$ 76,804 | \$ 6,155 | \$ 283 | \$ 995 | \$ - | \$ 84,237 | \$ - | \$ - | \$ - | \$ 84,237 |
| Tuition, books and fees | 24,652 | 362 | 510 | 2,169 | - | 27,693 | - | - | - | 27,693 |
| Enrichment programs | (117) | 1,093 | 127 | 126 | - | 1,229 | - | - | - | 1,229 |
| Grantee travel | 1,628 | 365 | 811 | 48 | - | 2,852 | - | - | - | 2,852 |
| Grantee health insurance | 2,935 | 52 | - | 67 | - | 3,054 | - | - | - | 3,054 |
| Other | 933 | 270 | 11 | 11 | - | 1,225 | - | - | - | 1,225 |
| | <u>106,835</u> | <u>8,297</u> | <u>1,742</u> | <u>3,416</u> | <u>-</u> | <u>120,290</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>120,290</u> |
| Institute expenses | | | | | | | | | | |
| Employee salaries and benefits | 26,184 | 5,950 | 5,236 | 1,475 | 704 | 39,549 | 16,979 | 855 | 17,834 | 57,383 |
| Occupancy | 4,184 | 892 | 716 | 294 | 111 | 6,197 | 4,671 | 172 | 4,843 | 11,040 |
| Travel, receptions and benefits | 104 | 33 | 153 | 1 | 13 | 304 | 120 | 51 | 171 | 475 |
| Communication | 526 | 94 | 130 | 24 | 33 | 807 | 631 | 28 | 659 | 1,466 |
| Purchased services | 38,029 | 6,506 | 550 | 331 | 150 | 45,566 | 3,369 | 23 | 3,392 | 48,958 |
| Other | 2,500 | 207 | 633 | 31 | 26 | 3,397 | 1,422 | 3 | 1,425 | 4,822 |
| | <u>71,527</u> | <u>13,682</u> | <u>7,418</u> | <u>2,156</u> | <u>1,037</u> | <u>95,820</u> | <u>27,192</u> | <u>1,132</u> | <u>28,324</u> | <u>124,144</u> |
| | <u>\$ 178,362</u> | <u>\$ 21,979</u> | <u>\$ 9,160</u> | <u>\$ 5,572</u> | <u>\$ 1,037</u> | <u>\$ 216,110</u> | <u>\$ 27,192</u> | <u>\$ 1,132</u> | <u>\$ 28,324</u> | <u>\$ 244,434</u> |

The accompanying notes are an integral part of this financial statement.

Institute of International Education, Inc.

STATEMENTS OF CASH FLOWS

**Years ended September 30,
(in thousands)**

| | 2022 | 2021 |
|--|------------------|------------------|
| Cash flows from operating activities | | |
| Increase in net assets | \$ (28,727) | \$ 37,043 |
| Adjustments to reconcile increase in net assets to net cash provided by operating activities: | | |
| Depreciation | 3,371 | 3,588 |
| Loss on disposal of fixed assets | - | 2 |
| Net realized gains on sales of investments | (1,695) | (21,428) |
| Net unrealized loss (gain) on investments | 43,847 | (5,120) |
| Change in value of beneficial interest in perpetual trusts | 728 | (348) |
| Change in operating assets and liabilities: | | |
| Accounts receivable on sponsored programs | (13,499) | 13,580 |
| Contributions receivable, net | (3,338) | 2,759 |
| Prepaid expenses and other assets | 1,105 | 1,067 |
| Operating lease assets and liabilities | 6,661 | - |
| Accounts payable and accrued expenses | 4,098 | 3,785 |
| Sponsored funds received in advance | 3,547 | 3,120 |
| | <u>16,098</u> | <u>38,048</u> |
| Net cash provided by operating activities | | |
| | <u>16,098</u> | <u>38,048</u> |
| Cash flows from investing activities | | |
| Purchase of investments | (25,409) | (128,990) |
| Proceeds from sale of investments | 16,338 | 128,902 |
| Purchase of fixed assets | (5,400) | (2,835) |
| | <u>(14,471)</u> | <u>(2,923)</u> |
| Net cash used in investing activities | | |
| | <u>(14,471)</u> | <u>(2,923)</u> |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 1,627 | 35,125 |
| Cash and cash equivalents, beginning of year | <u>69,428</u> | <u>34,303</u> |
| Cash and cash equivalents, end of year | <u>\$ 71,055</u> | <u>\$ 69,428</u> |
| Supplemental information | | |
| Cash paid for amounts included in the measurement of lease liabilities: | | |
| Operating cash flows used for operating leases | \$ 5,865 | \$ - |
| Operating lease right-of-use assets obtained in exchange for lease liabilities | 280 | - |

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

Institute of International Education, Inc.

NOTES TO FINANCIAL STATEMENTS

September 30, 2022 and 2021
(in thousands)

NOTE 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, runs 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

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

- *Net assets without donor restrictions* - Net assets without donor restrictions include those that are not subject to donor-imposed restrictions and that may be expended for any purpose in performing the primary objectives of IIE. Net assets without donor restrictions include board-designated net assets, which are used to account for all resources over which the Board of Trustees has discretionary control. Revenues are reported as increases in net assets without donor restrictions unless the related asset is limited by donor-imposed restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or law. Expenses are reported as decreases in net assets without donor restrictions.
- *Net assets with donor restrictions* - Net assets with donor restrictions are subject to stipulations imposed by donors. Some donor-imposed restrictions are temporary in nature, such as those that either expire with the passage of time or can be fulfilled and removed by actions of IIE. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is met, net assets with donor restrictions are released to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Some donor-

Institute of International Education, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2022 and 2021
(in thousands)

imposed restrictions are perpetual in nature that neither expire with the passage of time nor can be fulfilled or otherwise removed by actions of IIE. These net assets include funds which have been restricted by the donor to be held and invested in perpetuity and permit IIE to use the income and gains for specified or unspecified purposes.

Use of Estimates

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

Revenues from Sponsored Programs

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

Revenues from non-exchange transactions are recorded as net assets without donor restrictions or net assets with donor restrictions depending upon the existence and/or nature of donor restrictions. Revenues from non-exchange transactions may also be subject to conditions, in the form of both a barrier to entitlement and a refund of amounts paid (or a release from obligation to make future payments). Revenues from conditional, non-exchange transactions are recognized when the barrier is removed, generally as costs are incurred. In addition, IIE has elected the simultaneous release option for conditional contributions that are subject to purpose restrictions. Under this option, net assets without donor restrictions include the donor-restricted contributions for which the purpose restrictions are released in the same reporting period as the revenue is recognized. As of September 30, 2022 and 2021 IIE has unrecorded conditional agreements of \$301,150 and \$326,679, respectively.

For exchange transactions, IIE's performance obligations include administering programs and performing other services (i.e., outreach) on behalf of the sponsors. There is a single performance obligation for each contract and the obligation is satisfied over time. The transaction price includes reimbursement for cost-reimbursable programmatic costs and fixed fees for administrative services. As a practical expedient, IIE does not adjust the promised amount of consideration for the effects of a significant financing component since the period between when IIE transfers a promised good or service to a customer and when the customer pays for that good or service is one year or less. Revenues from fixed fees are generally recognized ratably over the contract term. Revenues associated with cost reimbursable expenses are recognized as eligible costs are incurred. For the years ended September 30, 2022 and 2021, revenues from exchange transactions included in sponsored programs totaled \$18,333 and \$16,062, respectively. The aggregate amount of the transaction price allocated to performance obligations that are partially unsatisfied as of September 30, 2022 and 2021 totaled \$17,812 and \$33,273, respectively.

Contributions Revenue

Revenues from non-exchange transactions that are considered unconditional generally are recognized as revenues with donor restrictions when the grant funds are awarded and are released into net assets without donor restrictions when the purpose has been met.

Institute of International Education, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2022 and 2021
(in thousands)

Contributions Receivable

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

Cash Equivalents

All highly liquid investments having an original maturity of 90 days or less at time of purchase and money market funds are considered to be cash equivalents and reported at the lower of cost or fair value. All short-term, highly liquid investments, which would otherwise qualify as cash equivalents that are included in IIE's investment pool and are intended to be held for long-term purposes are treated as investments and are therefore excluded from cash and cash equivalents in the statement of cash flows.

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 statement 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, 2022 and 2021, the allowance for doubtful accounts was \$1,444 and \$1,530, respectively.

Beneficial Interests in Perpetual Trusts Held by Third Parties

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

Changes in fair value of IIE's beneficial interests are recognized as gains or losses in the net assets with donor restrictions. According to the original donors' stipulations, distributions of net income from these trusts are to be made to IIE and are to be spent for specified purposes. During the years ended September 2022 and 2021, IIE's beneficial interests in perpetual trusts decreased by \$728 and increased by \$348, respectively, with the changes included in net assets with donor restrictions.

Sponsored Funds Received in Advance

Cash received prior to recognizing sponsored program revenue is reported as sponsored funds received in advance in the statement 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 the years ended September 30, 2022 and 2021 under the provisions of this defined contribution plan totaled \$3,412 and \$3,421, respectively.

The Institute has an active 457(b) deferred compensation plan, which is offered to select members of 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 totaled \$2,147 and \$2,815 as of September 30, 2022 and 2021, respectively. The assets primarily consist of money market funds and other marketable securities, which are considered Level 1 based on the fair value hierarchy described in Note 5. The liabilities that relate to these plans are included in accounts payable and accrued expenses in the statements of financial position.

Institute of International Education, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2022 and 2021
(in thousands)

Functional Allocation

The costs of providing IIE's 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 carried at fair value, with unrealized gains and losses reflected in changes in net assets. Fair values are principally based on quoted market prices as of the reporting date.

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 nature of 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 on fixed assets for the years ended September 30, 2022 and 2021 was \$3,371 and \$3,588, 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, 2022 or 2021.

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 jurisdictions in which it operates by virtue of, inter alia, IIE's not-for-profit status and/or the status of its local affiliate or representative offices. However, IIE pays payroll and use taxes in the normal course of business

Institute of International Education, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2022 and 2021
(in thousands)

where required, and some activities may be subject to sales and value added taxes in certain jurisdictions. Accordingly, IIE maintains appropriate provisions to account for such liabilities.

Leases

Effective October 1, 2021, the Institute adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*, and all related amendments using the modified retrospective approach. The Institute's prior year financial statements continue to be accounted for under the FASB's Topic 840 and have not been adjusted.

ASU No. 2016-02 requires lessees to recognize the assets and liabilities that arise from leases on the balance sheet. At lease inception, leases are classified as either finance leases or operating leases with the associated right-of-use asset and lease liability measured at the net present value of future lease payments. Operating leases are expensed on a straight-line basis as lease expense over the non-cancelable lease term. Lease expense for finance leases is comprised of the amortization of the right-of-use asset and interest expense recognized based on the effective interest method. At the date of adoption, the Institute recorded operating lease right-of-use assets and lease liabilities of \$41,650 and \$48,731, respectively. No finance lease right-of-use assets and lease liabilities were recorded at the date of adoption.

The new standard provides for several optional practical expedients. Upon transition to Topic 842, the Institute elected:

- The package of practical expedients permitted under the transition guidance which does not require the Institute to reassess prior conclusions regarding whether contracts are or contain a lease, lease classification and initial direct lease costs.

The new standard also provides for several accounting policy elections, as follows:

- The Institute has elected the policy not to separate lease and nonlease components for the real property class of assets.
- When the rate implicit in the lease is not determinable, rather than use the Institute's incremental borrowing rate, the Institute elected to use a risk-free discount rate for the initial and subsequent measurement of lease liabilities for all asset classes.
- The Institute elected not to apply the recognition requirements to all leases with an original term of 12 months or less, for which the Institute is not likely to exercise a renewal option or purchase the asset at the end of the lease; rather, short-term leases will continue to be recorded on a straight-line basis over the lease term.

Additional lease disclosures are contained in Note 11.

Reclassifications

Certain prior period amounts have been reclassified in order to conform to the 2022 presentation. Such reclassifications did not change total assets, liabilities, revenues, expenses, or changes in net assets as reflected in the 2021 financial statements.

Institute of International Education, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2022 and 2021
(in thousands)

NOTE 3 - CONTRIBUTIONS RECEIVABLE

As of September 30, 2022 and 2021, contributions receivable, net, are due in the following periods:

| | 2022 | 2021 |
|---------------------------------|----------|----------|
| In one year or less | \$ 3,719 | \$ 1,050 |
| Between one year and four years | 946 | 254 |
| | 4,665 | 1,304 |
| Less: | | |
| Present value discount | (59) | (36) |
| Net amount | \$ 4,606 | \$ 1,268 |

NOTE 4 - LIQUIDITY AND AVAILABILITY OF RESOURCES

IIE's financial assets and resources available to meet cash needs for general expenditures within one year of the date of the statement of financial position were as follows:

| | 2022 | 2021 |
|--|------------|------------|
| Financial assets: | | |
| Cash and cash equivalents | \$ 71,055 | \$ 69,428 |
| Accounts receivable on sponsored programs, net | 51,017 | 37,518 |
| Contributions receivable due within one year | 3,719 | 1,050 |
| Undesignated investments | 33,007 | 80,224 |
| Total financial assets available within one year | 158,798 | 188,220 |
| Liquidity resources: | | |
| Bank line of credit (undrawn) | 10,000 | 10,000 |
| Total financial assets and resources available within one year | \$ 168,798 | \$ 198,220 |

As part of IIE's liquidity management strategy, IIE structures its financial assets to be available as general expenditures, liabilities including debt service, and other obligations come due. Cash withdrawals from the investment pool align with IIE's spending policy but may be adjusted periodically based on the timing of gifts received, income and capital distributions, operating expenses and other factors affecting available cash. To manage potential liquidity needs, IIE also has committed bank lines of credit which totaled \$10,000 and \$10,000 as of September 30, 2022 and 2021, respectively, which it could draw upon.

IIE also has board-designated endowment funds totaling \$93,247 and \$108,698 at September 30, 2022 and 2021, respectively. IIE does not intend to spend from its board-designated endowment funds other than amounts appropriated for expenditure as part of the annual budget approval process; however, amounts from its board-designated endowment could be made available, if necessary.

Institute of International Education, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2022 and 2021
(in thousands)

NOTE 5 - FINANCIAL INSTRUMENTS

IIE follows guidance with respect to accounting and reporting for the fair value of financial assets and liabilities. This guidance establishes a fair value hierarchy for those instruments measured at fair value that distinguishes between assumptions based on market data (observable inputs) and IIE's own 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 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 include 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" for measuring and reporting fair value. The practical expedient is an acceptable method under GAAP to determine the fair value of investments reported at net asset value from the respective general partners (a) that do not have a readily determinable fair value predicated upon a public market and (b) either have the attributes of an investment company or prepare their financial statements consistent with the measurement principles of an investment company under GAAP.

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

Institute of International Education, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2022 and 2021
(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 of the respective year:

| | 2022 | | | Total |
|--|---|---|--|------------|
| | Level 1 Quoted Price in Active Markets | Level 2 Other Significant Observable | Level 3 Significant Unobservable Inputs | |
| Short term investments | \$ 17 | \$ - | \$ - | \$ 17 |
| Equity securities | | | | |
| US | 70,944 | - | - | 70,944 |
| International | 46,810 | - | - | 46,810 |
| Commodities | 1,389 | - | - | 1,389 |
| Debt securities: | | | | |
| Bond funds | 49,017 | - | - | 49,017 |
| Sub-total | 168,177 | - | - | 168,177 |
| Investments measured at net asset value | | | | 20,565 |
| Total investments | 168,177 | - | - | 188,742 |
| Beneficial interest in perpetual trusts | - | - | 2,827 | 2,827 |
| Total | \$ 168,177 | \$ - | \$ 2,827 | \$ 191,569 |
| | 2021 | | | |
| | Level 1 Quoted Price in Active Markets | Level 2 Other Significant Observable | Level 3 Significant Unobservable Inputs | Total |
| Short term investments | \$ 23 | \$ - | \$ - | \$ 23 |
| Equity securities | | | | |
| US | 89,312 | - | - | 89,312 |
| International | 56,240 | - | - | 56,240 |
| Commodities | 1,335 | - | - | 1,335 |
| Debt securities: | | | | |
| Bond funds | 63,658 | - | - | 63,658 |
| Sub-total | 210,568 | - | - | 210,568 |
| Investments measured at net asset value | | | | 11,255 |
| Total investments | 210,568 | - | - | 221,823 |
| Beneficial interest in perpetual trusts | - | - | 3,555 | 3,555 |
| Total | \$ 210,568 | \$ - | \$ 3,555 | \$ 225,378 |

Institute of International Education, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2022 and 2021
(in thousands)

IIE's assets with a fair value estimate using net asset value per share as a basis at September 30, 2022 and 2021 are as follows:

| 2022 | | | | | | |
|-----------------|------------|------------------|----------------------|----------------------|--------------------------|---|
| Fund Strategy | # of Funds | NAV | Unfunded Commitments | Redemption Frequency | Redemption Notice Period | Redemption Restrictions |
| Equity-oriented | 4 | \$ 6,940 | \$ 8,100 | Quarterly | 60 days | For one fund, redemptions are not permitted. For one fund, redemptions are at the discretion of the general partner. For one fund, redemptions are subject to a 1-year lock-up expiring in December 2023. |
| Multi-strategy | 5 | 13,625 | 5,000 | Quarterly - Annually | 65 - 120 days | For one fund, redemptions are not permitted. |
| | <u>9</u> | <u>\$ 20,565</u> | <u>\$ 13,100</u> | | | |
| 2021 | | | | | | |
| Fund Strategy | # of Funds | NAV | Unfunded Commitments | Redemption Frequency | Redemption Notice Period | Redemption Restrictions |
| Multi-strategy | 3 | \$ 11,255 | \$ - | Quarterly - Annually | 65 - 120 days | For one fund, redemptions are subject to a 1-year lock-up expiring in June 2022. |
| | <u>3</u> | <u>\$ 11,255</u> | <u>\$ -</u> | | | |

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

NOTE 6 - FIXED ASSETS, NET

Fixed assets, net, as of September 30 consist of the following:

| | Estimated Useful Lives | 2022 | 2021 |
|--------------------------------|------------------------|------------------|------------------|
| Furniture | 7 Years | \$ 96 | \$ 122 |
| Equipment | 2-4 Years | 5,688 | 2,772 |
| Software development costs | 3-7 Years | 23,280 | 24,065 |
| Leasehold improvements | 3-25 Years | 7,808 | 8,821 |
| | | <u>36,872</u> | <u>35,780</u> |
| Less: accumulated depreciation | | <u>(23,148)</u> | <u>(24,085)</u> |
| Total fixed assets, net | | <u>\$ 13,724</u> | <u>\$ 11,695</u> |

Institute of International Education, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2022 and 2021
(in thousands)

NOTE 7 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes at September 30, 2022 and 2021:

| | 2022 | 2021 |
|---|-----------|-----------|
| Subject to expenditure for specific purpose: | | |
| International exchange of students and scholars | \$ 7,756 | \$ 9,379 |
| Leadership development educational services | 770 | 1,858 |
| Higher education institutional development | 6 | 731 |
| Emergency student and scholar assistance | 9,703 | 4,536 |
| Fundraising | 561 | 985 |
| Endowment net assets | 62,215 | 74,420 |
| Total net assets with donor restrictions | \$ 81,011 | \$ 91,909 |

NOTE 8 - NET ASSETS RELEASED FROM RESTRICTIONS

Net assets released from restrictions for the years ended September 30, 2022 and 2021 were as follows:

| | 2022 | 2021 |
|--|-----------|----------|
| Purpose restrictions accomplished: | | |
| International exchange of students and scholars | \$ 2,575 | \$ 2,465 |
| Leadership development educational services | 786 | 54 |
| Higher education institutional development | (49) | 186 |
| Emergency student and scholar assistance | 5,318 | 3,741 |
| Fundraising | 432 | - |
| Release of appropriated endowment net assets with purpose restrictions | 3,107 | 2,602 |
| Total net assets released from restrictions | \$ 12,169 | \$ 9,048 |

NOTE 9 - ENDOWMENT NET ASSETS

In managing its endowment net 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 prior to appropriating for expenditure endowment net assets:

- The duration and preservation of the endowment fund;
- The purposes of IIE and its 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;

Institute of International Education, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2022 and 2021
(in thousands)

- Alternatives to expenditure of the endowment fund; and,
- The investment policy of IIE.

The policy governing the investment of IIE's endowment includes two objectives: (1) provide a reasonable and prudent level of currently expendable income in accordance with the spending policy set by the Board of Trustees (4.5% 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 otherwise 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. Actual returns in any given year may vary from this amount.

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

In accordance with current New York State law, IIE is required to preserve the fair value of the original gift as of the gift date for any gifts that are required to be maintained in perpetuity in accordance with the direction of the applicable gift instrument. For these gifts, IIE retains in perpetuity and classifies as net assets with donor restrictions (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. Gift amounts required to be held in perpetuity were \$5,791 and \$3,555 as of September 30, 2022 and 2021, respectively.

The remaining portion of the donor-restricted endowment funds that is not required to be held in perpetuity is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by IIE in a manner consistent with the standard of prudence prescribed by law, at which time, those amounts are reclassified to net assets without donor restrictions. When donor-restricted endowment fund deficits exist in the case of underwater endowments, they are classified as a reduction of net assets with donor restrictions. IIE has interpreted NYPMIFA to permit spending from endowments with a deficit in accordance with prudent measures required under law. There were no underwater endowment funds as of September 30, 2022 and 2021.

At September 30, 2022, endowment net asset composition by type of fund and purpose consists of the following:

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|-------------------------------|----------------------------|-------------------|
| Donor-restricted endowment funds: | | | |
| Scholarships and professional development | \$ - | \$ 13,770 | \$ 13,770 |
| Scholar Rescue Fund | - | 39,307 | 39,307 |
| Fulbright Legacy Fund | - | 9,138 | 9,138 |
| Board-designated endowment funds: | | | |
| IIE Initiatives Fund | 70,320 | - | 70,320 |
| Fulbright Legacy Fund | 7,139 | - | 7,139 |
| Scholar Rescue Fund | 12,435 | - | 12,435 |
| Gilman Impact and Innovation Fund | 2,578 | - | 2,578 |
| IIE's Children of Employee Program | 480 | - | 480 |
| Andrew Heiskell Endowment | 295 | - | 295 |
| | <u>\$ 93,247</u> | <u>\$ 62,215</u> | <u>\$ 155,462</u> |
| Total | | | |

Institute of International Education, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2022 and 2021
(in thousands)

At September 30, 2021, endowment net asset composition by type of fund and purpose consists of the following:

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|-------------------------------|----------------------------|-------------------|
| Donor-restricted endowment funds: | | | |
| Scholarships and professional development | \$ - | \$ 14,361 | \$ 14,361 |
| Scholar Rescue Fund | - | 48,654 | 48,654 |
| Fulbright Legacy Fund | - | 11,405 | 11,405 |
| Board-designated endowment funds: | | | |
| IIE Initiatives Fund | 80,224 | - | 80,224 |
| Fulbright Legacy Fund | 15,552 | - | 15,552 |
| Scholar Rescue Fund | 8,766 | - | 8,766 |
| Gilman Impact and Innovation Fund | 3,174 | - | 3,174 |
| IIE's Children of Employee Program | 602 | - | 602 |
| Andrew Heiskell Endowment | 380 | - | 380 |
| Total | \$ 108,698 | \$ 74,420 | \$ 183,118 |

Changes in endowment net assets for the years ended September 30, 2022 and 2021 consist of the following:

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|-------------------------------|----------------------------|-------------------|
| Endowment net assets at September 30, 2020 | \$ 99,215 | \$ 64,232 | \$ 163,447 |
| Investment return | 10,547 | 12,727 | 23,274 |
| Contributions | - | 89 | 89 |
| Transfer from undesignated net assets | 17 | - | 17 |
| Appropriation of endowment assets for expenditure | (1,081) | (2,628) | (3,709) |
| Endowment net assets at September 30, 2021 | 108,698 | 74,420 | 183,118 |
| Investment loss | (19,899) | (12,337) | (32,236) |
| Contributions | 6,001 | 3,239 | 9,240 |
| Appropriation of endowment assets for expenditure | (1,553) | (3,107) | (4,660) |
| Endowment net assets at September 30, 2022 | \$ 93,247 | \$ 62,215 | \$ 155,462 |

NOTE 10 - SPONSORED PROGRAMS REVENUE

Sponsored programs revenue for fiscal years 2022 and 2021 was derived from the following major sponsor categories:

| | 2022 | 2021 |
|---|-------------------|-------------------|
| U.S. government agencies | \$ 233,493 | \$ 171,390 |
| Foundations and research organizations | 48,797 | 47,877 |
| Corporations | 4,835 | 4,774 |
| Foreign governments and international organizations | 17,239 | 17,722 |
| Total sponsored programs revenue | \$ 304,364 | \$ 241,763 |

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2022 and 2021
(in thousands)

NOTE 11 - COMMITMENTS AND CONTINGENCIES

Operating Leases

The Institute has real property leases for office space in the jurisdictions in which it operates. These leases have original terms ranging from one year to approximately twenty years. Certain leases have available renewal options, extending the terms of the underlying leases by between one and five years. Certain of the Institute's real property leases require monthly payments for variable operating expenses, which include real estate taxes, insurance and other operating costs.

Leases, Prior to October 1, 2021

Rental expense was \$6,070 for the year ended September 30, 2021, accounted for under ASC 840.

Leases, October 1, 2021 and After

Right-of-use assets represent the Institute's right to use an underlying asset for the lease term, while lease liabilities represent the Institute's obligation to make lease payments arising from the lease. Right-of-use assets and lease liabilities are recognized at the commencement date of a lease based on the net present value of lease payments over the lease term.

Certain of the Institute's leases include options to renew the lease. The exercise of lease renewal options is at the Institute's sole discretion. The Institute regularly evaluates the renewal options and when they are reasonably certain of exercise, the Institute includes such options in the lease term.

In determining the discount rate used to measure the right-of-use assets and lease liabilities, the Institute uses the rate implicit in the lease, or if not readily available, the Institute uses a risk-free rate based on a U.S. Treasury note or bond rate for a similar term.

Right-of-use assets are assessed for impairment in accordance with the Institute's long-lived asset policy. The Institute reassesses lease classification and remeasures right-of-use assets and lease liabilities when a lease is modified and that modification is not accounted for as a separate new lease or upon certain other events that require reassessment in accordance with Topic 842.

The Institute made significant assumptions and judgments in applying the requirements of Topic 842. In particular, the Institute:

- Evaluated whether a contract contains a lease, by considering factors such as whether the Institute obtained substantially all rights to control an identifiable underlying asset and whether the lessor has substantive substitution rights; and,
- Determined whether contracts contain embedded leases.

The Institute does not have any material leasing transactions with related parties.

Institute of International Education, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2022 and 2021
(in thousands)

The following table summarizes the operating lease right-of-use assets and operating lease liabilities as of September 30, 2022:

| | |
|--|-----------|
| Operating lease right-of-use assets, net | \$ 37,317 |
| Operating lease liabilities: | |
| Current | 2,631 |
| Long-term | 41,347 |
| Total operating lease liabilities | \$ 43,978 |

Below is a summary of expenses incurred pertaining to leases for the year ended September 30, 2022:

| | |
|-------------------------------|----------|
| Operating lease expense | \$ 5,468 |
| Short-term lease expense | 121 |
| Variable lease expense | 261 |
| Total operating lease expense | \$ 5,850 |

The right-of-use assets and lease liabilities were calculated using a weighted average discount rate of 1.95 percent. As of September 30, 2022, the weighted average remaining lease term was 16.32 years.

The table below summarizes the Institute's scheduled future minimum lease payments for years ending after September 30, 2022:

Years Ending September 30:

| | |
|------------------------------|-----------|
| 2023 | \$ 3,479 |
| 2024 | 3,167 |
| 2025 | 2,848 |
| 2026 | 2,861 |
| 2027 | 2,896 |
| Thereafter | 36,629 |
| Total lease payments | 51,880 |
| Less: present value discount | (7,902) |
| Total lease liabilities | 43,978 |
| Less: current portion | (2,631) |
| Long-term lease liabilities | \$ 41,347 |

The following table includes supplemental cash flow and noncash information related to the leases for the year ended September 30, 2022:

| | |
|--|----------|
| Cash paid for amounts included in the measurement of lease liabilities: | |
| Operating cash flows used for operating leases | \$ 5,865 |
| Operating lease right-of-use assets obtained in exchange for lease liabilities | \$ 280 |

Institute of International Education, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2022 and 2021
(in thousands)

The Institute has entered into a lease agreement for an office space in Washington, DC which, at September 30, 2022, was not in the control of the Institute. Therefore, the lease had not yet commenced at the end of the fiscal year. The initial term of the lease is for thirteen years and eight months, with a delivery date to the Institute of October 11, 2022. The lease also includes one five-year renewal option. The total estimated base rent amount for the term of the lease including the renewal option period is \$35,063.

Other Commitments and Contingencies

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, changes in nets, or cash flows.

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

NOTE 12 - SUBSEQUENT EVENTS

IIE has performed a review of events subsequent to the balance sheet date through the date on which the financial statements were available to be issued and determined that there were no such events requiring recognition or disclosure in the financial statements.

UNIFORM GUIDANCE SUPPLEMENTAL INFORMATION

Institute of International Education, Inc.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the year ended September 30, 2022

| Federal Grantor and Program Title | Federal Contract ID | ALN | 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 | | | | | | | | |
| FY18 Humphrey Fellowship Program | S-ECAGD-18-CA-1027 | 19.010 | \$ 112,594 | \$ - | | | \$ 112,594 | \$ 5,232 |
| FY19 Humphrey Fellowship Program | SECAGD19CA0047 | 19.010 | 737,167 | - | | | 737,167 | 161,201 |
| FY20 Humphrey Fellowship Program | SECAGD20CA0002 | 19.010 | 1,704,459 | - | | | 1,704,459 | 484,629 |
| FY21 Hubert Humphrey | SECAGD21CA3001 | 19.010 | 5,319,891 | - | | | 5,319,891 | 2,013,073 |
| FY22 Hubert Humphrey | SECAGD22CA0009 | 19.010 | 4,448,754 | - | | | 4,448,754 | 777,414 |
| | | | <u>12,322,865</u> | <u>-</u> | | | <u>12,322,865</u> | <u>3,441,549</u> |
| FY18 Gilman Scholarship Program | SECAGD18CA0015 | 19.011 | (5,000) | - | | | (5,000) | - |
| FY19 Gilman Scholarship Program | SECAGD19CA0099 | 19.011 | 133,839 | - | | | 133,839 | - |
| FY20 Gilman Scholarship Program | SECAGD20CA0038 | 19.011 | 10,831,483 | - | | | 10,831,483 | - |
| FY21 Gilman Scholarship Program | SECAGD21CA3053 | 19.011 | 8,747,203 | - | | | 8,747,203 | - |
| FY22 Gilman Scholarship Program | SECAGD22CA0074 | 19.011 | 592,310 | - | | | 592,310 | - |
| | | | <u>20,299,835</u> | <u>-</u> | | | <u>20,299,835</u> | <u>-</u> |
| FY14 Fulbright Student Program | S-ECAGD-14-CA-1017 | 19.400 | (1,562) | - | | | (1,562) | - |
| FY15 Fulbright Student Program | S-ECAGD-15-CA-1015 | 19.400 | (15,015) | - | | | (15,015) | - |
| FY16 Fulbright Student Program | S-ECAGD-16-CA-1004 | 19.400 | (27,855) | - | | | (27,855) | - |
| FY17 Fulbright Student Program | S-ECAGD-17-CA-1015 | 19.400 | (189,933) | - | | | (189,933) | - |
| FY18 Fulbright Student Program | S-ECAGD-18-CA-1009 | 19.400 | (241,798) | - | | | (241,798) | - |
| FY19 Fulbright Student Program | SECAGD19CA0045 | 19.400 | 720,556 | - | | | 720,556 | 177,602 |
| FY20 Fulbright Student Program | SECAGD20CA0009 | 19.400 | 7,757,689 | - | | | 7,757,689 | - |
| FY21 Fulbright Student Program | SECAGD21CA3004 | 19.400 | 30,659,546 | - | | | 30,659,546 | - |
| FY22 Fulbright Student Program | SECAGD22CA0017 | 19.400 | 36,078,937 | - | | | 36,078,937 | - |
| | | | <u>74,740,565</u> | <u>-</u> | | | <u>74,740,565</u> | <u>177,602</u> |
| FY17 Fulbright Scholar Program | S-ECAGD-17-CA-1016 | 19.401 | (11,729) | - | | | (11,729) | - |
| FY18 Fulbright Scholar Program | S-ECAGD-18-CA-1024 | 19.401 | (19,057) | - | | | (19,057) | - |
| FY19 Fulbright Scholar Program | SECAGD19CA0046 | 19.401 | 559,305 | - | | | 559,305 | - |
| FY20 Fulbright Scholar Program | SECAGD20CA0008 | 19.401 | 7,147,217 | - | | | 7,147,217 | 153,940 |
| FY21 Fulbright Scholar Program | SECAGD21CA3006 | 19.401 | 9,434,112 | - | | | 9,434,112 | 126,286 |
| FY22 Fulbright Scholar Program | SECAGD22CA0016 | 19.401 | 13,391,059 | - | | | 13,391,059 | 193,639 |
| | | | <u>30,500,907</u> | <u>-</u> | | | <u>30,500,907</u> | <u>473,865</u> |
| FY20 IVLP International Visitor Leadership Program | SECAGD19CA0127 | 19.402 | 278 | - | | | 278 | - |
| FY21 IVLP International Visitor Leadership Program | SECAGD21CA3022 | 19.402 | 4,933,899 | - | | | 4,933,899 | - |
| | | | <u>4,934,177</u> | <u>-</u> | | | <u>4,934,177</u> | <u>-</u> |
| FY18 TechWomen | S-ECAGD-18-CA-0069 | 19.415 | 2,537,781 | - | | | 2,537,781 | - |
| FY21 TechWomen | SECAGD21CA3043 | 19.415 | 1,273,991 | - | | | 1,273,991 | - |
| Stevens Initiative Program HIVER | S-ECAGD-18-CA-0070 | 19.415 | - | 386,521 | Aspen Institute | SI_IIE2_SubR_2020 | 386,521 | 113,550 |
| | | | <u>3,811,772</u> | <u>386,521</u> | | | <u>4,198,293</u> | <u>113,550</u> |
| FY19 Global EducationUSA Services | SECAGD19CA0033 | 19.432 | 2,187,274 | - | | | 2,187,274 | - |
| FY22 Global EducationUSA Services | SECAGD22CA0013 | 19.432 | 5,759,484 | - | | | 5,759,484 | - |
| FY21 OPEN DOORS | SECAGD21CA3003 | 19.432 | 175,962 | - | | | 175,962 | - |
| FY22 OPEN DOORS | SECAGD22CA0008 | 19.432 | 348,353 | - | | | 348,353 | - |
| | | | <u>8,471,073</u> | <u>-</u> | | | <u>8,471,073</u> | <u>-</u> |
| Total Educational and Cultural Affairs Bureau | | | <u>155,081,194</u> | <u>386,521</u> | | | <u>155,467,715</u> | <u>4,206,566</u> |
| Near Eastern Affairs Bureau | | | | | | | | |
| SRF USG Iraq Distance Learning Initiatives | S-NEAAC-18-GR-0031 | 19.600 | 179,050 | - | | | 179,050 | - |
| | | | <u>179,050</u> | <u>-</u> | | | <u>179,050</u> | <u>-</u> |
| Total Near Eastern Affairs Bureau | | | <u>179,050</u> | <u>-</u> | | | <u>179,050</u> | <u>-</u> |
| National Institute on Drug Abuse | | | | | | | | |
| Hubert H Humphrey NIDA AY19-20 | HHH1902000 | 19.010 | (107) | - | | | (107) | - |
| Hubert H Humphrey NIDA AY20-21 | HHH2002000 | 19.010 | 40 | - | | | 40 | - |
| Hubert H Humphrey NIDA AY21-22 | NA | 19.010 | 34,890 | - | | | 34,890 | 17,864 |
| Hubert H Humphrey NIDA AY22-23 | NA | 19.010 | 16,415 | - | | | 16,415 | 7,254 |
| | | | <u>51,238</u> | <u>-</u> | | | <u>51,238</u> | <u>25,118</u> |
| Total National Institute on Drug Abuse | | | <u>51,238</u> | <u>-</u> | | | <u>51,238</u> | <u>25,118</u> |

The accompanying notes to the schedule of expenditures of federal awards should be read in conjunction with this schedule.

Institute of International Education, Inc.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED

For the year ended September 30, 2022

| Federal Grantor and Program Title | Federal Contract ID | ALN | Direct | Pass-Through | Pass-Through Entity | Pass-Through Entity Sponsor Number | Total Federal Expenditures | Passed to Subrecipients |
|--|---------------------|--------|--------------------|----------------|--|------------------------------------|----------------------------|-------------------------|
| Investing in People in The Middle East and North Africa | | | | | | | | |
| Syria Consortium for Higher Education | S-NEAPD-14-CA-1003 | 19.021 | 167,604 | - | | | 167,604 | 10,417 |
| FY19 SRF Yemen | SYE70019CA0007 | 19.021 | 400,130 | - | | | 400,130 | 200,000 |
| U.S. PAL HE PTR PROG | SIS50020CA0068 | 19.021 | 334,587 | - | | | 334,587 | 210,000 |
| FY22 Academy Syria | SSY40022GR0002 | 19.021 | 5,225 | - | | | 5,225 | - |
| | | | <u>907,546</u> | <u>-</u> | | | <u>907,546</u> | <u>420,417</u> |
| Total Investing in People in The Middle East and North Africa | | | | | | | | |
| | | | <u>907,546</u> | <u>-</u> | | | <u>907,546</u> | <u>420,417</u> |
| Bureau of Democracy, Human Rights, and Labor | | | | | | | | |
| SRF Freedom House | SLMAQM21CA3527 | 19.345 | - | 72,339 | Freedom House | 22-DOS162-02 | 72,339 | 43,383 |
| | | | - | <u>72,339</u> | | | <u>72,339</u> | <u>43,383</u> |
| Total Bureau of Democracy, Human Rights, and Labor | | | | | | | | |
| | | | - | <u>72,339</u> | | | <u>72,339</u> | <u>43,383</u> |
| Total United States Department of State | | | | | | | | |
| | | | <u>156,219,028</u> | <u>458,860</u> | | | <u>156,677,888</u> | <u>4,695,484</u> |
| United States Agency for International Development | | | | | | | | |
| Local Scholarship Program (LSP) - Non Public Universities | AID-263-A-15-00020 | 98.001 | 2,184,660 | - | | | 2,184,660 | 1,089,200 |
| Sustainable Higher Education Research Alliances (SHERA) | AID-497-A-16-00004 | 98.001 | (2,367) | - | | | (2,367) | - |
| JAdi Pengusaha Mandiri (JAPRI) | AID-497-A-17-00005 | 98.001 | 790,867 | - | | | 790,867 | 316,228 |
| USAID Lincoln Scholarship Program | 72048219CA00002 | 98.001 | 4,641,974 | - | | | 4,641,974 | 188,650 |
| Higher Education System Strengthening Activity (HESSA) | 72039121CA00001 | 98.001 | - | 436,133 | University of Utah | 10061311-IIE | 436,133 | - |
| Research Technical Assistance Center (RTAC) | 7200AA18C00057 | 98.U01 | - | 83,624 | NORC at the University of Chicago | 8361.IIE.01 | 83,624 | - |
| USAID Indonesia Lembaga Pengelola Dana Pendidikan | 72049721C00002 | 98.U02 | - | 75,509 | Indonesia International Education Fdtn | LPPD-IIE-01 | 75,509 | - |
| | | | <u>7,615,134</u> | <u>595,266</u> | | | <u>8,210,400</u> | <u>1,594,078</u> |
| United States Department of Defense | | | | | | | | |
| FY18-23 ROTC Language and Culture Project | H98210-18-2-0002 | 12.357 | 28,074,497 | - | | | 28,074,497 | 26,963,591 |
| | | | <u>28,074,497</u> | <u>-</u> | | | <u>28,074,497</u> | <u>26,963,591</u> |
| Boren-Flagship 2016-21 | H98210-16-2-0002 | 12.550 | 6,959,242 | - | | | 6,959,242 | 6,392,597 |
| | | | <u>6,959,242</u> | <u>-</u> | | | <u>6,959,242</u> | <u>6,392,597</u> |
| English for Heritage Language Speakers FY22 | H98210-21-C-0006 | 12.U01 | - | 470,058 | Center for Applied Linguistics | NSEP01-026-10-IIE | 470,058 | - |
| English for Heritage Language Speakers FY23 | H98210-21-C-0006 | 12.U02 | - | 9,753 | Center for Applied Linguistics | NSEP01-028-10-IIE | 9,753 | - |
| Boren Flagship 21-25 NSEP | H98210-21-C-0002 | 12.U03 | 24,861,326 | - | | | 24,861,326 | 14,486,940 |
| | | | <u>24,861,326</u> | <u>479,811</u> | | | <u>25,341,137</u> | <u>14,486,940</u> |
| Total United States Department of Defense | | | | | | | | |
| | | | <u>59,895,065</u> | <u>479,811</u> | | | <u>60,374,876</u> | <u>47,843,128</u> |

The accompanying notes to the schedule of expenditures of federal awards should be read in conjunction with this schedule.

Institute of International Education, Inc.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED

For the year ended September 30, 2022

| Federal Grantor and Program Title | Federal Contract ID | ALN | Direct | Pass-Through | Pass-Through Entity | Pass-Through Entity Sponsor Number | Total Federal Expenditures | Passed to Subrecipients |
|--|---------------------|--------|-----------------------|---------------------|---------------------|------------------------------------|----------------------------|-------------------------|
| United States Embassy | | | | | | | | |
| Ambassador's Distinguished Scholars Program | S-ET100-18-GR-097 | 19.040 | \$ 10,102 | \$ - | | | \$ 10,102 | \$ - |
| US-India Higher Education Collaboration | SIN65019CA0101 | 19.040 | 51,102 | - | | | 51,102 | - |
| Liberian HEIs workshop | SLI60020CA0003 | 19.040 | 71 | - | | | 71 | - |
| Ambassador's Distinguished Scholars Program, ADSP 3.0 | S-ET100-19-GR-0098 | 19.040 | 421 | - | | | 421 | - |
| American Studies Fellowship | S-CH500-21-CA-3062 | 19.040 | 135,437 | - | | | 135,437 | - |
| Fulbright Moldova ETA 20-21 | SMD70020GR0066 | 19.040 | 37,400 | - | | | 37,400 | - |
| Global Education USA Academy Cairo FY21 | SEG30021GR3016 | 19.040 | 1,200 | - | | | 1,200 | - |
| Global Education USA Academy Algiers FY21 | SAG10021GR3039 | 19.040 | 1,500 | - | | | 1,500 | - |
| Global Education USA Academy Madrid FY21 | SSP50021GR3023 | 19.040 | 600 | - | | | 600 | - |
| English Language Training Logistical Support | SRS50021CA3022 | 19.040 | 233,853 | - | | | 233,853 | - |
| Access Advance Program | SRS50021CA3021 | 19.040 | 274,605 | - | | | 274,605 | - |
| SRF US Embassy Rangoon Burma (Myanmar) FY22 | SBM80021GR3036 | 19.040 | 69,164 | - | | | 69,164 | 50,000 |
| English Teach RELO | SCH50022GR0045 | 19.040 | 12,965 | - | | | 12,965 | - |
| Fulbright Burma AY22-23 | SBM80021GR3035 | 19.040 | 27,171 | - | | | 27,171 | - |
| FY22 Academy Costa Rica | SCS80022GR0008 | 19.040 | 9,700 | - | | | 9,700 | - |
| FY22 Academy Barbados | SBB21022GR0057 | 19.040 | 5,900 | - | | | 5,900 | - |
| FY22 Academy Dili | STT10022GR0007 | 19.040 | 4,050 | - | | | 4,050 | - |
| FY22 Academy Cairo | SEG30022GR0010 | 19.040 | 20,750 | - | | | 20,750 | - |
| FY22 Academy Eritrea | SER10022GR0007 | 19.040 | 1,875 | - | | | 1,875 | - |
| FY22 Academy Azerbaijan | SAJ20022GR0009 | 19.040 | 1,800 | - | | | 1,800 | - |
| FY22 Academy Bahamas | SBF50022GR0005 | 19.040 | 1,350 | - | | | 1,350 | - |
| FY22 Academy Uzbekistan | SUZ80022GR0031 | 19.040 | 11,650 | - | | | 11,650 | - |
| FY22 Academy Mexico | SMX53022GR0035 | 19.040 | 4,500 | - | | | 4,500 | - |
| FY22 Academy Peru | SPE50022GR0023 | 19.040 | 16,500 | - | | | 16,500 | - |
| FY22 Academy Bahrain | SBA30022GR0012 | 19.022 | 650 | - | | | 650 | - |
| Fulbright Afghanistan Enhancement Award | SAF20020CA0005 | 19.501 | 13,811 | - | | | 13,811 | - |
| SRF USG Afghan FY22 | SAF20021GR3011 | 19.501 | 138,421 | - | | | 138,421 | 25,000 |
| Afghan RGSP USDOS | SAF20022CA0026 | 19.501 | 1,894 | - | | | 1,894 | - |
| Fulbright Kosovo Master's Level | SKV42017GR0136 | 19.900 | 272,864 | - | | | 272,864 | - |
| Fulbright SCA PAS Regional | SKZ10019CA0145 | 19.900 | 219,479 | - | | | 219,479 | - |
| Fulbright Uzbekistan ETA Expansion | SUZ80020CA0032 | 19.900 | 271,110 | - | | | 271,110 | - |
| Strengthening Ukrainian Displaced Universities for Sustainability | SUP300-19-CA-0308 | 19.900 | 32,093 | - | | | 32,093 | - |
| Fulbright Kosovo ETA Expansion | SKV42020GR0049 | 19.900 | 70,320 | - | | | 70,320 | - |
| FB Tashkent ETA | SUZ80021CA3153 | 19.900 | 89,265 | - | | | 89,265 | - |
| SCA PAS Regional | SKZ10021CA3055 | 19.900 | 111,319 | - | | | 111,319 | - |
| SUDUS Program 2022 | SUP30021CA3261 | 19.900 | 164,818 | - | | | 164,818 | - |
| Fulbright Moldova ETA | SMD-700-22-GR-0052 | 19.900 | 19,600 | - | | | 19,600 | - |
| Total United States Embassy | | | <u>2,339,310</u> | <u>-</u> | | | <u>2,339,310</u> | <u>75,000</u> |
| United States Department of Education | | | | | | | | |
| REL FY21 DOE IRS (Global Workforce Pathways) | P017A210015 | 84.017 | 37,996 | - | | | 37,996 | - |
| Total United States Department of Education | | | <u>37,996</u> | <u>-</u> | | | <u>37,996</u> | <u>-</u> |
| Research and Development Cluster | | | | | | | | |
| United States Department of Health and Human Services (HHS) | | | | | | | | |
| AY 20-21 Fulbright Fogarty Fellowship | NA | 93.989 | 48,555 | - | | | 48,555 | - |
| Total United States Department of Health and Human Services (HHS) | | | <u>48,555</u> | <u>-</u> | | | <u>48,555</u> | <u>-</u> |
| National Science Foundation (NSF) | | | | | | | | |
| IRES Track III: Global E3 | 1829436 | 47.079 | 148,071 | - | | | 148,071 | - |
| Total National Science Foundation (NSF) | | | <u>148,071</u> | <u>-</u> | | | <u>148,071</u> | <u>-</u> |
| Total Research and Development Cluster | | | <u>196,626</u> | <u>-</u> | | | <u>196,626</u> | <u>-</u> |
| Total Expenditures of Federal Awards | | | <u>\$ 228,303,159</u> | <u>\$ 1,533,937</u> | | | <u>\$ 227,837,096</u> | <u>\$ 54,207,690</u> |

The accompanying notes to the schedule of expenditures of federal awards should be read in conjunction with this schedule.

Institute of International Education, Inc.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the year ended September 30, 2022

NOTE 1 - BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal grant award activity of Institute of International Education, Inc. ("IIE") under programs of the federal government for the year ended September 30, 2022. 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. Assistance Listing numbers (ALN) 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.

NOTE 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.

NOTE 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.

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**REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS ON
INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT
AUDITING STANDARDS***

To the Board of Trustees of
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 (*Government Auditing Standards*), the financial statements of Institute of International Education, Inc. ("IIE"), which comprise the statement of financial position as of September 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 13, 2023.

Report on 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") as a basis for designing 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 IIE's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Report on 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our

audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this report

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

Grant Thornton LLP

New York, New York
June 13, 2023

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

Report on compliance for the major federal program

Opinion on each major federal program

We have audited the compliance of Institute of International Education, Inc. ("IIE") with the types of compliance requirements identified as subject to audit in the U.S. Office of Management and Budget's 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, 2022. IIE's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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, 2022.

Basis for opinion on each major federal program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (US GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of IIE and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of IIE's compliance with the compliance requirements referred to above.

Responsibilities of management for compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to IIE's federal programs.

Auditor's responsibilities for the audit of compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on IIE's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about IIE's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with US GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding IIE's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 IIE's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 a 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in IIE's internal control over compliance that we consider to be material weaknesses or significant deficiencies. However, material weaknesses or significant deficiencies in internal control over compliance may exist that have not been identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

Grant Thornton LLP

New York, New York
June 13, 2023

Institute of International Education, Inc.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended September 30, 2022

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

| | | | | | |
|---|-------|-----|-------|----------|---------------|
| Material weakness(es) identified? | _____ | yes | _____ | <u>X</u> | no |
| Significant deficiency(ies) identified that are not considered to be material weakness(es)? | _____ | yes | _____ | <u>X</u> | none reported |
| Noncompliance material to financial statements noted? | _____ | yes | _____ | <u>X</u> | no |

Federal Awards

Internal control over the major programs:

| | | | | | |
|---|-------|-----|-------|----------|---------------|
| Material weakness(es) identified? | _____ | yes | _____ | <u>X</u> | no |
| Significant deficiency(ies) identified that are not considered to be material weakness(es)? | _____ | yes | _____ | <u>X</u> | none reported |

Type of auditor's report issued on compliance for the major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a) of the Uniform Guidance? _____ yes X no

Identification of the major programs:

| Federal Grantor/Program Title | Federal Assistance Listing Number |
|--|-----------------------------------|
| ROTC Language and Culture Training Grants | 12.357 |
| Language Flagship Grants to Institutions of Higher Education / National Security Education Program – David. L Boren Scholarships/Fellowships | 12.550 / 12.U03 |
| Investing in People in the Middle East and North Africa | 19.021 |
| Professional and Cultural Exchange Programs – Citizen Exchanges | 19.415 |
| Academic Exchange Programs – Educational Advising and Student Services | 19.432 |
| USAID Foreign Assistance for Programs Overseas | 98.001 |

Dollar threshold used to distinguish between type A and type B programs: \$3,000,000

Auditee qualified as low-risk auditee? _____ X yes _____ no

Institute of International Education, Inc.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
For the year ended September 30, 2022

SECTION II - FINANCIAL STATEMENT FINDINGS

None noted.

SECTION III - FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None noted.