

Financial Statements and Report of
Independent Certified Public
Accountants

Institute of International Education, Inc.

September 30, 2023 and 2022

Contents

	Page
Report of Independent Certified Public Accountants	3
Financial Statements	
Statements of financial position	5
Statements of activities	6
Statements of functional expenses	7
Statements of cash flows	9
Notes to financial statements	10

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Trustees
Institute of International Education, Inc.

Opinion

We have audited the financial statements of Institute of International Education, Inc. ("IIE"), which comprise the statements of financial position as of September 30, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years 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, 2023 and 2022, 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.

Basis for opinion

We conducted our audits of the financial statements in accordance with auditing standards generally accepted in the United States of America (US GAAS). 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 audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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 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, 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.

Grant Thornton LLP

New York, New York
May 31, 2024

Institute of International Education, Inc.

STATEMENTS OF FINANCIAL POSITION

**September 30,
(in thousands)**

	2023	2022
ASSETS		
Cash and cash equivalents	\$ 77,142	\$ 71,055
Accounts receivable on sponsored programs, net	52,415	51,017
Contributions receivable, net	2,947	4,606
Investments, at fair value	212,134	188,742
Prepaid expenses and other assets	6,912	6,614
Fixed assets, net	14,030	13,724
Right-of-use assets, net	56,237	37,317
Beneficial interests in perpetual trusts held by third parties	2,947	2,827
	<u>\$ 424,764</u>	<u>\$ 375,902</u>
Total assets		
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 48,901	\$ 48,442
Sponsored funds received in advance	26,096	32,370
Lease liabilities	65,062	43,978
	<u>140,059</u>	<u>124,790</u>
Total liabilities		
Net assets		
Without donor restrictions		
Board-designated endowment funds	105,215	93,247
Undesignated, available for general operations	91,547	76,854
	<u>196,762</u>	<u>170,101</u>
Total net assets without donor restrictions		
With donor restrictions	87,943	81,011
	<u>87,943</u>	<u>81,011</u>
Total net assets		
	<u>284,705</u>	<u>251,112</u>
Total net assets		
Total liabilities and net assets	<u>\$ 424,764</u>	<u>\$ 375,902</u>

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)

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and support						
Sponsored programs	\$ 325,650	\$ -	\$ 325,650	\$ 304,364	\$ -	\$ 304,364
Contributions	918	10,034	10,952	815	14,336	15,151
Net assets released from restrictions	12,074	(12,074)	-	12,169	(12,169)	-
Investment return (loss)	20,655	8,972	29,627	(26,073)	(13,065)	(39,138)
Publications and membership fees	639	-	639	677	-	677
Other revenues	147	-	147	469	-	469
Total revenues	360,083	6,932	367,015	292,421	(10,898)	281,523
Expenses						
Program services						
International exchange of students and scholars	245,230	-	245,230	229,228	-	229,228
Leadership development educational services	35,755	-	35,755	30,924	-	30,924
Higher education institutional development	11,012	-	11,012	10,594	-	10,594
Emergency student and scholar assistance	8,500	-	8,500	8,460	-	8,460
Research and publications	1,117	-	1,117	1,091	-	1,091
Total program services	301,614	-	301,614	280,297	-	280,297
Supporting services						
Management and general	30,071	-	30,071	28,056	-	28,056
Fundraising	1,737	-	1,737	1,897	-	1,897
Total supporting services	31,808	-	31,808	29,953	-	29,953
Total expenses	333,422	-	333,422	310,250	-	310,250
CHANGE IN NET ASSETS	26,661	6,932	33,593	(17,829)	(10,898)	(28,727)
Net assets						
Beginning of year	170,101	81,011	251,112	187,930	91,909	279,839
End of year	\$ 196,762	\$ 87,943	\$ 284,705	\$ 170,101	\$ 81,011	\$ 251,112

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

Institute of International Education, Inc.

STATEMENT OF FUNCTIONAL EXPENSES

Year ended September 30, 2023
(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	\$ 108,814	\$ 12,112	\$ 145	\$ 1,805	\$ -	\$ 122,876	\$ -	\$ -	\$ -	\$ 122,876
Tuition, books and fees	27,237	582	490	3,540	-	31,849	-	-	-	31,849
Enrichment programs	1,206	1,215	135	112	-	2,668	-	-	-	2,668
Grantee travel	7,738	2,365	908	140	-	11,151	-	-	-	11,151
Grantee health insurance	4,904	295	1	102	-	5,302	-	-	-	5,302
Other	2,550	229	156	157	-	3,092	-	-	-	3,092
	<u>152,449</u>	<u>16,798</u>	<u>1,835</u>	<u>5,856</u>	<u>-</u>	<u>176,938</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>176,938</u>
Institute expenses										
Employee salaries and benefits	26,365	8,563	5,456	1,779	728	42,891	19,450	1,294	20,744	63,635
Occupancy	4,300	1,219	736	290	124	6,669	3,351	250	3,601	10,270
Travel, receptions and benefits	1,814	787	581	51	54	3,287	788	57	845	4,132
Communication	439	162	108	18	10	737	555	31	586	1,323
Purchased services	56,859	7,789	1,594	467	162	66,871	4,631	99	4,730	71,601
Other	3,004	437	702	39	39	4,221	1,296	6	1,302	5,523
	<u>92,781</u>	<u>18,957</u>	<u>9,177</u>	<u>2,644</u>	<u>1,117</u>	<u>124,676</u>	<u>30,071</u>	<u>1,737</u>	<u>31,808</u>	<u>156,484</u>
	<u>\$ 245,230</u>	<u>\$ 35,755</u>	<u>\$ 11,012</u>	<u>\$ 8,500</u>	<u>\$ 1,117</u>	<u>\$ 301,614</u>	<u>\$ 30,071</u>	<u>\$ 1,737</u>	<u>\$ 31,808</u>	<u>\$ 333,422</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, 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.

STATEMENTS OF CASH FLOWS

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

	2023	2022
Cash flows from operating activities:		
Increase in net assets	\$ 33,593	\$ (28,727)
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	2,462	3,371
Net realized gain on sales of investments	(2,721)	(1,695)
Net unrealized (gain) loss on investments	(20,248)	43,847
Change in value of beneficial interest in perpetual trust	(120)	728
Change in operating assets and liabilities:		
Accounts receivable on sponsored programs	(1,398)	(13,499)
Contributions receivable, net	1,659	(3,338)
Prepaid expenses and other assets	(298)	1,105
Operating lease assets and liabilities	2,164	6,661
Accounts payable and accrued expenses	459	4,001
Sponsored funds received in advance	(6,274)	3,644
	<u>9,278</u>	<u>16,098</u>
Net cash provided by operating activities		
Cash flows from investing activities:		
Purchase of investments	(16,165)	(25,409)
Proceeds from sale of investments	15,742	16,338
Purchase of fixed assets	(2,768)	(5,400)
	<u>(3,191)</u>	<u>(14,471)</u>
Net cash used in investing activities		
NET INCREASE IN CASH AND CASH EQUIVALENTS	6,087	1,627
Cash and cash equivalents, beginning of year	71,055	69,428
Cash and cash equivalents, end of year	\$ 77,142	\$ 71,055
Supplemental information:		
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows used for operating leases	\$ 4,174	\$ 5,865
Operating lease right-of-use assets obtained in exchange for lease liabilities	\$ 22,794	\$ 280
Operating lease right-of-use assets adjustment due to lease remeasurements	\$ 41	\$ -
Operating lease right-of-use assets adjustment due to early terminations	\$ (85)	\$ -

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

Institute of International Education, Inc.

NOTES TO FINANCIAL STATEMENTS

September 30, 2023 and 2022
(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 in preparing the accompanying financial statements.

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.

IIE implements many of the world's most effective and prestigious scholarship and training programs. The Institute helps governments and corporations develop an educated workforce and prepares students and professionals for success in the global economy. IIE provides opportunities to underserved populations, protects scholars and students in danger, and encourages teaching and learning across cultures.

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 performs counseling and information services, extends a lifeline to threatened and displaced students and scholars, issues publications, and conducts conferences, seminars and other special projects.

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 pursuant to those stipulations. 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-imposed restrictions are perpetual in nature that neither expire with the passage of

Institute of International Education, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2023 and 2022
(in thousands)

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 satisfied, which is 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 met in the same reporting period as the revenue is recognized. As of September 30, 2023 and 2022, IIE has unrecorded conditional agreements of \$373,969 and \$301,150, 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, 2023 and 2022, revenues from exchange transactions included in sponsored programs revenue were \$19,617 and \$18,333, respectively. The aggregate amount of the exchange transaction price allocated to performance obligations that are partially unsatisfied as of September 30, 2023 and 2022 was \$10,138 and \$17,812, 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, 2023 and 2022
(in thousands)

Contributions Receivable

Contributions to be received after one year are discounted at a rate commensurate with the risks 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 the time of purchase and money market funds are considered to be cash equivalents and reported at 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 financial position and statement of cash flows.

Accounts Receivable on Sponsored Programs

To the extent of anticipated future payments for sponsor program revenues already recognized, 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, 2023 and 2022, the allowance for doubtful accounts was \$1,256 and \$1,444, 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 2023 and 2022, IIE's beneficial interests in perpetual trusts increased by \$120 and decreased by \$728, respectively, with the changes included in net assets with donor restrictions.

Sponsored Funds Received in Advance

Cash received for sponsored program revenue not yet recognized 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 are available for substantially all employees through a 403(b) plan. IIE's contributions for the years ended September 30, 2023 and 2022 under the provisions of this defined contribution plan totaled \$3,704 and \$3,413, respectively.

The Institute has an active 457(b) deferred compensation plan and an active 457(f) deferred compensation plan, offered to select members of management. Employee contributions to the 457(b) plan are capped at the annual Federal limit for deferred compensation. Employee contributions to the 457(f) plan are no longer allowed. The assets related to both plans are included in prepaid expenses and other assets. As of September 30, 2023, the 457(b) plan balance was \$2,740 and the 457(f) plan balance was \$103. As of September 30, 2022, the 457(b) plan balance was \$2,147 and the 457(f) plan balance was \$97. The 457(b) plan assets primarily consist of money market funds and other marketable securities. The 457(f) plan assets

Institute of International Education, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2023 and 2022
(in thousands)

consist of a guaranteed annuity and an equity account invested in U.S. stocks. The assets of both plans are considered Level 1 financial assets 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.

Functional Allocation

The costs of providing IIE's various programs and supporting activities have been summarized on a functional basis in the accompanying statements of functional expenses. Certain costs have been allocated among the programs and supporting services benefited. "Grantee expenses" listed on the statements include support expenditures such as tuition and grantee maintenance, and "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 recognized 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, 2023 and 2022 was \$2,462 and \$3,371, 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 as of September 30, 2023 or 2022.

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.

Institute of International Education, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2023 and 2022
(in thousands)

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 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.

Leases

Effective October 1, 2021, the Institute adopted Financial Accounting Standards Board Accounting Standards Update ("ASU") No. 2016-02, *Leases (Topic 842)*, and all related amendments using the modified retrospective approach.

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 ("ROU") 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 ROU asset and interest expense recognized based on the effective interest method.

The Institute has made the following accounting policy elections with regard to its lease accounting:

- The Institute does not separate lease and nonlease components for its 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 uses a risk-free discount rate for the initial and subsequent measurement of lease liabilities for all asset classes.
- The Institute does not 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 2023 presentation. Such reclassifications did not change total assets, liabilities, revenues, expenses, or changes in net assets as reflected in the 2022 financial statements.

Institute of International Education, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2023 and 2022
(in thousands)

NOTE 3 - CONTRIBUTIONS RECEIVABLE

As of September 30, 2023 and 2022, contributions receivable, net, were due in the following periods:

	2023	2022
In one year or less	\$ 2,123	\$ 3,719
Between one year and four years	873	946
	2,996	4,665
Less:		
Present value discount	(49)	(59)
Net amount	\$ 2,947	\$ 4,606

NOTE 4 - LIQUIDITY AND AVAILABILITY OF FINANCIAL 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:

	2023	2022
Financial assets:		
Cash and cash equivalents	\$ 77,142	\$ 71,055
Accounts receivable on sponsored programs, net	52,415	51,017
Contributions receivable due within one year	2,123	3,719
Undesignated investments	35,261	33,007
Total financial assets available within one year	166,941	158,798
Liquidity resources:		
Bank line of credit (undrawn)	-	10,000
Total financial assets and resources available within one year	\$ 166,941	\$ 168,798

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 meet potential liquidity needs, IIE also had a committed bank line of credit which totaled \$10,000 as of September 30, 2022. This line of credit was closed on September 29, 2023. On November 29, 2023, IIE secured a new line of credit of \$10,000. It is available from November 29, 2023 to November 30, 2024.

IIE also has board-designated endowment funds of \$105,215 and \$93,247 as of September 30, 2023 and 2022, respectively. IIE does not intend to spend from its board-designated endowment funds other than amounts appropriated for expenditure as part of its annual budget approval process; however, amounts from its board-designated endowment could be made available upon approval of the Board, if necessary.

Institute of International Education, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2023 and 2022
(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 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 by using 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, 2023 and 2022
(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:

	2023			Total
	Level 1 Quoted Price in Active Markets	Level 2 Other Significant Observable Inputs	Level 3 Significant Unobservable Inputs	
Short term investments	\$ 17	\$ -	\$ -	\$ 17
Equity securities:				
US	80,202	-	-	80,202
International	55,878	-	-	55,878
Commodities	1,223	-	-	1,223
Debt securities:				
Bond funds	47,706	-	-	47,706
Sub-total	185,026	-	-	185,026
Investments measured at net asset value				27,108
Total investments	185,026	-	-	212,134
Beneficial interest in perpetual trusts	-	-	2,947	2,947
Total	\$ 185,026	\$ -	\$ 2,947	\$ 215,081
	2022			
	Level 1 Quoted Price in Active Markets	Level 2 Other Significant Observable Inputs	Level 3 Significant Unobservable Inputs	Total
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

Institute of International Education, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2023 and 2022
(in thousands)

IIE's assets with a fair value estimate using net asset value per share as a basis as of September 30, 2023 and 2022 are as follows:

2023						
Fund Strategy	# of Funds	NAV	Unfunded Commitments	Redemption Frequency	Redemption Notice Period	Redemption Restrictions
Equity-oriented	6	\$ 9,162	\$ 15,413	Quarterly	60 days	For four funds, redemptions are generally not permitted or at the discretion of the general partner. One fund has a gate that triggers at 25% of investor-level NAV per redemption.
Multi-strategy	6	16,392	6,650	Quarterly – Annually	60 – 120 days	For one fund, redemptions are not permitted. Two funds have gates that trigger between 25-50% of investor-level NAV per redemption. Two funds have gates that trigger between 10-15% of fund-level NAV per redemption.
Credit-oriented	2	1,554	3,947	N/A	N/A	For the two funds, redemptions are not permitted.
Total	<u>14</u>	<u>\$ 27,108</u>	<u>\$ 26,010</u>			
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 two funds, redemptions are generally not permitted or at the discretion of the general partner. For one fund, redemptions are subject to a 1-year lock-up expiring in December 2022. One fund has a gate that triggers at 25% of investor-level NAV per redemption.
Multi-strategy	5	13,625	5,000	Quarterly - Annually	65 - 120 days	For one fund, redemptions are not permitted. One fund has a gate that triggers at 25% of investor-level NAV per redemption. Two funds have gates that trigger between 10-15% of fund-level NAV per redemption.
Total	<u>9</u>	<u>\$ 20,565</u>	<u>\$ 13,100</u>			

Institute of International Education, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2023 and 2022
(in thousands)

NOTE 6 - FIXED ASSETS, NET

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

	Estimated Useful Lives	2023	2022
Furniture	7 Years	\$ 1,810	\$ 96
Equipment	2-4 Years	5,393	5,688
Software development costs	3-7 Years	22,509	23,280
Leasehold improvements	3-25 Years	8,668	7,808
		<u>38,380</u>	<u>36,872</u>
Total costs of fixed assets			
Less: accumulated depreciation		<u>(24,350)</u>	<u>(23,148)</u>
Total fixed assets, net		<u>\$ 14,030</u>	<u>\$ 13,724</u>

NOTE 7 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes as of September 30, 2023 and 2022:

	2023	2022
Subject to expenditure for specific purpose:		
International exchange of students and scholars	\$ 6,909	\$ 7,756
Leadership development educational services	1,550	770
Higher education institutional development	-	6
Emergency student and scholar assistance	8,099	9,703
Fundraising	(15)	561
Endowment net assets	<u>71,400</u>	<u>62,215</u>
Total net assets with donor restrictions	<u>\$ 87,943</u>	<u>\$ 81,011</u>

NOTE 8 - NET ASSETS RELEASED FROM RESTRICTIONS

Net assets released from restrictions for the years ended September 30, 2023 and 2022 were as follows:

	2023	2022
Purpose restrictions accomplished:		
International exchange of students and scholars	\$ 2,450	\$ 2,575
Leadership development educational services	660	786
Higher education institutional development	-	(49)
Emergency student and scholar assistance	5,641	5,318
Fundraising	576	432
Release of appropriated endowment net assets with purpose restrictions	<u>2,747</u>	<u>3,107</u>
Total net assets released from restrictions	<u>\$ 12,074</u>	<u>\$ 12,169</u>

Institute of International Education, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2023 and 2022
(in thousands)

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;
- 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 30 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 donor 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 \$6,917 and \$5,791 as of September 30, 2023 and 2022, 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, 2023 and 2022.

Institute of International Education, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2023 and 2022
(in thousands)

As of September 30, 2023, endowment net asset composition by type of fund and purpose consisted of the following:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds:			
Scholarships and professional development	\$ -	\$ 17,909	\$ 17,909
Scholar Rescue Fund	-	43,317	43,317
Fulbright Legacy Fund	-	10,174	10,174
Board-designated endowment funds:			
IIE Initiatives Fund	79,566	-	79,566
Fulbright Legacy Fund	13,731	-	13,731
Scholar Rescue Fund	8,155	-	8,155
Gilman Impact and Innovation Fund	2,910	-	2,910
IIE's Children of Employee Program	534	-	534
Andrew Heiskell Endowment	319	-	319
Total	<u>\$ 105,215</u>	<u>\$ 71,400</u>	<u>\$ 176,615</u>

As of September 30, 2022, endowment net asset composition by type of fund and purpose consisted 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
Total	<u>\$ 93,247</u>	<u>\$ 62,215</u>	<u>\$ 155,462</u>

Changes in endowment net assets for the years ended September 30, 2023 and 2022 consist of the following:

	Without Donor Restrictions	With Donor Restrictions	Total
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
Investment gain	13,756	8,852	22,608
Contributions	52	3,080	3,132
Appropriation of endowment assets for expenditure	(1,840)	(2,747)	(4,587)
Endowment net assets at September 30, 2023	<u>\$ 105,215</u>	<u>\$ 71,400</u>	<u>\$ 176,615</u>

Institute of International Education, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2023 and 2022
(in thousands)

NOTE 10 - SPONSORED PROGRAMS REVENUE

Sponsored programs revenue for the years ended September 30, 2023 and 2022 was derived from the following major sponsor categories:

	2023	2022
U.S. government agencies	\$ 239,134	\$ 233,493
Foundations and research organizations	64,506	48,797
Corporations	4,052	4,835
Foreign governments and international organizations	17,958	17,239
Total sponsored programs revenue	<u>\$ 325,650</u>	<u>\$ 304,364</u>

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 20 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.

ROU 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. ROU 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 ROU 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.

ROU assets are assessed for impairment in accordance with the Institute's long-lived asset policy. The Institute reassesses lease classification and remeasures ROU 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 makes significant assumptions and judgments in evaluating its leases. 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.

Institute of International Education, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2023 and 2022
(in thousands)

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

The following table summarizes the operating lease ROU assets and operating lease liabilities as of September 30:

	2023	2022
Operating lease ROU assets, net	\$ 56,237	\$ 37,317
Operating lease liabilities:		
Current	2,233	2,631
Long-term	62,829	41,347
Total operating lease liabilities	\$ 65,062	\$ 43,978

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

	2023	2022
Operating lease expense	\$ 5,549	\$ 5,468
Short-term lease expense	164	121
Variable lease expense	166	261
Total operating lease expense	\$ 5,879	\$ 5,850

The ROU assets and lease liabilities were calculated using a weighted average discount rate of 2.83% and 1.95% as of September 30, 2023 and 2022, respectively. As of September 30, 2023 and 2022, the weighted average remaining lease term was 16.39 and 16.32 years, respectively.

The table below summarizes IIE's scheduled future minimum lease payments for years ending after September 30, 2023:

Years Ending September 30:

2024		\$ 3,040
2025		3,453
2026		4,841
2027		4,812
2028		4,743
Thereafter		62,458
Total lease payments		83,347
Less: present value discount		(18,285)
Total lease liabilities		65,062
Less: current portion		(2,233)
Long-term lease liabilities		\$ 62,829

Institute of International Education, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2023 and 2022
(in thousands)

Other Commitments and Contingencies

From time to time, IIE is involved in litigation concerning its business affairs. As of September 30, 2023, IIE was not facing any pending litigation.

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 statement of financial position date through the date on which the financial statements were available to be issued and determined that there were no additional events requiring recognition or disclosure in the financial statements.