

Financial Statements

IIE's financial statements are audited on an annual basis by PricewaterhouseCoopers LLP. The statements of financial position, as of September 30, 2003, and the related statement of activities for the year ended September 30, 2003 are presented in the next few pages. The complete audited financial statements are available upon request. Please contact the Controller at the Institute of International Education, 809 United Nations Plaza, New York NY 10017, 212-984-5427.

The following briefly describes the work of IIE in the major functional areas appearing in the audited financial statements. IIE's work in these areas is also more fully described in the narrative text in this report.

INTERNATIONAL EXCHANGE OF PERSONS

IIE brings foreign nationals to the US for academic study and/or practical training and arranges for US nationals to study, provide technical assistance, conduct research or serve as business advisers abroad. IIE also arranges training in third countries. IIE conducts the nationwide competition for Fulbright grants for US scholars and graduate students. IIE's programs are supported by individuals, corporations, foundations, US government agencies, foreign governments, nongovernmental organizations and educational and cultural institutions.

SCIENTIFIC COOPERATION ACTIVITIES

IIE provides international purchasing services to a number of international institutions as well as to developing-country universities and nongovernmental organizations.

SHORT-TERM INTERNATIONAL VISITORS

IIE arranges US visits for foreign leaders from the public and private sectors. Sponsors include agencies of the US government, foreign governments and a wide range of private institutions.

ASSISTANCE TO COLLEGES AND UNIVERSITIES

Various of IIE's international offices administer or provide support services for the administration of tests of English-language competence and other standardized US university admissions tests.

INSTITUTE EDUCATIONAL SERVICES

IIE tracks international student flows and, with US government support, publishes its findings annually in *Open Doors*.

IIE also publishes comprehensive directories of study-abroad programs (available at www.iiepassport.org) and provides information on international study through its website (www.iie.org). IIE also offers more targeted information to international educators on IIE member campuses.

OVERSEAS OFFICE AND REGIONAL CENTER ACTIVITIES

IIE offices abroad provide information and educational services to students, universities, the business community and government officials in the regions they serve, in addition to supporting IIE projects in their regions. IIE's Regional Centers in the US develop and conduct locally supported exchanges and support national IIE programs and projects.

SUPPORTING SERVICES This function includes the expense of running IIE as a whole. IIE has continued this past year to invest in equipment, maintenance and staff development to better prepare it to provide service in the years ahead. Fundraising is devoted to raising unrestricted funds from individuals, corporations and foundations to support IIE educational services. Program development includes identifying needs and developing IIE initiatives to meet them, as well as coordinating efforts to find support for those initiatives.

IIE Statement of Financial Position

For the year ended September 30, 2003 with comparative totals as of September 30, 2002

| | 2003 | 2002 |
|--|----------------------|---------------------|
| ASSETS | | |
| Cash and cash equivalents | \$10,093,091 | \$3,298,314 |
| Reimbursable expenditures under contracts in progress | 18,653,139 | 16,829,869 |
| Contributions receivable | 6,551,932 | 9,739,011 |
| Investments, at fair value | 40,280,819 | 35,895,071 |
| Prepaid expenses and other assets | 1,479,234 | 1,285,539 |
| Fixed assets, net | 24,323,118 | 24,343,519 |
| Restricted cash | 181,629 | 1,451,048 |
| Beneficial interests in perpetual trusts held by third parties | 3,076,881 | 2,784,347 |
| Total assets | \$104,639,843 | \$95,626,718 |
| LIABILITIES AND NET ASSETS | | |
| LIABILITIES | | |
| Bonds payable | \$16,552,358 | \$16,821,013 |
| Accounts payable and accrued expenses | 7,536,498 | 9,824,876 |
| Sponsored funds received in advance | 18,575,770 | 5,584,421 |
| Deferred income | 41,433 | 592,384 |
| Total liabilities | 42,706,059 | 32,822,694 |
| COMMITMENTS AND CONTINGENCIES | | |
| NET ASSETS | | |
| Unrestricted | 21,158,790 | 13,845,819 |
| Temporarily restricted | 35,788,011 | 43,463,407 |
| Permanently restricted | 4,986,983 | 5,494,798 |
| Total net assets | 61,933,784 | 62,804,024 |
| Total liabilities and net assets | \$104,639,843 | \$95,626,718 |

Consolidation of Affiliate In February, 2001, the Institute created and incorporated the International Fellowships Fund, Inc. (IFF), a not-for-profit organization to administer and support the activities of the International Fellowships Program. IFF is exempt from Federal income taxes under Section 501(C)(3) of the Internal Revenue Code and is designated as a Type I supporting organization to the Institute. IFF commenced operations with funding received from the Ford Foundation in the amount of \$275,526,718 in September 2001. IFF is a "depleting endowment" with a 10-year pay-out objective. IIE appoints four of the seven IFF board members thereby maintaining controlling interest. In accordance with accounting principles generally accepted in the United States of America, IIE is required to present a consolidated financial statement including its affiliate (IFF). Reported assets and liabilities include pending trades in marketable securities being purchased or sold by IFF as of September 30th, 2003 and settled in early October 2003. A fiscal year 2003 consolidation summary is presented below:

| | IIE Only | IFF Only | Consolidated IIE |
|-----------------------------------|--------------------|--------------------|--------------------|
| Net Investments, at Market | 40,280,819 | 290,621,978 | 330,902,797 |
| Total Assets | 104,639,843 | 298,820,593 | 403,340,188 |
| Total Liabilities | 42,706,059 | 34,797,871 | 76,503,370 |
| Unrestricted Net Assets | 21,158,790 | | 2,158,790 |
| Temporarily Restricted Net Assets | 35,788,011 | 264,022,722 | 300,691,045 |
| Permanently Restricted Net Assets | 4,986,983 | | 4,986,983 |
| Total Revenue | 165,050,627 | 22,379,327 | 185,478,304 |
| Total Expenses | 165,920,867 | 28,330,597 | 191,726,770 |
| Decrease Net Assets | (870,240) | (5,951,270) | (6,248,466) |

IIE Statement of Activities

For the year ended September 30, 2003

| | 2003 | | | 2002 | |
|---|---------------------|------------------------|------------------------|---------------------|----------------------|
| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total | Total |
| REVENUES | | | | | |
| Sponsored Programs | \$145,382,395 | | | \$145,382,395 | \$163,130,478 |
| Contributions | 1,588,377 | \$10,065,600 | \$50,000 | 11,703,977 | 10,080,731 |
| Investment Return | 5,628,205 | 1,199,138 | (557,815) | 6,269,528 | (4,264,563) |
| Sales of Publications | 235,987 | | | 235,987 | 276,749 |
| Special Events | | | | | |
| Contributions | 990,500 | | | 990,500 | 1,105,874 |
| Direct Costs | (578,775) | | | (578,775) | (604,992) |
| Net Revenues from special events | 411,725 | | | 411,725 | 500,882 |
| Membership fees | 369,792 | | | 369,792 | 327,275 |
| Other Revenue | 624,988 | | | 624,988 | 396,377 |
| Voluntary Services | 52,235 | | | 52,235 | 121,460 |
| | 154,293,704 | 11,264,738 | (507,815) | 165,050,627 | 170,569,389 |
| Net assets released from restrictions | 18,940,134 | (18,940,134) | | | |
| Total Revenues | <u>173,233,838</u> | <u>(7,675,396)</u> | <u>(507,815)</u> | <u>165,050,627</u> | <u>\$170,569,389</u> |
| EXPENSES | | | | | |
| Sponsored Programs | | | | | |
| International exchange of students and scholars | 142,551,373 | | | 142,551,373 | \$151,103,865 |
| Development training and assistance | 2,932,277 | | | 2,932,277 | 5,768,256 |
| Short-term international visitors | 4,505,170 | | | 4,505,170 | 3,945,626 |
| Educational services | 7,977,288 | | | 7,977,288 | 5,375,166 |
| Total sponsored programs | 157,966,108 | | | 157,966,108 | 166,192,913 |
| Institute, educational and information services: | | | | | |
| Overseas and regional office activities | 453,661 | | | 453,661 | 423,170 |
| Research, publications and information services | 779,790 | | | 779,790 | 1,054,359 |
| Total institute, educational and information services | 1,233,451 | | | 1,233,451 | 1,477,529 |
| Total program services | 159,199,559 | | | 159,199,559 | 167,670,442 |
| Supporting services | | | | | |
| Management and general | 5,637,969 | | | 5,637,969 | 5,379,739 |
| Fund raising | 1,083,339 | | | 1,083,339 | 1,097,723 |
| Total Supporting Services | 6,721,308 | | | 6,721,308 | 6,495,462 |
| Total Expenses | 165,920,867 | | | 165,920,867 | 174,165,904 |
| Increase (decrease) in net assets | 7,312,971 | (7,675,396) | (507,815) | (870,240) | (3,596,515) |
| NET ASSETS, beginning of year | 13,845,819 | 43,463,407 | 5,494,798 | 62,804,024 | 66,400,539 |
| NET ASSETS, end of year | <u>\$21,158,790</u> | <u>\$35,788,011</u> | <u>\$4,986,983</u> | <u>\$61,933,784</u> | <u>\$62,804,024</u> |