

Institute of International Education, Inc.

**Financial Statements
September 30, 2021 and 2020**

Institute of International Education, Inc.
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September 30, 2021 and 2020

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Report of Independent Auditors

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

We have audited the accompanying financial statements of Institute of International Education, Inc. ("IIE"), which comprise the statements of financial position as of September 30, 2021 and 2020, and the related statements of activities, functional expenses and of cash flows for the years then ended.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Institute of International Education, Inc. as of September 30, 2021 and 2020, 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.

A handwritten signature in black ink that reads "PricewaterhouseCoopers LLP" in a cursive, stylized script.

June 1, 2022

Institute of International Education, Inc.
Statements of Financial Position
September 30, 2021 and 2020

<i>(in thousands)</i>	2021	2020
Assets		
Cash and cash equivalents	69,428	34,303
Accounts receivable on sponsored programs	37,518	51,098
Contributions receivable, net	1,268	4,027
Investments, at fair value	221,823	195,187
Prepaid expenses and other assets	7,719	8,786
Fixed assets, net	11,695	12,450
Beneficial interests in perpetual trusts held by third parties	3,555	3,207
Total assets	<u>\$ 353,006</u>	<u>\$ 309,058</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	44,571	40,786
Sponsored funds received in advance	28,596	25,476
Total liabilities	<u>73,167</u>	<u>66,262</u>
Commitments and contingencies		
Net assets		
Without donor restrictions		
Board designated	108,698	99,215
Undesignated, available for general operations	79,232	62,376
Total net assets without donor restrictions	<u>187,930</u>	<u>161,591</u>
With donor restrictions	91,909	81,205
Total net assets	<u>279,839</u>	<u>242,796</u>
Total liabilities and net assets	<u>\$ 353,006</u>	<u>\$ 309,058</u>

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

Institute of International Education, Inc.
Statements of Activities
September 30, 2021 and 2020

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<i>(in thousands)</i>						
Revenues						
Sponsored programs	\$ 241,763	\$ -	\$ 241,763	\$ 263,824	\$ -	\$ 263,824
Contributions	2,487	6,681	9,168	2,307	6,385	8,692
Net assets released from restrictions	9,048	(9,048)	-	6,387	(6,387)	-
Investment return	16,820	13,071	29,891	4,919	5,510	10,429
Gain on sale of building	-	-	-	79,625	-	79,625
Publications and membership fees	499	-	499	515	-	515
Other revenues	156	-	156	798	-	798
Total revenues	\$ 270,773	\$ 10,704	\$ 281,477	\$ 358,375	\$ 5,508	\$ 363,883
Expenses						
Program services						
International exchange of students and scholars	178,362	-	178,362	196,789	-	196,789
Leadership development educational services	21,979	-	21,979	20,913	-	20,913
Higher education institutional development	9,160	-	9,160	10,932	-	10,932
Emergency student and scholar assistance	5,572	-	5,572	8,027	-	8,027
Research and publications	1,037	-	1,037	1,200	-	1,200
Total program services	216,110	-	216,110	237,861	-	237,861
Supporting services						
Management and general	27,192	-	27,192	35,794	-	35,794
Fund raising	1,132	-	1,132	1,675	-	1,675
Total supporting services	28,324	-	28,324	37,469	-	37,469
Total expenses	244,434	-	244,434	275,330	-	275,330
Change in net assets	26,339	10,704	37,043	83,045	5,508	88,553
Net assets						
Beginning of year	161,591	81,205	242,796	78,546	75,697	154,243
End of year	\$ 187,930	\$ 91,909	\$ 279,839	\$ 161,591	\$ 81,205	\$ 242,796

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

Institute of International Education, Inc.
Statement of Functional Expenses
Year Ended September 30, 2021

	Program Services					Supporting Services			Total	
	International Exchange of Students and Scholars	Leadership Development Educational Services	Higher Education Institutional Development	Emergency Student and Scholar Assistance	Research and Publications	Total Program Services	Management and General	Fund Raising		Total Supporting Services
<i>(in thousands)</i>										
Grantee expenses										
Grantee stipends and grants	\$ 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 these financial statements.

Institute of International Education, Inc.
Statement of Functional Expenses
Year Ended September 30, 2020

	Program Services					Supporting Services				Total
	International Exchange of Students and Scholars	Leadership Development Educational Services	Higher Education Institutional Development	Emergency Student and Scholar Assistance	Research and Publications	Total Program Services	Management and General	Fund Raising	Total Supporting Services	
<i>(in thousands)</i>										
Grantee expenses										
Grantee stipends and grants	\$ 85,652	\$ 7,952	\$ 157	\$ 3,560	\$ -	\$ 97,321	\$ -	\$ -	\$ -	\$ 97,321
Tuition, books and fees	25,220	15	509	1,716	-	27,460	-	-	-	27,460
Enrichment programs	1,754	676	141	54	-	2,625	-	-	-	2,625
Grantee travel	6,039	805	959	45	-	7,848	-	-	-	7,848
Grantee health insurance	3,079	(1)	2	28	-	3,108	-	-	-	3,108
Other	1,405	95	41	39	-	1,580	-	-	-	1,580
	<u>123,149</u>	<u>9,542</u>	<u>1,809</u>	<u>5,442</u>	<u>-</u>	<u>139,942</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>139,942</u>
Institute expenses										
Employee salaries and benefits	28,173	5,805	5,486	1,688	788	41,940	17,391	1,072	18,463	60,403
Occupancy	5,434	849	905	440	161	7,789	6,009	280	6,289	14,078
Travel, receptions and benefits	2,452	469	592	37	29	3,579	375	143	518	4,097
Communication	773	103	212	37	39	1,164	1,292	62	1,354	2,518
Purchased services	34,168	3,936	1,202	356	163	39,825	6,964	114	7,078	46,903
Other	2,640	209	726	27	20	3,622	3,763	4	3,767	7,389
	<u>73,640</u>	<u>11,371</u>	<u>9,123</u>	<u>2,585</u>	<u>1,200</u>	<u>97,919</u>	<u>35,794</u>	<u>1,675</u>	<u>37,469</u>	<u>135,388</u>
	<u>\$ 196,789</u>	<u>\$ 20,913</u>	<u>\$ 10,932</u>	<u>\$ 8,027</u>	<u>\$ 1,200</u>	<u>\$ 237,861</u>	<u>\$ 35,794</u>	<u>\$ 1,675</u>	<u>\$ 37,469</u>	<u>\$ 275,330</u>

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

Institute of International Education, Inc.
Statements of Cash Flows
Years Ended September 30, 2021 and 2020

	2021	2020
Cash flows from operating activities		
Increase in net assets	\$ 37,043	\$ 88,553
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Depreciation and amortization	3,588	3,345
Gain on sale of building	-	(79,625)
Loss on bond defeasement	-	651
Loss on disposal of fixed assets	2	-
Net realized gains on sales of investments	(21,428)	(3,555)
Net unrealized gain on investments	(5,120)	(4,910)
Change in value of beneficial interest in perpetual trust	(348)	(74)
Change in operating assets and liabilities		
Accounts receivable on sponsored programs	13,580	12,349
Contributions receivable, net	2,759	765
Prepaid expenses and other assets	1,067	(806)
Accounts payable and accrued expenses	3,785	(4,660)
Sponsored funds received in advance	3,120	2,772
Net cash provided by operating activities	<u>38,048</u>	<u>14,805</u>
Cash flows from investing activities		
Purchase of investments	(128,990)	(91,404)
Proceeds from sale of investments	128,902	20,455
Purchase of fixed assets	(2,835)	(4,987)
Proceeds from sale fixed assets	-	88,101
Net cash (used in) provided by investing activities	<u>(2,923)</u>	<u>12,165</u>
Cash flows from financing activities		
Payments made on bond obligations	-	(10,435)
Net cash used in financing activities	<u>-</u>	<u>(10,435)</u>
Net increase in cash and cash equivalents	35,125	16,535
Cash beginning of year	<u>34,303</u>	<u>17,768</u>
Cash end of year	<u>\$ 69,428</u>	<u>\$ 34,303</u>
Supplemental information		
Cash paid for interest	-	-
Cash paid for taxes	-	34

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

Institute of International Education, Inc.

Notes to Financial Statements

September 30, 2021 and 2020

(in thousands)

1. Description of Organization

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

Institute of International Education, Inc.

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

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

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

2. Summary of Significant Accounting Policies

Basis of Presentation

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

- 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.

Institute of International Education, Inc.

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(in thousands)

- 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. In the event IIE is unable to meet their purposes, all remaining funds would be remitted back to the donors, unless subsequently re-designated by the donor. Some donor-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 designated by the donor to be held and invested in perpetuity and permit IIE to use the income and gains for specified and unspecified purposes.

Use of Estimates

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

Revenues 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, the funding organization's mission, or the public at large. 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, 2021 and 2020, IIE has unrecorded conditional agreements of \$326,679 and \$364,589, 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

Institute of International Education, Inc.

Notes to Financial Statements

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(in thousands)

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 year ended September 30, 2021 and 2020, revenues from exchange transactions included in sponsored programs revenue was \$16,062 and \$18,841, respectively. The aggregate amount of the transaction price allocated to performance obligations that are partially unsatisfied as of September 30, 2021 and 2020 was \$33,273 and \$42,584, 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.

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 market value. All short-term, highly liquid investments, which would otherwise qualify as cash equivalents that are included in IIE's investment pool are treated as investments and are therefore excluded from cash and cash equivalents in the statements 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 statements of financial position. The allowance for doubtful accounts is determined by a review of account balances, including the age of the balance and historical collection experience. As of September 30, 2021 and 2020, the allowance for doubtful accounts was \$1,530 and \$1,703, 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' stipulation, distributions of net income from these trusts are to be made to IIE and are to be spent for specified purposes. During fiscal years 2021 and 2020, IIE's beneficial interests in perpetual trusts increased \$348 and increased \$74, 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 statements of financial position. If revenue is not earned for the total amount of the funds received in advance, the remaining portion will be refunded to the sponsor upon the closeout of an award.

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(in thousands)

Retirement Benefits

Retirement benefits coverage is available for substantially all employees, provided through a 403(b) plan. IIE's contributions for fiscal years 2021 and 2020 under the provisions of this defined contribution plan were \$3,421 and \$3,149, respectively.

The Institute has an active 457(b) deferred compensation plan, which is offered to select management. The employee contributions are capped at the annual Federal limit for deferred compensation. The assets related to this plan are included in prepaid expenses and other assets and were \$2,815 and \$2,792 as of September 30, 2021 and 2020, 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.

Functional Allocation

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

Investments

Marketable debt and equity security investments are carried at fair value, with unrealized gains and losses reflected in changes in net assets. Fair values are principally based on quoted market prices.

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

Fixed Assets

Fixed assets are recorded at cost. Depreciation is provided over the estimated useful lives of the related assets using the straight-line method, ranging from two (2) to thirty (30) years. Such estimates are based upon management's judgments of how long the assets will remain in service. Amortization of leasehold improvements is computed using the straight-line method over the shorter of the remaining lease term or the estimated useful lives of the improvements. Depreciation expense on fixed assets for fiscal years 2021 and 2020 was \$3,588 and \$3,345, respectively.

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(in thousands)

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, 2021 or 2020.

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

Recent Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. Under the new guidance, lessees will be required to recognize the following for all leases (with the exception of leases with a term of twelve months or less) at the commencement date: (a) a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and (b) a right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. Under the new guidance, lessor accounting is largely unchanged. The guidance requires a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented. A full retrospective transition approach is not permitted. This new standard is effective for fiscal years beginning after December 15, 2021, with early application permitted. IIE is evaluating the impact this standard will have on the financial statements.

3. Contributions Receivable

As of September 30, 2021 and 2020, contributions receivable are due in the following periods:

	2021	2020
In one year or less	\$ 1,050	\$ 850
Between one year and five years	254	3,288
	<u>1,304</u>	<u>4,138</u>
Less:		
Present value discount	36	111
Net amount	<u>\$ 1,268</u>	<u>\$ 4,027</u>

Institute of International Education, Inc.
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(in thousands)

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:

	2021	2020
Financial assets:		
Cash and cash equivalents	\$ 69,428	\$ 34,303
Accounts receivable, net	37,518	51,098
Contributions receivable due within one year	1,050	850
Undesignated investments	<u>80,224</u>	<u>31,740</u>
Total financial assets available within one year	188,220	117,991
Liquidity resources:		
Bank line of credit (undrawn)	<u>10,000</u>	<u>15,000</u>
Total financial assets and resources available within one year	<u>\$ 198,220</u>	<u>\$ 132,991</u>

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 are in sync 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 \$15,000 as of September 30, 2021 and 2020, respectively, which it could draw upon. Starting October 2020, the bank line of credit (undrawn) was reduced to \$10,000.

IIE also has board designated endowment funds of \$108,698 and \$99,215 at September 30, 2021 and 2020, 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 process approval; however, amounts from its board designated endowment could be made available, if necessary.

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 assumptions (unobservable inputs). The hierarchy consists of three levels as noted below:

- Level 1 Quoted prices are available in active markets for identical investments as of the reporting date, without adjustment. The type of investments in Level 1 includes listed equities held in the name of IIE and excludes listed equities and other securities held indirectly through commingled funds.

- Level 2 Pricing inputs, including broker quotes, are generally those other than exchange quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies.

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(in thousands)

Level 3 Pricing inputs are unobservable for the investment and includes situations where there is little, if any, market activity for the investment. Investments that are included in this category generally include privately held investments and securities held in partnership format.

Assets and liabilities measured at fair value are based on one or more of three valuation techniques. The three techniques are as follows:

Market Approach

Prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities;

Cost Approach

Amount that would be required to replace the service capacity of an asset (i.e. replacement cost); and

Income Approach

Techniques to convert future amounts to a single present amount based on market expectations (including present value techniques).

IIE adopted the accounting concept under GAAP to utilize the net asset value (NAV) as the “practical expedient.” The practical expedient is an acceptable method under GAAP to determine the fair value of investments reported at net asset value from the respective general partners (a) that do not have a readily determinable fair value predicated upon a public market and (b) either have the attributes of an investment company or prepare their financial statements consistent with the measurement principles of an investment company under GAAP.

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

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The following table summarizes the valuation of IIE's investments measured on a recurring basis by caption and by level within the valuation hierarchy as of September 30:

	2021			Total
	Level 1 Quoted Prices in Active Markets	Level 2 Other Significant Observable	Level 3 Significant Unobservable Inputs	
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 trust	-	-	3,555	3,555
Total	\$ 210,568	\$ -	\$ 3,555	\$ 225,378
	2020			
	Level 1 Quoted Prices in Active Markets	Level 2 Other Significant Observable	Level 3 Significant Unobservable Inputs	Total
Short term investments	\$ 62,904	\$ -	\$ -	\$ 62,904
Equity securities				
US	42,214	-	-	42,214
International	10,205	-	-	10,205
Commodities	1,138	-	-	1,138
Debt securities				
Bond funds	20,006	-	-	20,006
Sub-total	136,467	-	-	136,467
Investments measured at net asset value	-	-	-	58,720
Total investments	136,467	-	-	195,187
Beneficial interest in perpetual trust	-	-	3,207	3,207
Total	\$ 136,467	\$ -	\$ 3,207	\$ 198,394

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IIE's assets with a fair value estimate using net asset value per share as a basis at September 30, 2021 and 2020 are as follows:

	Fair Value Estimated Using Net Assets Value Per Share					
	Fair Value September 30, 2021	Fair Value September 30, 2020	Unfunded Commitment	Settlement Terms*	Redemption Frequency*	Redemption Notice Period
International equity funds	\$ 6,107	\$ 30,647	\$ -	Redemptions occur at NAV	Monthly	Less than 30 days
Domestic equity funds	5,148	17,967	-	Redemptions occur at NAV	Monthly	Less than 30 days
Bond funds	-	10,106	-	Redemptions occur at NAV	Daily	2 days in advance
	<u>\$ 11,255</u>	<u>\$ 58,720</u>	<u>\$ -</u>			

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

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

	2021	2020
Interest and dividends	\$ 3,157	\$ 2,213
Net realized gain	21,428	3,555
Net unrealized gain/(loss)	5,468	4,910
	<u>30,053</u>	<u>10,678</u>
Less: Investment management fees	(162)	(249)
Total investment return	<u>\$ 29,891</u>	<u>\$ 10,429</u>

6. Fixed Assets, Net

Fixed assets as of September 30 consist of the following:

	Estimated Useful Lives	Asset Value	
		2021	2020
Furniture	7 Years	\$ 122	\$ 79
Equipment	2-4 Years	2,772	1,794
Software development costs	3-7 Years	24,065	24,066
Leasehold improvements	3-25 Years	8,821	7,017
		<u>35,780</u>	<u>32,956</u>
Less: Accumulated depreciation		(24,085)	(20,506)
Total fixed assets, net		<u>\$ 11,695</u>	<u>\$ 12,450</u>

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In November 2019, IIE closed on the sale of its 10-floor condominium interest of its New York headquarters building at 809 United Nations Plaza which resulted in a gain on sale of \$79,625.

In July of 2001, IIE exercised its right of first refusal and repurchased 10 of 12 available floors of its New York headquarters building at 809 United Nations Plaza. The purchase price was \$22,750, and the building is now a condominium. In September of 2001, IIE sold two of the repurchased floors for \$12,000. IIE's basis in the two sold floors was \$4,789 and resulted in a gain on sale of \$7,251. A portion of the deferred credit relating to IIE's sale and leaseback of the building in 1998 was assigned to the two floors sold and is being amortized annually. The remaining balance of the deferred credit has been netted with IIE's fixed assets and is being amortized over a 30-year period. In conjunction with the sale of the building, the deferred credit balance was removed through the gain on sale of building.

7. Bonds Payable, Net

There are no outstanding bonds payable as of September 30, 2021 and 2020.

On November 1, 2001, the Institute issued \$17,345 in tax exempt term bonds (the "Series 2001 bonds") through the New York City Industrial Development Agency ("IDA") to provide funds for the acquisition, equipping and improvement of the New York City office (the "Facility"). On November 25, 2014, the Institute issued \$12,480 in tax exempt revenue refunding bonds (the "Series 2014 bonds") through the Build NYC Resource Corporation ("Build NYC") to refund the outstanding Series 2001 bonds.

The Series 2014 bonds are payable by Build NYC, through a third party trustee, solely from payments made by the Institute pursuant to a Loan Agreement between Build NYC and the Institute, evidenced by a Promissory Note in favor of Build NYC. Neither the Series 2014 bonds nor the obligations of the Institute under the Loan Agreement and the Promissory Note are secured by a mortgage of or any other interest in the Facility or any other property of the Institute. The obligations of the Institute under the Loan Agreement and the Promissory Note to pay amounts sufficient to pay principal or redemption price of, and interest on, the Series 2014 bonds are unsecured general obligations of the Institute. The Series 2014 bonds mature in various amounts, ranging from \$525 to \$960 per year, through 2031. The nominal interest rates attributable to the Series 2014 bonds range from 3.0% to 5.0%.

During fiscal year 2020, concurrently with the sale of the building, see Note 6 above, the Series 2014 bonds were defeased. Proceeds from the sale were placed in an irrevocable trust to provide for all future debt service payments on the Series 2014 bonds and for full repayment of the principal. The promissory note was cancelled and IIE has no further responsibilities regarding the bonds. The loss from the bond defeasance was \$651 and is recorded in Management and General on the statement of activities.

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8. Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes at September 30, 2021 and 2020:

	2021	2020
Subject to expenditure for specific purpose		
Scholarships and professional development	\$ 14,361	\$ 12,616
Scholar Rescue Fund	48,654	41,926
Fulbright Legacy Fund	11,405	9,690
Donor restricted contributions for programs	13,934	13,759
Beneficial interest in perpetual trust	3,555	3,214
Total net assets with donor restrictions	<u>\$ 91,909</u>	<u>\$ 81,205</u>

9. Net Assets Released from Restrictions

Net assets released from restrictions for the years ended September 30, 2021 and 2020 were as follows:

	2021	2020
Purpose restrictions accomplished:		
International exchange of students and scholars	\$ 6,446	\$ 3,590
Release of appropriated endowment amounts with purpose restrictions	<u>2,602</u>	<u>2,797</u>
Total net assets released from restrictions	<u>\$ 9,048</u>	<u>\$ 6,387</u>

10. Endowment Net Assets

In managing its endowment assets, IIE adheres to the standard of prudence prescribed by the New York Prudent Management of Institutional Funds Act (“NYPMIFA”) and considers the following factors:

- The duration and preservation of the endowment fund;
- The purposes of IIE and the endowment fund;
- General economic conditions;
- The possible effect of inflation or deflation;
- The expected total return from income and the appreciation of investments;

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

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% of the endowment's moving average fair value over the prior 36 months as of September 30th of the preceding fiscal year in which distribution is planned, unless specified by a donor); and (2) support IIE and its mission over the long term by maintaining future growth of the endowment. Under this policy, the endowment assets are invested in a manner that is intended to produce a return, net of inflation and investment management costs. Actual returns in any given year may have varied from this amount.

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

In accordance with current New York State law, IIE is required to preserve the fair value of the original gift as of the gift date 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 \$3,555 and \$3,527 as of September 30, 2021 and 2020, 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, 2021 and 2020.

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At September 30, 2021, the 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	\$ -	\$ 14,361	\$ 14,361
Scholar Rescue Fund	-	48,654	48,654
Fulbright Legacy Fund	-	11,405	11,405
Board designated 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

At September 30, 2020, the 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	\$ -	\$ 12,616	\$ 12,616
Scholar Rescue Fund	-	41,926	41,926
Fulbright Legacy Fund	-	9,690	9,690
Board designated funds			
IIE Initiatives Fund	74,993	-	74,993
Scholar Rescue Fund	7,408	-	7,408
Fulbright Legacy Fund	13,325	-	13,325
Gilman Impact and Innovation Fund	2,668	-	2,668
IIE's Children of Employee program	505	-	505
Andrew Heiskell Endowment	316	-	316
Total	\$ 99,215	\$ 64,232	\$ 163,447

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Changes in endowment net assets for the years ended September 30, 2021 and 2020 consisted of the following:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets at September 30, 2019	\$ 16,816	\$ 60,290	\$ 77,106
Investment return	2,428	5,067	7,495
Contributions	-	1,672	1,672
Transfer from undesignated net assets	5,425	-	5,425
Board designation of unrestricted funds	75,000	-	75,000
Appropriations of endowment assets used for expenditures	(454)	(2,797)	(3,251)
Endowment net assets at September 30, 2020	<u>99,215</u>	<u>\$ 64,232</u>	<u>\$ 163,447</u>
Investment return	10,547	12,727	23,274
Contributions	-	89	89
Transfer from undesignated net assets	17	-	17
Board designation of unrestricted funds	-	-	-
Appropriations of endowment assets used for expenditures	(1,081)	(2,628)	(3,709)
Endowment net assets at September 30, 2021	<u>\$ 108,698</u>	<u>\$ 74,420</u>	<u>\$ 183,118</u>

11. Sponsored Programs Revenue

Sponsored programs revenue for fiscal years 2021 and 2020 was derived from the following major sponsor categories:

	2021	2020
U.S. government agencies	\$ 171,390	\$ 191,286
Foundations and research organizations	47,877	52,756
Corporations	4,774	5,351
Foreign governments and international organizations	17,722	14,431
Total sponsored programs revenue	<u>\$ 241,763</u>	<u>\$ 263,824</u>

12. Commitments and Contingencies

Operating Leases

Rental expense was \$6,070 and \$7,422 for the years ended September 30, 2021 and 2020, respectively. IIE leases space for certain domestic and overseas offices on a non-cancelable, long-term basis. These agreements, expiring at various dates through fiscal year 2039, permit IIE to sublease such space at its option.

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Minimum future lease commitments are as follows at September 30, 2021:

Fiscal years	
2022	\$ 5,846
2023	3,788
2024	3,056
2025	2,810
2026	2,838
Thereafter	<u>39,243</u>
	<u>\$ 57,581</u>

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.

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 the financial condition or changes in net assets of IIE.

In March 2020, the World Health Organization declared the outbreak of the novel coronavirus (COVID-19) to be a pandemic. IIE is closely monitoring developments as well as the directives of federal, state and local governments and other relevant sources of information and adjusting its work as necessary. Most international educational exchanges are starting to resume and for those that have not fully resumed, IIE's sponsors have asked us to continue work in administering programs, including preparing for new cohorts, providing advisory services to students remotely attending classes, attaining admission for students, finding fellowships for professors, and rescuing scholars, among many other things. While IIE does not believe that COVID-19 will have a material adverse impact on operations, the full future impact of COVID-19 and the scope of any adverse impact on IIE's finances and operations cannot be fully determined at this time.

13. Reclassifications

Certain prior year amounts have been reclassified to conform to the current year's presentation. The reclassifications had no impact on the total net assets, total change in net assets, the statement of financial position, or the statement of cash flows.

14. Subsequent Events

IIE has performed an evaluation of subsequent events through June 1, 2022, which is the date the financial statements were available to be issued.

Following the February 2022 invasion of Ukraine, IIE continues operations in Kyiv and Moscow, in support of our programs located in the region. Thus far, there has been no material impact on

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operations and IIE does not anticipate adverse financial effects, given the size and scope of these offices.

In the first quarter of fiscal year 2022, the Company entered into a lease agreement to lease a new office facility in Washington D.C. The new lease commences on or around January 1, 2023 and includes escalating rent payments and a 162-month term.