



Two Park Avenue

tel 1.212.591.7000

New York, NY

fax 1.212.591.7674

10016-5990 U.S.A.

www.ASME.org

## **2020-2021 BOARD OF GOVERNORS MEETING**

Wednesday, September 30, 2020 – 2:00 PM to 2:45 PM EDT

### **FINAL MINUTES**

Attendance during the open session was as follows:

#### Board of Governors

President: Bryan Erler  
President Nominee: Mahantesh Hiremath  
Immediate Past President: Rich Laudanat  
Governors: Todd Allen, Andy Bicos, Joseph Fowler, Laura Hitchcock, Thomas Kurfess, Richard Marboe, Michael Molnar, Karen Ohland, Paul Stevenson  
Governor Nominees: Tommy Gardner, Sam J. Korellis, Wolf Yeigh  
Executive Director/CEO: Thomas Costabile

#### Other Officers

Senior Vice Presidents: Nicole Dyess, SVP-Elect  
Kalan Guiley, Public Affairs and Outreach  
George Papadopoulos, Technical Events and Content  
Tom Pastor, Standards and Certification Sector  
Michael Roy, Member Development and Engagement  
Callie Tourigny, Student and Early Career Development

Secretary and Treasurer: Rob Pangborn  
Ass't Secretary/General Counsel: John Delli Venneri, Esq.  
Chief Financial Officer: William Garofalo  
Corporate Counsel: John Sare, Esq.

#### Staff

RuthAnn Bigley Manager, Governance Programs  
Susie Cabanas Manager, Global Alliances and Board Operations  
Michael Johnson Chief Strategy Officer  
Keith Miles Director, Major Gifts, ASME Philanthropy  
Jeff Patterson Chief Operating Officer  
Allian Pratt Managing Director, Global Alliances & Board Operations  
Karen Russo Director, Global Outreach and Board Operations  
David Soukup Managing Director, Governance

### Other Attendees

Howard Berkof	Chair, VOLT
Betty Bowersox	Chair, COFI
William Cousins	ASME Member
Amos E. Holt	Past President, 2009-2010
Said Jahanmir	Past President, 2018-2019
Jenn Jewers-Bowlin	Volunteer, Philanthropy Committee
Madiha Kotb	Past President, 2014-2014
Keith Roe	Philanthropy Committee Chair, Past President, 2016-2017
Victoria Rockwell	Past President, 2011-2012
Wes Rowley	Chair, COR
Terry Shoup	Past President, 2006-2007
Susan Skemp	Past President, 2002-2003
Robert Sims	Past President, 2014-2015
Scott Stallard	Chair, Industry Advisory Board
Jacquelyne Tan	ECLIPSE Intern
Reggie Vachon	Past President, 2003-2004
William Weiblen	Past President, 2001-2002
Charla Wise	Past President, 2017-2018

## **1. Opening of Meeting**

- 1.1 Call to Order: On September 30, 2020, a meeting of the 2020-2021 Board of Governors of the American Society of Mechanical Engineers was held using the Zoom communications application. A quorum was present, and the meeting was called to order by President Erler at 2:02 PM Eastern Daylight Time.
- 1.2 Adoption of the Agenda: The Board voted to adopt the agenda as circulated on September 24<sup>th</sup>, 2020.
- 1.3 President's Remarks: Mr. Erler thanked the Governors for all that they have done since June of 2019. A 2020 planning meeting was held where much was accomplished, with good ideas and discussions brought forth including the Society's managing of the Covid-19 situation. He reiterated his appreciation for all the hard work put in during the first 3 months of 2020.
- 1.4 Executive Director/CEO's Remarks: Mr. Costabile thanked everyone for joining the meeting and for their continued support. He has received a lot of feedback over the last several months and appreciates the guidance.

FY21 continues to be a year of transition. All ASME staff have been working from home since March 12, 2020 and will continue to do so until February of 2021. ASME's team continues to perform at 100 percent. Human Resources and the Facilities team have developed procedures for returning to the office based on advice from local authorities, while continuing to monitor and contact trace people in the office. They are also working on establishing an extended work from home model while trimming costs and taking advantage of the successes achieved so far.

The Capital Campaign commenced on July 1, 2020 with a great start of 76% support from senior leadership teams. Kathleen Lobb and her team are assembling a Campaign Cabinet. Gwynne Shotwell from SpaceX and Dr. Jean Zu from Stevens Institute of Technology are among ASME's new "friends".

Mr. Costabile expressed his pleasure with the results of the membership model and mentioned that ASME is on schedule to recommend a new path forward in February of 2021. He further commented that Phase 2 was launched on time in June to coincide with the renewal cycle, along with a new test offering of non-pilot renewals. Efforts for 2021 continued throughout Q1, test plus benefits offering, email, direct mail, and telemarketing. The membership team continues to source monthly webinar speakers and topics. Insider webinars, career development webinars and training webinars, to name a few. Back-end platform changes were tested, and all tested well. A summary will be shared with everyone in November.

Mr. Patterson stated that in accord with previous BOG discussions, an email was sent out to all members announcing that Mechanical Engineering Magazine will now be published bi-monthly and that the October/November issue shipped on September 28, 2020.

Mr. Costabile also asked Mr. Patterson to comment on the work of the Events Management team regarding the transition from a face-to-face model to a virtual model for Events necessitated by the Covid-19 situation. Mr. Patterson informed the Board that data is being collected from every event, IMECE being the last major event for 2020. Research has focused on assessing attitudes, perceptions, and experiences in attending events. To date, key numbers for recent virtual technical conferences, including figures for attendees, content, revenues, and expenses were shared. The preliminary results will be shared, most likely during the January board meeting. All signals point to utilization of a hybrid virtual/in-person model going forward

Mr. Costabile stated that ASME will continue to refine and strengthen its organizational structure in regions around the world. A lot of assumptions made before COVID are valid, however the re-tuning of the assumptions continues. The goal is to strengthen the revenue stream through a for-profit entity.

Mr. Costabile further stated that the assumptions made in the FY21 business plan have been realized for the first two months. The current monthly reforecasting and the ability to closely monitor expenses, along with the management of the cash flow continues to be the best solution.

Finally, Mr. Costabile advised that ASME is working with its bank and advisors regarding the PPP loan with the belief that most of the loan will be treated as a grant to ASME.

- 1.5 Consent Items for Action: Governor Fowler requested the removal of item, 1.5.1, Audited Financial Statement. The item was moved to Open Session Agenda Item 2.4. No requests were received to remove any of the remaining items.

The Board voted to approve the items on the Consent Items for Action:

- 1.5.2. ASME STEM Educational General Position Paper
- 1.5.3 Presidential Appointments
- 1.5.4 Proposed Appointments

## 2. Open Session Agenda Items

- 2.1 Board Selects President By-Law Development: Mr. Delli Venneri commenced by stating the purpose of the agenda item is to report on the ongoing interviews of the Board Members, Board-Nominees, President-Nominee, President, Immediate Past President, and the Executive Director/CEO.

Governor Marboe described the results of a 20-question survey that was developed and sent out to probe each of the Board Member's thoughts on key issues related to the selection of the president. The next steps will be to discuss and reach a collective adoption consensus on the issues, culminating in a new process. The new process will then be implemented by any necessary changes to the Constitution, By-laws, and Policies of the Society. Governors Marboe and Stevenson recommended that a BOG Workshop be held in October to perform the next phase of collective deliberation.

- 2.2 Code of Conduct: Mr. Erler reported that from time to time there are situations that require swift action regarding situations that occur in relation to various ASME activities. A code of conduct is critical in order to be able to react swiftly to a situation. A draft Code of Conduct was previously sent to the Board so that it could become familiar with the proposed code.

Mr. Delli Venneri advised that previously there had been a Presidential Task Force comprised of past presidents and other senior leaders that had formulated a draft Code of Conduct. The current draft modified the previous draft to reflect the existence of the newly formed Executive Committee.

Mr. Erler asked the Board to review and to send any comments or suggested changes to John Delli Venneri for further discussion with the Executive Committee and, subsequently, the Board.

- 2.3 Investment Fund Transfer: Bill Garofalo discussed the benefits of transferring the \$1.7 million currently residing in the Vanguard Energy Fund. President Erler subsequently asked the Board for the motion to be approved.

The Board:

VOTED to transfer the balance in the Vanguard Energy Fund to the T. Rowe Price New Era Fund

- 2.4 Audited Financial Statements (formerly 1.5.1 in Consent Items for Action): A discussion was had regarding the audited financial statements.

The Board:

VOTED to approve the Audited Financial Statements (formerly 1.5.1 in Consent Items for Action)

- 3 **New Business:** President Erler originally planned to discuss a new item regarding the Executive Committee but noted the meeting was running behind schedule. This topic will be moved to the November meeting.
- 4 **Open Session Information Items:** Mr. Erler announced that the next regular meeting of the Board of Governors will be held on November 10, 2020. It will be a 3-hour meeting from 12:00 PM to 3:00 PM EST. There will also be meetings held in January and April with continued discussions regarding the presidential selection process and the ISIE entity going forward. The special meetings will be one topic meetings, possibly an hour each.
- 5 **Adjournment** – The meeting was adjourned on Wednesday, September 30, 2020 at 3:05 PM EDT.



---

Robert N. Pangborn  
Secretary

#### **List of Appendices**

- 1.5.2 ASME Stem Educational General Position Paper
- 1.5.3 Presidential Appointments
- 1.5.4 Proposed Appointments
- 2.4 Audited Financial Statements



## Board of Governors Meeting Agenda Item Cover Memo

---

Date Submitted:	September 15, 2020
BOG Meeting Date:	September 30, 2020
To:	Board of Governors
From:	Connie Lausten, Chair, ASME Committee on Government Relations
Presented by:	Paul Fakes, Senior Manager, Government Relations
Agenda Title:	ASME General Position Paper on Pre-College STEM Education

---

### Agenda Item Executive Summary:

This update to ASME's previous General Position Paper from the ASME Committee on Pre-College Education offers the following general recommendations for improving K-12 STEM educational performance:

1. Encourage all K-12 schoolchildren to build STEM skills and to understand what is needed of them now to be able to major in STEM in college.
2. Support efforts to strengthen the inclusion of engineering and technology concepts in K-12 STEM education through the promotion of high-quality common standards and assessments.
3. Recruit, train, and retain qualified K-12 STEM teachers to meet demand.
4. Encourage women and underrepresented groups to pursue STEM coursework and careers.
5. Increase federally funded research focused on improving STEM teaching and learning, especially grants to schools that are focused on implementation, adoption, and widespread expansion of evidence-based teaching methods.
6. Foster partnerships among educational institutions, industry, and non-profit organizations to leverage resources and improve STEM education.

Proposed motion for BOG Action: Endorsement as an ASME General Position Paper

Attachment(s): ASME General Position Paper on Pre-College STEM 2020

## Strengthening Pre-College STEM Education in the United States as a Technology Literacy and Workforce Imperative

### **Introduction**

Since the 1990's, there has been increasing bipartisan support by federal, state, and local policymakers for strengthening science, technology, engineering, and mathematics (STEM) concepts and skills in pre-college (K-12) education curriculum. However, the United States is not the only country that has recognized a need for increased focus on STEM education. As the world marketplace becomes more reliant on STEM skills, global competition for a technologically literate and ready workforce grows, deeming it essential that the U.S. aligns its K-12 core curriculum to the expectations of its 21<sup>st</sup> century workforce.

Strong K-12 STEM education is not only important for students wishing to pursue technical degrees in higher education. All citizens need to be more technologically literate to be competitive in an economy where many emerging industries are based on technology and its applications, and where technological tools permeate a broadening spectrum of workplace tasks. Additionally, access to pre-college STEM education will help aid in the transition to a more diverse U.S. workforce. With predicted changes in demographics by the middle of the 21<sup>st</sup> century, bolstering access to, and the participation of, women and underrepresented groups in the U.S. STEM workforce is essential to fueling innovative and diverse ideas for the future.

Since 1992, ASME's Committee on Pre-College Education has been actively developing and supporting programs and materials that strengthen STEM education in the K-12 classroom through its own initiatives and in partnerships with many other organizations. ASME considers K-12 STEM education as a top priority for action by policymakers and itself plays an active role in developing a technologically literate and skilled workforce through [ASME K-12 STEM Education Programs](#).

### **Recommendations**

Parents, educators, and governments at all levels, and the private sector each have important roles in ensuring that future generations will possess the skills and critical competencies necessary to be successful in a highly competitive, global, and technologically sophisticated 21<sup>st</sup> century economy. These stakeholders must work together to ensure that all students receive the STEM education and training essential for future success.

ASME offers the following general recommendations for improving K-12 STEM educational performance:

1. Encourage all K-12 schoolchildren to build STEM skills and to understand what is needed of them now to be able to major in STEM in college.
2. Support efforts to strengthen the inclusion of engineering and technology concepts in K-12 STEM education through the promotion of high-quality common standards and assessments.
3. Recruit, train, and retain qualified K-12 STEM teachers to meet demand.
4. Encourage women and underrepresented groups to pursue STEM coursework and careers.
5. Increase federally funded research focused on improving STEM teaching and learning, especially grants to schools that are focused on implementation, adoption, and widespread expansion of evidence-based teaching methods.
6. Foster partnerships among educational institutions, industry, and non-profit organizations to leverage resources and improve STEM education.

**1. Encourage all K-12 schoolchildren to build STEM skills and understand what is needed of them now to be able to major in STEM in college.**

Despite the rapidly growing STEM job market, not enough American students are picking STEM majors and those who do need to be more adequately prepared and better able to compete with talent globally. Engineering majors and careers specifically should be encouraged among K-12 students as accreditation requirements have made engineering curricula less flexible, requiring students to be more selective in choosing their courses. For example, completing a bachelor's degree in engineering in a reasonable timeframe is difficult if a student lacks preparation in calculus and physics before entering college. Students who are interested in becoming engineers would be well-served to plan for this during high school. Further, it is imperative that colleges and universities be involved in aiding these K-12 STEM efforts. This can take the form of research in education and pedagogy, conducting outreach to help students know what is needed in high school to be prepared to pursue a STEM major, or developing curricula intended to help STEM majors enter teaching careers.

In addition to encouraging students themselves to pursue STEM majors and careers, it is important that teachers are educated in the curriculum and STEM pathways. It is important for K-12 educators and curriculum developers to recognize that educational materials are increasingly delivered online. As more and more schools and students can access online materials, we have the opportunity to bring high-quality instructional materials to schools and students who may not have access to well-trained STEM teachers. The materials alone are not a substitute for good teaching, but their availability can begin to alleviate the disadvantages faced by students who do not have the benefit of STEM teachers at their own schools.

Policymakers can encourage all schoolchildren to pursue STEM careers by:

- Encouraging students to consider engineering majors and careers specifically, not just STEM generally.
- Emphasizing the need to encourage all schoolchildren to pursue STEM.
- Enlisting colleges and universities to aid with K-12 STEM efforts.
- Using online platforms to create greater access STEM education materials.
- Encouraging students with potential interest in STEM careers to take more math and science courses while in high school.

**2. Support efforts to strengthen the inclusion of engineering and technology concepts in K-12 STEM education through the promotion of high-quality common standards and assessments.**

Development of effective STEM curriculum and assessment tools must be based on high standards of achievement. These standards should extend well beyond requiring knowledge of fundamental STEM facts, processes, and techniques. They should support curricula that cultivate creative, critical thinking skills and encourage interdisciplinary approaches to issues and problems. According to the National Academy of Engineering report, [Engineering in K-12 Education: Understanding the Status and Improving the Prospects](#), the introduction of engineering education to the K-12 classroom has the potential to promote critical thinking, provide new levels of relevancy to motivate students to learn science content, make engineering and engineering careers more accessible to all students, and prepare the next generation to solve global problems facing humanity.<sup>1</sup>

---

<sup>1</sup> *Engineering in K-12 Education: Understanding the Status and Improving the Prospects*. National Academies, 2009.

ASME has been supportive of the next generation science standards (NGSS) since their inception. The NGSS values engineering education equally with mathematics and science, which have traditionally been taught to all students beginning at a young age.<sup>2</sup> The NGSS represents the first-time engineering content has been included in K-12 science standards in a meaningful way.

Policymakers can help strengthen K-12 STEM education by supporting efforts that aim to:

- Increase the development of hands-on, open-ended problem-solving curricula and modules of engineering problems—grouped by discipline and level of difficulty and based on research—for the K-12 classroom.
- Promote engineering habits of mind, including systems thinking, creativity, collaboration, communication, and attention to ethical considerations.
- Fully incorporate the engineering design process into NGSS and other K-12 state and local standards.
- Pursue the development of better assessment mechanisms aligned with state and local standards.
- Resist the tendency to “push back” standards when assessment results are less than satisfactory.
- Improve coordination of existing STEM education programs across the federal science and engineering agencies.

### **3. Recruit, train, and retain qualified STEM teachers to meet demand.**

High-quality teaching can have lasting effects on students.<sup>3</sup> According to the most recent Science and Engineering Indicators report, “highly qualified teachers are less prevalent at schools with high-minority and high-poverty populations.”<sup>4</sup> For instance, in 2015 (most recent year for which data are available), 75% of all eighth graders had a mathematics teacher with more than 5 years of teaching experience. That number dips to 69% of students when only considering schools with high minority enrollment, and the number rises to 78% of students when only considering schools with low minority enrollment.<sup>5</sup>

For college graduates with STEM degrees, the lure of higher salaries in the private sector depletes the potential supply of qualified K-12 science, mathematics, and technology/engineering teachers. Those who have STEM degrees and may have an interest in teaching, but are not certified, might face time and/or cost requirements for educational certification that can further discourage them from pursuing teaching careers.

There is also a significant need for increased teacher involvement in planning, expanding, and improving pre-college engineering education. A recent National Academies of Engineering report titled [Increasing the Roles and Significance of Teachers in Policymaking for K-12 Engineering Education](#) found that “many of the policies and practices that shape K-12 engineering education have not been fully or, in some cases, even marginally informed by the knowledge of teacher leaders ... the problem is exacerbated for education in engineering, because this is a subject about which most K-12 educators, administrators, and policymakers lack content or conceptual knowledge.” Therefore, it is not only essential to recruit, train, and retain qualified STEM teachers, but it is equally important to involve them in the development of curriculum and educational policies surrounding pre-college engineering education.

---

<sup>2</sup> <https://successfulstemeducation.org/resources/engineering-emphasizing-%E2%80%9Ce%E2%80%9D-stem-education>

<sup>3</sup> Chetty, Friedman, Rockoff, “The Long-Term Effects of Teachers: Teacher-Value Added and Student Outcomes in Adulthood. National Bureau of Economic Research: December 2011.

<sup>4</sup> <https://nces.nsf.gov/pubs/nsb20196/teachers-of-mathematics>.

<sup>5</sup> <https://nces.nsf.gov/pubs/nsb20196/teachers-of-mathematics>.

Policymakers can enhance the recruitment, training, and retention of qualified STEM teachers by:

- Attracting new university graduates with degrees in STEM fields to teaching careers through student loan forgiveness, bonuses, tax incentives, and financial support for teacher certification.
- Developing and implementing alternative certification and transition-to-teaching programs for engineers and other technical professionals.
- Allowing for differential pay scales to help attract and retain qualified STEM educators.
- Improving in-service professional development focusing on STEM curricula.
- Instituting mentoring programs for STEM personnel in schools.
- Educating pre-service and in-service teachers on proven student-learning methodology in teacher professional development programs.
- Promoting STEM coursework in pre-service/university teacher training.
- Producing, evaluating, and disseminating the best practices in STEM programs and online curricula, so that they are easily accessible to educators.
- Increasing the roles and significance of teachers in policymaking for K-12 engineering education.

#### **4. Encourage women and underrepresented groups to pursue STEM coursework and careers.**

The U.S. economy relies on the productivity, creativity, and entrepreneurship of all U.S. citizens, yet women and minorities are significantly underrepresented in STEM fields. To address the issue of gender and racial underrepresentation in the engineering workforce and the STEM workforce more broadly, it is important to examine gender and racial disparities in overall postsecondary education. For instance, when it comes to racial diversity specifically, the underrepresentation of minority groups in engineering and STEM can in large part be attributed to the lack of diversity in higher education in general.<sup>1</sup> However, the underrepresentation of women in engineering is specifically related to the field of study and not tied to the overall number of female postsecondary degree seekers. While racial underrepresentation is a systemic issue in postsecondary education, gender disparity is specifically a problem in engineering.

Understanding why and in which ways women and minorities are underrepresented in engineering is essential in making actionable, result-driven recommendations on how best to increase diversity and inclusion in STEM. By leveraging the diversity of these individuals' perspectives and bolstering their participation in the STEM workforce, more innovative and diverse ideas would be generated, which would fuel the innovation necessary for our future global competitiveness.

We urge policymakers to aim to broaden participation by underrepresented groups in STEM fields, by:

- Enabling all students to have access to a rigorous STEM curriculum, hands-on laboratory experiences, and informal learning that increases academic performance and interest in STEM careers, which can also provide opportunities for families and future economic stability.
- Increasing public awareness of STEM careers, including supporting efforts to foster outreach to all students, teachers, parents, and K-12 guidance counselors.
- Consciously working against biases (conscious or unconscious) and striving for a STEM workforce that reflects the U.S. citizenry.
- Offering incentives and mentoring for women and underrepresented groups to pursue STEM coursework and careers, including teaching careers, and continuing to provide professional achievement opportunities post-graduation and throughout their careers.

**5. Increase federally funded research focused on STEM teaching and learning, especially grants to schools that are focused on implementation, adoption, and widespread expansion of proven teaching methods.**

The educational research community has developed many excellent pilot studies and programs based on what teaching methods work best in K-12 STEM education classrooms. However, often there are insufficient funds to be able to widely disseminate these evidence-based teaching methods into local schools. Policymakers should increase federally funded research focused on STEM teaching and learning, especially those programs for:

- Providing resources to help schools implement and adopt proven STEM teaching methods, i.e. allowing schools time to undergo the curriculum changes and teacher training needed to adopt these programs into their schools.
- Increasing the evaluation components of research focused on STEM teaching and learning.

**6. Foster partnerships among educational institutions, industry, and non-profit organizations.**

The ASME INSPIRE program—a scalable STEM education program that delivers a mind-expanding learning experience primarily to middle and high school students who might otherwise never be exposed to the opportunities available in engineering—is currently being offered to more than 100,000 students in over 1,300 schools in all 50 states.<sup>6</sup> Many other non-profit organizations, educational entities, and corporations also sponsor educational projects at their local community schools to further K-12 STEM learning. Using these resources, policymakers should support the development of partnerships among educational institutions, industry, and non-profit organization, with the goals of:

- Facilitating the ability for STEM professionals to work with teachers and students, while also improving the image of STEM careers.
- Fostering adopt-a-school programs.
- Promoting relevant summer externships for teachers in STEM positions at local corporations, government laboratories, and universities.
- Developing recognition awards for private-sector STEM involvement.
- Creating and funding the publication and dissemination of materials for public outreach, including parental and guidance counselor education, on the potential impact of a quality K-12 STEM education on the future workforce.

---

<sup>1</sup> Su, L. (2010). Quantification of diversity in engineering higher education in the United States *Journal of Women and Minorities in Science and Engineering* 16(2), 161–175.

---

<sup>6</sup> <https://www.asmefoundation.org/programs/stemeducation/asme-inspire/>.



**Board of Governors  
Agenda Item  
Cover Memo**

---

Date Submitted:	September 16, 2020
BOG Meeting Date:	September 30, 2020
To:	Board of Governors
From:	Bryan Erler
Presented by:	Bryan Erler
Agenda Title:	FY21 Presidential Appointments Additions

---

Agenda Item Executive Summary:

The Appointment of Governors to serve as committee members and in liaison roles has been updated to include:

- Philanthropy Committee Liaison: **Karen Ohland** (1 year)
- Nominating Committee Liaison: **Tom Kurfess** (1 year)

Proposed motion for BOG Action: Approval of Karen Ohland and Tom Kurfess to serve in these liaison roles for FY21.

Attachments: None



**ASME Board of Governors  
Agenda Item  
Cover Memo**

---

**Date Submitted: September 15, 2020**  
**BOG Meeting Date: September 30, 2020**

**To: Board of Governors**  
**From: Committee on Organization and Rules**  
**Presented by: Wes Rowley**  
**Agenda Title: Proposed Appointments**

---

**Agenda Item Executive Summary:**

Proposed appointments reviewed by the COR on September 15, 2020.

**Proposed motion for BOG Action:**

To approve the attached appointments.

**Attachments:** Document attached.

**SEPTEMBER 2020**

**PROPOSED APPOINTMENTS  
TO ASME UNITS**

<b>Internal Unit</b>	<b>Nominee</b>	<b>Appointment Position/Title</b>	<b>Appointment Term/Category</b>	<b>Appointment Type</b>	<b>History</b>
Student and Early Career Development Council	Mandy Cowgill	Member-at-Large	September 2020 – June 2021	Initial	E-Fest Steering Committee
Student and Early Career Development Council	Vicki Risinger	Member-at-Large	September 2020 – June 2021	Initial	Petroleum Division Executive Committee
Student and Early Career Development Council	Nicole Salloum	Member-at-Large	September 2020 – June 2021	Initial	Student Leadership Training Committee

**ASME Board of Governors  
Agenda Item  
Cover Memo**

---

**Date Submitted:** September 24, 2020  
**BOG Meeting Date:** September 30, 2020

**To: Board of Governors**  
**From: Committee on Finance**  
**Presented by:** Betty Bowersox and William Garofalo  
**Agenda Title:** Investment Fund Transfer

---

**Agenda Item Executive Summary:**

Transfer the balance in the Vanguard Energy Fund (approximately \$1.7M at date of transfer) to the T. Rowe Price New Era Fund.

The Vanguard Energy Fund recently changed its mandate from 100% fossil fuel companies, such as Chevron, to now include a 33% commitment to utilities encompassing alternative energy. Energy is a natural resource which has always caused its inclusion in broader based natural resource funds to some degree. However, broader based natural resource funds also have investments in basic material companies which can include a multitude of industries such as steel, iron ore, cement, et al. Given the decline in fossil fuels due to increasing environmental pressure and the greater diversification offered by broader natural resource funds, it is recommended the balance in the Vanguard Energy Fund be transferred into the T. Rowe Price New Era Fund.

T. Rowe New Era has a Gold Morningstar rating, above average long-term performance, and a below average annual fee of 69 basis points versus an industry average of 1.3%. The Fund has 33% in basic materials, 38% in energy, 9% in utilities, et al. The Vanguard Energy Fund has approximately 67% in energy, 33% in utilities, and no basic material exposure.

In terms of timing, Bank Credit Analyst has a favorable outlook for basic materials stocks. Overall, this change will create a more diversified natural resource portfolio.

**Proposed motion for BOG Action:**

Transfer the balance in the Vanguard Energy Fund to the T. Rowe Price New Era Fund.

**Attachments:**

August 31, 2020 Investment Summary

# AMER. SOCIETY OF MECHANICAL ENGINEERS (COF)



PRELIMINARY PERFORMANCE UPDATE THROUGH AUGUST 31, 2020

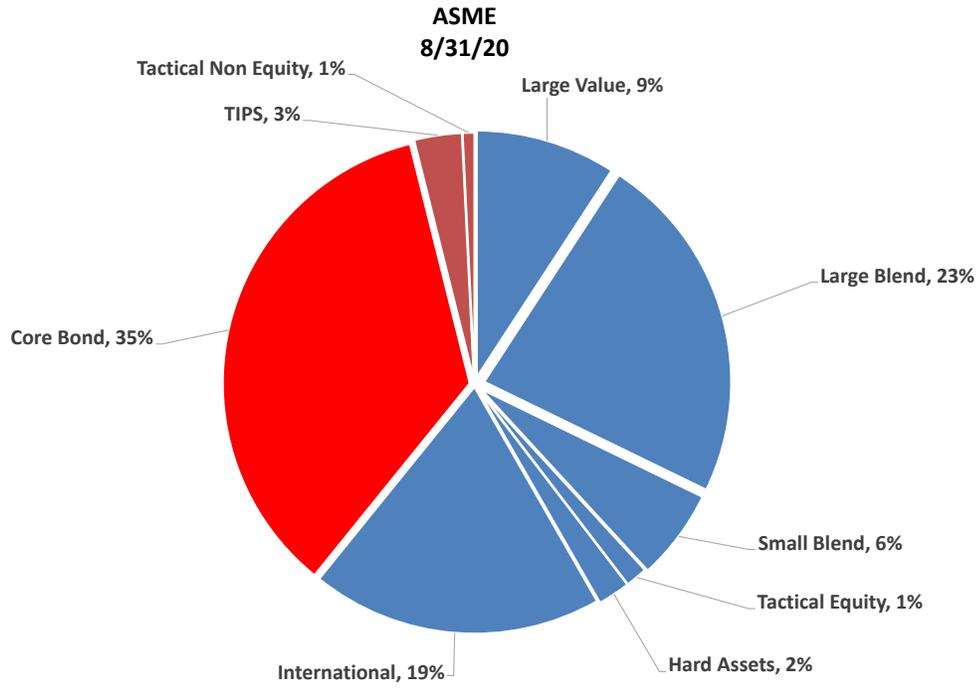
**COF**

E - Equity  
F - Fixed Income  
B - Blend Fixed and Equity

MANAGER		MARKET VALUE 8/31/2020	% OF TOTAL	FISCAL YEAR PERFORMANCE 6/30/20-8/31/20	YTD PERFORMANCE 12/31/19-8/31/20	3-YEAR RANK
<b><u>LARGE CAP VALUE</u></b>						
BRIDGEWAY - E	TOTAL	\$10,133,153	9.2%	7.11%	-14.04%	89
RUSSELL 1000 VALUE				8.25%	-9.35%	
LARGE CAP VALUE MEDIAN				7.84%	-8.51%	
<b><u>LARGE CAP BLEND</u></b>						
VANGUARD INSTIT. INDEX - E	TOTAL	\$25,361,979	23.0%	13.23%	9.74%	17
LARGE CAP BLEND MEDIAN				11.59%	5.76%	
S&P 500				13.23%	9.74%	
<b><u>MODERATE ALLOCATION</u></b>						
LEUTHOLD CORE - B	TOTAL	\$2,436,150	2.2%	6.33%	4.59%	40
	65% equity	\$1,583,498	1.4%			
	35% non equity	\$852,653	0.8%			
AVERAGE MODERATE ALLOCATION				7.20%	3.59%	
<b><u>SMALL CAP BLEND</u></b>						
VANGUARD SMALL-CAP INDEX - E	TOTAL	\$6,570,329	6.0%	8.76%	-3.66%	6
SMALL CAP BLEND MEDIAN				8.21%	-10.00%	
RUSSELL 2000				8.56%	-5.53%	
<b><u>INTERNATIONAL</u></b>						
JOHCM INTERNATIONAL SELECT - E	TOTAL	\$11,467,930	10.4%	9.57%	14.36%	33
MSCI ACWI ex - US				9.00%	-2.73%	
DODGE & COX INT'L - E	TOTAL	\$9,571,647	8.7%	6.16%	-13.42%	59
INTERNATIONAL VALUE MANAGER MEDIAN				6.53%	-11.19%	
MSCI ACWI ex - US VALUE				6.80%	-13.66%	
<b><u>HARD ASSETS</u></b>						
VANGUARD ENERGY - E	TOTAL	\$1,653,135	1.5%	0.00%	-31.54%	11
AVERAGE EQUITY ENERGY MANAGER				1.78%	-36.38%	
T. ROWE PRICE NEW ERA - E	TOTAL	\$682,797	0.6%	8.84%	-15.20%	75
AVERAGE NATURAL RESOURCES MANAGER				11.94%	-4.28%	
<b>EQUITY</b>	<b>TOTAL</b>	<b>\$67,024,468</b>	<b>60.8%</b>	<b>9.56%</b>	<b>-0.67%</b>	
*Equity subtotal reflects net equity exposure in Leuthold						
EQUITY BENCHMARK				10.06%	-0.73%	
*Weighted Avg. of underlying benchmarks for each manager						

MANAGER		MARKET VALUE 8/31/2020	% OF TOTAL	FISCAL YR PERFORMANCE 6/30/20-8/31/20	YTD PERFORMANCE 12/31/19-8/31/20	3-YEAR RANK
<b><u>FIXED INCOME</u></b>						
<b>DOUBLELINE TOTAL RETURN BOND - F</b> Duration: 3.5 Years <i>BARCLAYS AGGREGATE BOND</i>	TOTAL	\$10,404,396	9.4%	<b>0.66%</b> <i>0.67%</i>	<b>3.31%</b> <i>6.85%</i>	85
<b>LOOMIS SAYLES - F</b> Duration: 5.8 Years <i>BARCLAYS AGGREGATE BOND</i>	TOTAL	\$18,420,217	16.7%	<b>1.91%</b> <i>0.67%</i>	<b>8.66%</b> <i>6.85%</i>	10
<b>PRUDENTIAL CORE - F</b> Duration: 5.5 Years <i>BARCLAYS AGGREGATE BOND</i>	TOTAL	\$10,059,876	9.1%	<b>1.42%</b> <i>0.67%</i>	<b>6.67%</b> <i>6.85%</i>	10
<i>AVERAGE BOND MANAGER</i>				<i>0.97%</i>	<i>6.56%</i>	
<i>HIGH YIELD MEDIAN</i>				<i>5.19%</i>	<i>-0.12%</i>	
<b><u>REAL ASSETS</u></b>						
<b>VANGUARD SHRT-TERM INFL-PROT</b> Duration: 2.4 Years <i>BARCLAYS U.S. TIPS</i>	TOTAL	\$3,436,647	3.1%	<b>1.87%</b> <i>3.42%</i>	<b>3.77%</b> <i>9.63%</i>	85
<b>FIXED INCOME</b>	<b>TOTAL</b>	<b>\$43,173,789</b>	<b>39.2%</b>	<b>1.48%</b>	<b>5.95%</b>	
<i>*Fixed subtotal includes non-equity exposure in Leuthold</i>						
<i>FIXED INCOME BENCHMARK</i>				<i>1.00%</i>	<i>6.94%</i>	
<i>*Weighted Avg. of underlying benchmarks for each manager</i>						
<b>COMPOSITE</b>	<b>TOTAL</b>	<b>\$110,198,256</b>	<b>100.0%</b>	<b>6.31%</b>	<b>1.97%</b>	
<i>BLENDED BENCH</i>				<i>6.31%</i>	<i>1.99%</i>	
<i>AVERAGE WORLD ALLOCATION</i>				<i>6.32%</i>	<i>-2.23%</i>	
<i>S&amp;P 500</i>				<i>13.23%</i>	<i>9.74%</i>	
<i>RUSSELL 2000</i>				<i>8.56%</i>	<i>-5.53%</i>	
<i>BC AGGREGATE BOND</i>				<i>0.67%</i>	<i>6.85%</i>	
<i>BARCLAYS US TIPS</i>				<i>3.42%</i>	<i>9.63%</i>	
<i>MSCI ACWI ex - US</i>				<i>9.00%</i>	<i>-2.73%</i>	
<i>90-DAY T-BILLS</i>				<i>0.02%</i>	<i>0.55%</i>	

\* Leuthold is **included** in Equity composite performance and is **excluded** from Fixed Income composite performance



**ASME Board of Governors  
Agenda Item  
Cover Memo**

---

**Date Submitted:** September 14, 2020  
**BOG Meeting Date:** September 30, 2020

**To: Board of Governors**  
**From: Audit Committee**  
**Presented by:** Joe Fowler and William Garofalo  
**Agenda Title:** Audited Financial Statements

---

**Agenda Item Executive Summary:**

Audited Financial Statements for the Fiscal Year Ended June 30, 2020.

**Proposed motion for BOG Action:**

The Audit Committee recommends that the ASME Board of Governors accept and approve Audited Financial Statements for the Fiscal Year Ended June 30, 2020 as presented by KPMG.

The Audit Committee recommends that ASME Board of Governors appoint KPMG as auditors for the FY2021 audit.

**Attachments:**

Audited Financial Statements for the Fiscal Year Ended June 30, 2020.

**THE AMERICAN SOCIETY OF MECHANICAL ENGINEERS**

Consolidated Financial Statements

June 30, 2020

(With Independent Auditors' Report Thereon)

## Independent Auditors' Report

To the Board of Governors  
The American Society of Mechanical Engineers:

We have audited the accompanying consolidated financial statements of The American Society of Mechanical Engineers D/B/A ASME (the Society), which comprise the consolidated statements of financial position as of June 30, 2020, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

### *Management's Responsibility for the Consolidated Financial Statements*

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

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated 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 entity'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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Society as of June 30, 2020, and the changes in their net assets and their cash flows for the year then ended, in conformity with U.S. generally accepted accounting principles.

  
(signed) KPMG LLP

New York, New York  
Date

**THE AMERICAN SOCIETY OF MECHANICAL ENGINEERS**

Consolidated Statement of Financial Position

June 30, 2020

<b>Assets</b>	<b>General</b>	<b>Designated and restricted</b>	<b>Consolidating adjustments</b>	<b>Total</b>
Cash and cash equivalents (note 14)	\$ 7,310,937	5,250,269	—	12,561,206
Accounts receivable, less allowance for doubtful accounts of \$420,000 in 2020 (note 14)	22,704,987	1,003,443	(10,332,226)	13,376,204
Due from The ASME Foundation, Inc.	—	103,256	(103,256)	—
Inventories	151,585	222,675	0	374,260
Prepaid expenses, deferred charges, and deposits	4,143,033	40,158	0	4,183,191
Investments (note 5)	78,425,210	48,785,075	0	127,210,285
Property, furniture, equipment, and leasehold improvements, net (note 6)	20,465,793	12,971	0	20,478,764
Total assets	<u>\$ 133,201,545</u>	<u>55,417,847</u>	<u>(10,435,482)</u>	<u>178,183,910</u>
<b>Liabilities and Net Assets</b>				
Liabilities:				
Accounts payable and accrued expenses	\$ 6,310,689	11,916,250	(10,232,226)	7,994,713
Due to The ASME Foundation, Inc.	103,256	—	(103,256)	—
Accrued employee benefits (notes 8 and 9)	10,463,080	—	—	10,463,080
Deferred publications revenue	6,677,762	—	—	6,677,762
Deferred dues revenue	2,263,217	—	—	2,263,217
Accreditation and other deferred revenue	19,286,829	92,492	—	19,379,321
Deferred rent (note 12)	8,665,985	—	—	8,665,985
Payroll Protection Program loan (note 13)	9,324,283	—	—	9,324,283
Total liabilities	<u>63,095,101</u>	<u>12,008,742</u>	<u>(10,335,482)</u>	<u>64,768,361</u>
Commitments (notes 6, 12, and 14)				
Net assets:				
Without donor restrictions	70,106,444	26,942,622	(100,000)	96,949,066
With donor restrictions (note 10)	—	16,466,483	—	16,466,483
Total net assets	<u>70,106,444</u>	<u>43,409,105</u>	<u>(100,000)</u>	<u>113,415,549</u>
Total liabilities and net assets	<u>\$ 133,201,545</u>	<u>55,417,847</u>	<u>(10,435,482)</u>	<u>178,183,910</u>

See accompanying notes to consolidated financial statements.

**THE AMERICAN SOCIETY OF MECHANICAL ENGINEERS**

Consolidated Statement of Activities

Year ended June 30, 2020

	<u>General</u>	<u>Designated and restricted (note 10)</u>	<u>Consolidating adjustments</u>	<u>Total</u>
Operating revenue (note 7):				
Membership dues, publications, accreditation, conference fees, and other revenue by sector/operating unit:				
Codes and standards	\$ 55,213,200	54,974	—	55,268,174
Conformity assessment	24,146,730	348	—	24,147,078
Learning and development	4,199,278	—	—	4,199,278
Programs	866,553	2,205,354	(1,745,194)	1,326,713
Technical events and content	5,740,341	1,117,245	(827)	6,856,759
Publications	14,151,541	—	—	14,151,541
Constituent engagement	11,195,738	—	—	11,195,738
Miscellaneous revenue	345,537	773,950	(773,950)	345,537
Total operating revenue	<u>115,858,918</u>	<u>4,151,871</u>	<u>(2,519,971)</u>	<u>117,490,818</u>
Operating expenses:				
Program services by sector/operating unit:				
Codes and standards	18,028,055	490,813	(43,243)	18,475,625
Conformity assessment	15,194,184	10,309	—	15,204,493
Learning and development	7,372,495	—	—	7,372,495
Programs	5,782,065	2,162,186	(1,514,043)	6,430,208
Technical events and content	12,076,461	2,206,896	(38,519)	14,244,838
Publications	11,453,908	—	—	11,453,908
Technology advancement and business development and industry events	4,082,811	—	—	4,082,811
Global public affairs	5,289,389	695,376	(736,257)	5,248,508
Constituent engagement	5,809,353	—	—	5,809,353
Total program services	<u>85,088,721</u>	<u>5,565,580</u>	<u>(2,332,062)</u>	<u>88,322,239</u>
Supporting services:				
Board of governors and committees	1,253,124	48,890	—	1,302,014
Marketing	8,206,745	—	—	8,206,745
Sales and customer care	2,442,322	—	—	2,442,322
General administration (note 4)	28,120,113	316,524	(187,909)	28,248,728
Total supporting services	<u>40,022,304</u>	<u>365,414</u>	<u>(187,909)</u>	<u>40,199,809</u>
Total operating expenses	<u>125,111,025</u>	<u>5,930,994</u>	<u>(2,519,971)</u>	<u>128,522,048</u>
Deficit of operating revenue over expenses	(9,252,107)	(1,779,123)	—	(11,031,230)
Nonoperating activities:				
Investment returns, net	1,642,569	360,626	—	2,003,195
Pension and post-retirement changes other than net periodic costs (notes 8 and 9)	(7,428,913)	—	—	(7,428,913)
Other components of net periodic costs (notes 8 and 9)	(80,464)	—	—	(80,464)
Decrease in net assets (note 10)	(15,118,915)	(1,418,497)	—	(16,537,412)
Net assets at beginning of year, as restated (note 1)	<u>85,225,359</u>	<u>44,827,602</u>	<u>(100,000)</u>	<u>129,952,961</u>
Net assets at end of year	<u>\$ 70,106,444</u>	<u>43,409,105</u>	<u>(100,000)</u>	<u>113,415,549</u>

See accompanying notes to consolidated financial statements.

THE AMERICAN SOCIETY OF MECHANICAL ENGINEERS

Consolidated Statement of Functional Expenses

Year ended June 30, 2020

	Salaries and benefits	Consulting fees	Occupancy	Advertising, office expenses, and other	Conferences, conventions, and meetings (including travel)	Grants	Depreciation and amortization	Conformity assessment audit services	Costs of products and services	Total expenses
Program services:										
Codes and standards	\$ 8,263,224	972,102	1,932,405	2,197,447	1,087,214	19,537	1,165,017	—	2,838,679	18,475,625
Conformity assessment	4,815,017	693,377	879,560	1,124,599	216,386	65	1,123,673	6,176,419	175,397	15,204,493
Learning and development	2,631,488	1,328,132	412,475	501,923	622,431	75	267,168	—	1,608,803	7,372,495
Programs	3,309,425	1,200,091	10,168	1,219,278	166,051	177,948	35,416	—	311,831	6,430,208
Technical events and content	4,838,834	636,887	836,265	3,276,776	3,364,029	181,663	511,923	—	598,461	14,244,838
Publications	5,386,193	237,977	960,762	997,709	17,175	370	598,058	—	3,255,664	11,453,908
Technology advancement and business development	2,594,564	270,963	385,299	418,143	153,529	—	229,473	—	30,840	4,082,811
Global public affairs	2,901,401	353,954	888,720	521,811	60,154	48	478,682	—	43,738	5,248,508
Constituent engagement	2,901,211	137,128	178,126	1,393,365	968	24,979	116,886	—	1,056,690	5,809,353
Total program services	37,641,357	5,830,611	6,483,780	11,651,051	5,687,937	404,685	4,526,296	6,176,419	9,920,103	88,322,239
Supporting services:										
Board of governors and committees	648,827	17,524	1,462	163,658	125,684	6,807	1,701	—	336,351	1,302,014
Marketing	4,711,389	288,039	6,759	3,160,838	29,047	—	—	—	10,673	8,206,745
Sales and customer care	1,290,459	847,330	2,395	151,086	137,489	—	—	—	13,563	2,442,322
General administration	21,802,768	2,125,819	35,936	2,721,880	332,750	4,158	1,175,972	—	49,445	28,248,728
Total supporting services	28,453,443	3,278,712	46,552	6,197,462	624,970	10,965	1,177,673	—	410,032	40,199,809
Total 2020 expenses	\$ 66,094,800	9,109,323	6,530,332	17,848,513	6,312,907	415,650	5,703,969	6,176,419	10,330,135	128,522,048

See accompanying notes to consolidated financial statements.

**THE AMERICAN SOCIETY OF MECHANICAL ENGINEERS**

## Consolidated Statement of Cash Flows

Year ended June 30, 2020

Cash flows from operating activities:	
Decrease in net assets	\$ (16,537,412)
Adjustments to reconcile decrease in net assets to net cash used in operating activities:	
Depreciation and amortization	5,703,969
Loss on disposal of fixed assets	147,725
Realized and unrealized loss on investments	706,683
Bad debt expense	122,000
Pension and post-retirement changes other than net periodic costs	7,428,913
Present value adjustment to annuities payable	(20,528)
Changes in operating assets and liabilities:	
Accounts receivable	944,246
Inventories	497,454
Prepaid expenses, deferred charges, and deposits	(1,197,723)
Accounts payable and accrued expenses	(5,806,884)
Accrued employee benefits	(8,592,822)
Deferred publications revenue	6,562,922
Deferred dues revenue	(235,798)
Accreditation and other deferred	(3,560,126)
Deferred rent	(944,034)
Net cash used in operating activities	<u>(14,781,415)</u>
Cash flows from investing activities:	
Collection of loans from students	21,194
Purchases of investments	(10,693,300)
Proceeds from sales of investments	25,726,203
Acquisition of fixed assets	(4,059,979)
Net cash provided by investing activities	<u>10,994,118</u>
Cash flows from financing activities:	
Proceeds from Payroll Protection Program loan	9,324,283
Proceeds received from gift annuity contract, net of amount recorded in operating	407,501
Annuity payments	(82,521)
Net cash provided by financing activities	<u>9,649,263</u>
Net increase in cash and cash equivalents	5,861,966
Cash and cash equivalents at beginning of year as restated (note 1)	<u>6,699,240</u>
Cash and cash equivalents at end of year	<u><u>\$ 12,561,206</u></u>

See accompanying notes to consolidated financial statements.

**THE AMERICAN SOCIETY OF MECHANICAL ENGINEERS**

## Notes to Consolidated Financial Statements

June 30, 2020

**(1) Organization**

Founded in 1880, The American Society of Mechanical Engineers (the Society), also known as ASME, is the premier organization for promoting the art, science, and practice of mechanical engineering throughout the world. The Society is incorporated as a not-for-profit organization in the State of New York and is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the Code).

The Society's mission is to serve diverse global communities by advancing, disseminating, and applying engineering knowledge for improving the quality of life and communicating the excitement of engineering.

The Society has eight limited liability corporations (LLC) and one foreign corporate entity that are consolidated into the Society's financial statements. These are ASME Innovative Technologies Institute (ITI) LLC, ASME Standards Technology (ST) LLC, ASME Asia Pacific (AP) LLC, Engineering for Change (E4C) LLC, ASME East Asia Holding LLC (EAH), ASME India Private LTD (India), Personnel Certifications, LLC (PCLLC), Engineering Societies of America, LLC (ESA) and The International Society of Interdisciplinary Engineers LLC (ISIE). ITI develops standards primarily in the risk assessment/management area. ST develops standards for emerging technologies. AP promotes the understanding and use of ASME Codes and Standards, along with other ASME services, in the growing markets of the Asia Pacific region. E4C facilitates the development of affordable, locally appropriate and sustainable solutions to the most pressing humanitarian challenges. EAH is a shareholder of India. India promotes awareness and use of the broad array of ASME products and services in the growing India market. PCLLC enables individuals to achieve certifications to bring back to their sponsoring organization to provide best-practices. ESA supports the advancement of engineering in the public interest by serving as the United States representative to the World Federation of Engineering Organizations. ISIE aims to be the premier engagement forum for the engineering community globally, seeks to help engineers realize their impact for the benefit of humanity, and plans to become arbiter of standards for emerging tech & engineering categories.

These operations are included in the designated and restricted column of the consolidated financial statements. All significant intercompany transactions have been eliminated. The accompanying consolidated financial statements also include The ASME Foundation, Inc, (the Foundation), which is a separately incorporated organization owned solely and controlled by the Society.

The accompanying consolidated financial statements do not include the Society's nondomestic sections (unincorporated geographical subdivisions, which are not controlled by the Society). In addition, they do not include The American Society of Mechanical Engineers Auxiliary, Inc. (the Auxiliary), which is a separately incorporated organization affiliated with, but not controlled by, the Society.

In fiscal 2020, the Society became the sole member of the Foundation. The Foundation was consolidated retrospectively. The following adjustments were made to restate the opening net assets.

**THE AMERICAN SOCIETY OF MECHANICAL ENGINEERS**

Notes to Consolidated Financial Statements

June 30, 2020

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Net assets at June 30, 2019, as previously reported	\$ 103,647,496	449,441	104,096,937
Adjustment:			
The ASME Foundation, Inc. net assets	<u>8,229,180</u>	<u>17,626,844</u>	<u>25,856,024</u>
Net assets at June 30, 2019, as adjusted	<u>\$ 111,876,676</u>	<u>18,076,285</u>	<u>129,952,961</u>

The Foundation's net assets are included in the designated and restricted net assets in the consolidated financial statements.

**(2) Summary of Significant Accounting Policies**

**(a) Basis of Accounting**

The consolidated financial statements have been prepared on the accrual basis of accounting.

**(b) Basis of Presentation**

The Society's net assets, revenue, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Society and changes therein are classified and reported as follows:

*Without donor restrictions* – Net assets that are not subject to donor-imposed stipulations.

*With donor restrictions* – Net assets subject to donor-imposed stipulations. These include net assets that are subject to time or purpose restrictions and donor restricted endowments. Assets with time restrictions are satisfied either by actions of the Society and/or the passage of time. Donor restricted endowments must be maintained permanently by the Society. Generally, the donors of these assets permit the Society to use all or part of the income earned on related investments for general or specific purposes. Included in this balance is donor endowment in the amount of \$5,653,127 in 2020.

Revenues are reported as increases in net assets without donor restrictions unless their use is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor 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 by law. Expirations of net assets with donor restrictions (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions. Restricted contributions are recorded as net assets without donor restrictions if the restrictions are fulfilled in the same time period in which the contribution is received.

## THE AMERICAN SOCIETY OF MECHANICAL ENGINEERS

### Notes to Consolidated Financial Statements

June 30, 2020

#### (c) *Revenue and Expenses*

The Society's revenue and expenses are classified in a functional format. Classifications are composed principally of the following:

**Codes and Standards** – Revenue includes publication sales of Codes and Standards. Revenue from the sale of Codes and Standards is recognized when the order is fulfilled. The principal product affecting revenue and expenses for this financial statement component is the Society's Boiler and Pressure Vessel Code (the Boiler Code). The Boiler Code is published every two years. The 2019 Boiler Code was released in July 2019 and the previously issued 2017 Boiler Code was fully recognized as revenue at June 30, 2019 resulting in no impact to net assets at July 1, 2019. Expenses are recognized as they are incurred. The amount of receivables at June 30, 2020 and 2019 is approximately \$6,489,000 and \$6,035,000, respectively.

**Conformity Assessment** – Revenue includes accreditation program fees. All accreditation revenues are recognized in the period that the accreditation process is completed, and certificates and/or stamps are issued. Expenses are recognized as they are incurred. The amount of receivables at June 30, 2020 and 2019 is approximately \$771,000 and \$2,348,000, respectively. The deferred amount at June 30, 2020 and 2019 is approximately \$18,048,000 and \$13,751,000, respectively.

**Learning and Development** – Revenue includes registration fees for, and publication sales related to continuing education courses provided by the Society. Revenue is recognized in the period the program is held. Expenses are recognized as they are incurred.

**Programs** – Revenue is composed principally of contributions received by the Foundation and government grants, conference and workshop revenue. Conference and workshop fees are recognized in the period the program is held. Expenses relate to the Society's programs to identify emerging issues of interest to members and the engineering profession at large and are recognized as they are incurred.

Contributions are considered to be net assets without donor restrictions unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purpose are reported as with donor restrictions. Unconditional pledged contributions are recognized as revenue in the year the promise is made and are recorded initially at fair value, which is computed as the estimated present values of expected future cash flows, if a multi-year pledge. All contribution receivables are expected to be collected in fiscal year 2020. Contributions are conditional if the agreement includes both a barrier that must be overcome for the recipient to be entitled to the assets transferred and a right of return for the transferred asset or a right of release of the promisor's obligation to transfer assets. Pledges which are conditional are recognized as revenue when the barriers are met.

**Technical Events and Content (TEC)** – TEC revenue is composed principally of registration fees from meetings, conferences, exhibits and tours, and workshop fees at the Society's technical division conferences and meetings. All fees are recognized in the period the programs are held. Expenses associated with these activities are recognized as they are incurred.

**Publications** – Revenue includes publication sales. Publication sales are recognized upon shipment of the publications except for some subscription-based activity where the revenue is

## THE AMERICAN SOCIETY OF MECHANICAL ENGINEERS

### Notes to Consolidated Financial Statements

June 30, 2020

recognized over the term of the subscription. Expenses relate to publication activities and are recognized as they are incurred. The amount of receivables at June 30, 2020 and 2019 is approximately \$3,610,000 and \$2,067,000, respectively. The deferred amount at June 30, 2020 and 2019 is approximately \$6,678,000 and \$6,480,000, respectively.

**Technology Advancement and Business Development and Industry Events** – Revenue includes revenues associated with new technologies and business opportunities. The revenue amounts to \$185,260 for the year ended June 30, 2020 and is included in miscellaneous revenue in the 2020 consolidated statement of activities. Expenses relate to the Society's mission to provide technical and policy advice to government; assure quality in engineering education; support increasing diversity of women and minorities in the engineering profession and their active involvement in the Society; dissemination of information to the public; and for government and private-sponsored programs for improving engineering education, global development, diversity in the profession, public awareness, and development of future Society leaders.

**Constituent Engagement** – Revenue includes member dues and royalties from membership-based affinity programs. Member dues are recognized over the applicable membership period. Affinity revenue is recognized over the term of the scheduled payment period. Expenses relate to membership activities, as well as membership standards, grades, recruitment, and retention, and to the Society's technical activities and are recognized as they are incurred. The amount of receivables at June 30, 2020 and 2019 is approximately \$747,000 and \$761,000, respectively. The deferred amount at June 30, 2020 and 2019 is approximately \$2,263,000 and \$2,499,000, respectively.

**Global Public Affairs** – Expenses relate to the Society's government relations and international strategy and are recognized as they are incurred.

#### **(d) Cash Equivalents**

The Society considers all highly liquid debt instruments purchased with a maturity of three months or less when acquired to be cash, except for those short-term investments managed by the Society as part of long-term investment strategies. At June 30, 2020 there were no cash equivalents

#### **(e) Accounts Receivable**

The Society determined that an allowance for uncollectible accounts is necessary for accounts receivable as of June 30, 2020 in the amount of \$420,000. This determination is based on historical loss experience and consideration of the aging of the accounts receivable. Accounts receivables are written off when all reasonable collection efforts have been exhausted.

#### **(f) Inventories**

Inventories are stated at lower of cost or market. Unit cost, which consists principally of publication printing costs, is determined based on average cost.

#### **(g) Investments**

Investments are reported at fair value (note 5). Although available for operating purposes when necessary, the investment portfolio is generally considered by management to be invested on a long-term basis. Realized and unrealized gains and losses are recognized as changes in net assets in the periods in which they occur. Interest income is recorded on the accrual basis. Dividends are

## THE AMERICAN SOCIETY OF MECHANICAL ENGINEERS

### Notes to Consolidated Financial Statements

June 30, 2020

recorded on the ex-dividend date. Purchases and sales of securities are recorded on a trade-date basis.

Fair value measurements are based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In order to increase consistency and comparability in fair value measurements, a fair value hierarchy prioritizes observable and unobservable inputs used to measure fair value into three levels, as described in note 5.

#### **(h) Property, Furniture, Equipment, and Leasehold Improvements**

Property, furniture, and equipment are depreciated on a straight-line basis over the estimated useful lives of the assets, which range from 3 to 30 years. Leasehold improvements are amortized over the lease term or the useful life of the asset, whichever is less. The Society capitalizes all assets with a cost of \$3,000 or more and a useful life of more than one year.

#### **(i) Nonoperating Activities**

The consolidated statement of activities distinguishes between operating and nonoperating activities. Nonoperating activities include net investment return and certain pension and post-retirement changes. All other activities are classified as operating.

#### **(j) Designated Funds**

The Designated Funds are primarily made up of the Foundation, the ASME Development Fund, the ASME Custodial Funds, ITI, ST, AP, EAH, E4C, India, PCLLC, ISIE and the ESA funds. The ASME Development Fund is funded by member voluntary contributions for the purpose of launching new programs. The ASME Custodial Funds hold and invest domestic division and section funds. These funds are used by domestic divisions and sections of the Society to support engineering discipline specific programs and local engineering programs.

#### **(k) Uncertain Tax Positions**

There are certain transactions that could be deemed unrelated business income and would result in a tax liability. Management reviews transactions to estimate potential tax liabilities using a threshold of more likely than not. It is management's estimation that there are no material income tax liabilities that need to be recorded at June 30, 2020.

#### **(l) Functional Expenses**

The costs of providing the various programs and other activities of the Society have been summarized by nature and function in the consolidated statement of functional expenses. Accordingly, certain technology services and facility costs have been allocated among program services and supporting services based on headcount and level of effort.

#### **(m) Use of Estimates**

The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles (U.S. GAAP) requires management to make estimates and assumptions that affect certain reported amounts and disclosures at the date of the consolidated financial statements and the reported amounts of revenue, expenses, and other changes in net assets during the reporting period. Significant estimates include the valuation of investments, the allocation of functional expenses

**THE AMERICAN SOCIETY OF MECHANICAL ENGINEERS**

Notes to Consolidated Financial Statements

June 30, 2020

and the assumptions used to account for pension and postretirement obligations. Actual results could differ from those estimates.

**(n) New Accounting Pronouncements**

In 2020, ASME adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers*, which introduced a five-step model and related application guidance, which replaces most existing revenue recognition guidance in U.S. generally accepted accounting principles. The core principle of this standard is that an entity shall recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those good or services. The adoption did not have a significant impact on the consolidated financial statements.

In 2020, ASME also adopted FASB ASU No. 2018-08, *Not-for-Profit Entities Clarifying the Scope of the Accounting Guidance for Contributions Received and Contributions Made*. This update helps an entity evaluate whether it should account for a grant (or similar transaction) as a contribution or as an exchange transaction. The update also clarifies and expands the criteria for determining whether a contribution is conditional, which may delay recognition of contribution revenue (recipient) or expenses (resource provider). The adoption did not have a significant impact on the consolidated financial statements.

**(3) Liquidity and Availability of Resources**

Financial assets and liquidity resources available for general expenditures within one year from June 30, 2020 are as follows:

Financial assets:

Cash and cash equivalents	\$ 12,561,206
Accounts receivable due within one year	13,376,204
Investments	127,210,285
Less: endowment investments	(19,217,779)
Less: liquidity requirement for margin loan	(20,782,221)
Less: charitable gift annuities	(784,629)
Approved spending rate for FY2021	<u>647,100</u>
Total financial assets available within one year	<u>113,010,166</u>

Liquidity Resources:

Available amount of margin loan	<u>20,000,000</u>
Total financial assets and liquidity resources available within one year	<u>\$ 133,010,166</u>

The Society actively manages its resources by developing and adopting annual operating and capital budgets that provide sufficient funds for general expenditures, which include general, restricted and designated amounts. For endowments, the Foundation has an approved spend rate that is approved each year. Regular, month-to-month comparison reporting at the department level and quarterly comparison reporting to actual and current budget occur. In addition, actual prior year to actual current year comparisons are performed at the department level.

## THE AMERICAN SOCIETY OF MECHANICAL ENGINEERS

### Notes to Consolidated Financial Statements

June 30, 2020

In addition, there is \$6,391,382 of endowed funds that can be re-designated by the Board, if necessary, to fund general expenditures.

#### (4) Transactions with Related Parties

The Society performs certain administrative functions for the Auxiliary. The Society charges for all direct expenses along with additional charges and then records a donation for the services. In fiscal year 2020, such charges totaled \$34,458. The contributed services are included in the supporting services sector expenses in the accompanying consolidated statement of activities.

#### (5) Investments

Investments of the Society, as well as amounts held on behalf of the Auxiliary, are combined on a fair value basis. FASB guidance defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and sets out a fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy under ASC Topic 820 are described below:

- Level 1: Unadjusted quoted prices or published net asset value for funds with characteristics similar to a mutual fund in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.
- Level 2: Inputs other than quoted prices within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: Inputs that are unobservable for the asset or liability and that include situations where there is little, if any, market activity for the asset or liability. The inputs into the determination of fair value are based upon the best information in the circumstances and may require significant management judgment or estimation.

In determining fair value, the Society utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible in its assessment of fair value.

The following methods and assumptions were used in estimating the fair values of significant financial instruments at June 30, 2020:

##### *Common Stock*

Common stocks are valued at the closing price reported on the active market on which the individual securities are traded. Shares are liquid with conversion to cash generally within a few days.

##### *Mutual Funds*

Mutual funds are valued based upon quoted or published prices determined in an active market. There are no restrictions on redemptions of these funds, and they can be redeemed daily.

**THE AMERICAN SOCIETY OF MECHANICAL ENGINEERS**

Notes to Consolidated Financial Statements

June 30, 2020

Investments, measured at fair value on a recurring basis, are classified as Level 1 and consisted of the following at June 30, 2020

Common stock	\$ 11,287,159
Mutual funds – equities	64,850,784
Mutual funds – bonds and fixed income	52,124,770
Money market funds	<u>251,895</u>
Total portfolio	128,514,608
Less:	
Undivided interest held on behalf of the Auxiliary	<u>1,304,323</u>
Total ASME	<u>\$ 127,210,285</u>

**(6) Property, Furniture, Equipment, and Leasehold Improvements**

Property, furniture, equipment, and leasehold improvements at June 30, 2020 consist of the following:

Computer equipment	\$ 55,380,900
Leasehold improvements	16,115,447
Furniture and fixtures	4,435,546
Others	<u>53,243</u>
	75,985,136
Less accumulated depreciation and amortization	<u>(55,506,372)</u>
	<u>\$ 20,478,764</u>

Construction in progress of approximately \$2,014,192 is included in the computer equipment category at June 30, 2020. These amounts include costs associated with projects to improve the Society's infrastructure and software platforms relating to reporting financial results, customer-facing applications and the ASME website. Such improvements include gaining efficiencies and additional capabilities through the replacement of outdated, legacy software applications, much of which is being developed through the partnership of subject matter experts within the Society and technical counterparts. The estimated cost to complete these projects at various dates through December 2022 is approximately \$1,437,000.

Depreciation and amortization expense amounted to \$5,703,969 for the year ended June 30, 2020.

**THE AMERICAN SOCIETY OF MECHANICAL ENGINEERS**

Notes to Consolidated Financial Statements

June 30, 2020

**(7) Operating Revenue**

Operating revenue is presented principally by sector in the accompanying consolidated statements of activities. Set forth below is revenue for the year ended June 30, 2020, summarized by type:

Membership dues	\$ 6,018,476
Codes and standards and technical publication revenue	69,366,812
Accreditation revenue	24,135,402
Conferences, exhibits, and course fees	12,794,527
Miscellaneous and other operating revenue	<u>5,175,601</u>
	<u>\$ 117,490,818</u>

**(8) Pension Plans**

**(a) Defined Benefit Pension Plan**

The Society has a noncontributory defined benefit pension plan (the Plan) covering employees hired prior to January 1, 2006. The Plan was closed to new entrants effective December 31, 2005 and was frozen effective December 31, 2016. Normal retirement age is 65, but provisions are made for early retirement. Benefits are based on salary and years of service. The Society funds the Plan in accordance with the minimum amount required under the Employee Retirement Income Security Act of 1974, as amended. The Society uses a June 30 measurement date.

The Board of Governors approved the termination of the Plan in November 2018, amending the Plan effective January 31, 2019. A Determination Letter application was filed with the IRS in December 2018. The IRS approved the filing in August 2019 and the Pension Benefit Guarantee Corporation (PBGC) 60 day window began on September 29, 2019. The Plan was remeasured at February 29, 2020 and actual cash flows were utilized for activity during the year ended June 30, 2020.

The funded status reported in the consolidated statements of financial position as of June 30, 2020 was measured as the difference between fair value of plan assets and the benefit obligation on a plan-by-plan basis.

**THE AMERICAN SOCIETY OF MECHANICAL ENGINEERS**

Notes to Consolidated Financial Statements

June 30, 2020

The following table provides information with respect to the Plan as of and for the year ended June 30, 2020:

Benefit obligation at June 30	\$	—
Fair value of plan assets at June 30		<u>—</u>
Funded status	\$	<u><u>—</u></u>
Amounts recognized in the consolidated financial statements:		
Service cost	\$	(122,583)
Other net periodic benefit cost		(94,551)
Net settlement loss		(7,914,131)
Employer contributions		10,243,809
Benefits paid		(91,131,991)
Weighted average assumptions used to determine benefit obligations at June 30:		
Discount rate		N/A
Rate of compensation increase		N/A
Weighted average assumptions used to determine net periodic benefit cost for the years ended June 30, 2020:		
Discount rate		3.62 %
Expected return on plan assets		4.50 %
Rate of compensation increase		N/A

There was no accumulated benefit obligation for the Plan at June 30, 2020.

Other changes in plan assets and benefit obligations recognized in the change in net assets without donor restrictions for the year ended June 30, 2020 are as follows:

Net settlement loss	\$	(7,914,131)
Amortization of net actuarial loss		<u>473,485</u>
Net amount recognized in change in net assets without donor restrictions	\$	<u><u>(7,440,646)</u></u>

The following table includes a summary of changes in fair value of the Plan's Level 3 asset for the year ended June 30, 2020:

Balance, beginning of year	\$	2,965,324
Interest income		339,610
Purchases		27,839,311
Sales		<u>(31,144,245)</u>
Balance, end of year	\$	<u><u>—</u></u>

**THE AMERICAN SOCIETY OF MECHANICAL ENGINEERS**

Notes to Consolidated Financial Statements

June 30, 2020

**(b) Defined Contributions Plans**

On January 1, 2017, the Society began contributing to a retirement plan under Section 401(k) of the Code covering substantially all employees. The 401(k) Plan is open to existing and new employees. Under the 401(k) Plan, the Society is matching contributions for employees who previously participated in the ASME Defined Benefit Pension Plan, the ASME Defined Contribution Plan and the ASME Thrift Plan, as well as newly hired employees. The Society contributed \$3,593,308 for the year ended June 30, 2020. Effective July 1, 2020, the Society suspended the fixed employer non-elective matching contribution of 4%.

**(9) Postretirement Healthcare and Life Insurance Benefits**

The Society provides certain life insurance and healthcare benefits to retired employees (the Postretirement Plan). The retiree life insurance benefit is noncontributory and is for a closed group of retirees who retired prior to the discontinuance of this benefit. This benefit was terminated for current employees as of July 1, 2005 and is in effect only for then-current participants. The Society currently permits eligible early retirees (55 with 20 years of service or age 62 with 10 years of service) to remain on the group health insurance plan until age 65, by paying the full insurance cost. The estimated cost of such benefits is accrued over the working lives for those employees expected to qualify for such benefits. The Society uses a June 30 measurement date.

The following tables provide information with respect to the postretirement benefits as of and for the year ended June 30, 2020:

Postretirement benefit obligation	\$	(2,350,608)
Accrued benefit recognized		(2,350,608)
Service cost		(103,307)
Other components of net periodic postretirement cost		14,087
Employer contribution		40,925
Plan participants' contribution		69,290
Benefits paid		110,215

**THE AMERICAN SOCIETY OF MECHANICAL ENGINEERS**

Notes to Consolidated Financial Statements

June 30, 2020

Weighted average assumptions used to determine benefit obligations at June 30:

Discount rate	2.41 %
Expected return on plan assets	N/A
Rate of compensation increase	3.50%
Healthcare cost trends:	
Increase from current year to next fiscal year	7.00%
Ultimate rate increase	4.50%
Fiscal year that the ultimate rate is attained	2030

Weighted average assumptions used to determine net periodic benefit cost for the year ended June 30, 2020:

Discount rate	3.33 %
Expected return on plan assets	N/A
Rate of compensation increase	3.50 %
Healthcare cost trends:	
Increase from current year to next fiscal year	7.25%
Ultimate rate increase	4.50%
Fiscal year that the ultimate rate is attained	2030

Other changes in the postretirement plan assets and benefit obligations recognized in the change in net assets without donor restrictions for the year ended June 30, 2020 are as follows:

Net actuarial gain	\$ 94,665
Amortization of net actuarial gain	<u>(82,932)</u>
Net amount recognized in change in net assets without donor restriction	\$ <u>11,733</u>

Amounts that have not been recognized as components of net periodic benefit costs, but included in net assets without donor restrictions to date as of June 30, 2020, are as follows:

Net actuarial gain	\$ <u>1,035,639</u>
Net amount recognized in net assets without donor restriction	\$ <u>1,035,639</u>

Estimated amounts that will be amortized from net assets without donor restrictions into net periodic benefit cost in the fiscal year ending in 2020 are as follows:

	<u>2020</u>
Actuarial gain	\$ 68,309

**THE AMERICAN SOCIETY OF MECHANICAL ENGINEERS**

Notes to Consolidated Financial Statements

June 30, 2020

Healthcare cost rate trends:

1. Assumed healthcare cost trend rate for the next year	7.00%
General description of the direction and pattern of change in the assumed trend rates thereafter	-0.25% per year to 4.5%, then 4.5% thereafter
Ultimate trend rate and when that rate is expected to be achieved	4.5%
2. One percentage point increase:	
Effect on total service and interest cost	\$ 20,039
Effect on end of year postretirement benefit obligation	173,089
3. One percentage point decrease:	
Effect on total service and interest cost	\$ (17,238)
Effect on end of year postretirement benefit obligation	(151,381)

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid as follows:

	<u>Amount</u>
Year(s) ending June 30:	
2021	\$ 156,047
2022	155,808
2023	154,828
2024	159,655
2025	156,360
2026–2030	868,158

**THE AMERICAN SOCIETY OF MECHANICAL ENGINEERS**

Notes to Consolidated Financial Statements

June 30, 2020

**(10) Net Assets with Donor Restrictions**

Net assets with donor restrictions and the income earned on endowment net assets are restricted by donors to the following purposes at June 30, 2020:

	<b>Purpose and time restricted</b>	<b>Endowment Corpus</b>	<b>Total</b>
Award programs	\$ 6,494,786	2,148,862	8,643,648
Scholarship and fellowship programs	3,976,724	3,409,082	7,385,806
Grants and other programs	25,173	—	25,173
College programs in power engineering	76,535	—	76,535
U.S. engineering programs	1,580	—	1,580
Gift annuities for scholarships	101,843	—	101,843
Student loan program	128,685	—	128,685
The engineering library	4,273	74,695	78,968
Membership programs	3,757	20,488	24,245
	<u>\$ 10,813,356</u>	<u>5,653,127</u>	<u>16,466,483</u>

Activity for net assets with donor restrictions for 2020 is summarized below:

Present value adjustment-annuities	\$ (35,947)
Contributions	157,445
Investment income return, net	338,202
Net assets released from restrictions	<u>(2,069,502)</u>
Decrease in net assets with donor restrictions	<u>\$ (1,609,802)</u>

The decrease in net assets without donor restrictions in 2020 was \$14,927,610.

**(11) Endowment Net Assets**

A large portion of endowments with donor restrictions is maintained by the Foundation. The Foundation recognized that New York State adopted as law the New York Prudent Management of Institutional Funds Act (NYPMIFA) on September 17, 2010. NYPMIFA replaced the prior law, which was the Uniform Management of Institutional Funds Act (UMIFA). NYPMIFA created a rebuttable presumption of imprudence if an organization appropriates more than 7% of a donor restricted endowment fund's fair value (averaged over a period of not less than the preceding five years) in any year. Any unappropriated earnings that would otherwise be considered net assets without donor restrictions will be reflected as net assets with donor restrictions until appropriated.

**THE AMERICAN SOCIETY OF MECHANICAL ENGINEERS**

Notes to Consolidated Financial Statements

June 30, 2020

The Foundation classifies as endowment restricted net assets (a) the original value of gifts donated to the donor restricted endowment, (b) the original value of subsequent gifts to the donor restricted endowment, and (c) accumulations to the donor restricted endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The investment income earned on the accumulations to the restricted endowment funds is classified as purpose restricted net assets until the donor imposed restrictions have been met and/or the income has been appropriated in accordance with the spending policy.

The Foundation's endowment spending policy permits appropriations for expenditures that have been incurred on a restricted gift, but not if the fund is underwater. For the year ended June 30, 2020, the Foundation's spending rate was established to not exceed 5% of the beginning endowment balance for the year for any given endowment.

The Foundation's investment policy is to provide for safety and marketability of principal, maintenance of purchasing power, reasonable yield on invested funds, and minimum idle cash in working funds. Any surplus should be invested. The policy has charged the Foundation Committee on Finance and Investments (FCOFI) with investment decision responsibility. The FCOFI has three members from the Foundation Board of Directors that are voting members on investment decisions. The policy further states that the FCOFI will have the advice of professional counsel in deciding the desired ratio of equities to fixed income securities, and in deciding investment purchases and sales. To this end, FCOFI uses the professional firm of Lowery Asset Consulting (LAC). LAC does not trade in any securities, only provides analysis and advice. The current equity to fixed ratio goal is 60% equity to 40% fixed, dependent on market conditions.

Endowment net assets consist of the following at June 30, 2020:

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Donor-restricted endowment funds	\$ —	12,826,397	12,826,397
Board-designated endowment funds	6,391,382	—	6,391,382
Total endowment net assets	<u>\$ 6,391,382</u>	<u>12,826,397</u>	<u>19,217,779</u>

Changes in endowment net assets for the year ended June 30, 2020 are as follows:

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total endowment net assets</u>
Endowment net assets, at June 30, 2019	\$ 5,870,990	13,633,703	19,504,693
Contribution to endowments	481,578	86,300	567,878
Investment income, net	141,262	340,437	481,699
Amount appropriated for expenditure	<u>(102,448)</u>	<u>(1,234,043)</u>	<u>(1,336,491)</u>
Endowment net assets, at June 30, 2020	<u>\$ 6,391,382</u>	<u>12,826,397</u>	<u>19,217,779</u>

**THE AMERICAN SOCIETY OF MECHANICAL ENGINEERS**

Notes to Consolidated Financial Statements

June 30, 2020

Endowment net assets of \$19,217,779 are included with investments in the statement of financial position at June 30, 2020.

**(12) Commitments and Contingencies**

The Society's principal offices are located at 2 Park Avenue, New York under a lease expiring on March 31, 2028. In connection with this lease, the Society has provided as security a \$2,134,133 letter of credit. No amounts have been drawn against this letter of credit.

The lease for 2 Park Avenue includes free rent concessions and scheduled rent increases that have been recognized on a straight-line basis over the term of the lease. The accumulated difference between rent expense and cash payments is included in liabilities as deferred rent in the accompanying consolidated statement of financial position.

The Society has a lease agreement for their New Jersey Office, entered into on November 8, 2014 and expiring on July 31, 2026 for the property located at 150 Clove Road, 6th Floor, Little Falls, NJ.

The Society has another lease agreement, expiring on October 31, 2022 for the property located at 1828 L Street NW, Washington, DC.

The Society has another lease agreement, expiring on October 1, 2022 for the property located at 11757 Katy Freeway, Suite 370, Houston, TX.

In addition to above leases, the Society also has a number of other lease commitments for regional offices and office equipment expiring through 2026.

The following is a schedule of the approximate minimum future rentals on all leases at June 30, 2020:

	<u>Amount</u>
Year(s) ending June 30:	
2021	\$ 5,964,000
2022	6,021,000
2023	5,977,000
2024	6,117,000
2025	6,137,000
2026–2028	15,551,000

Rent expense under all the Society's leases was approximately \$5,136,000 in 2020.

## THE AMERICAN SOCIETY OF MECHANICAL ENGINEERS

### Notes to Consolidated Financial Statements

June 30, 2020

#### **(13) Debt Facilities**

The Society applied for and received a Payroll Protection Program Loan (PPP Loan) in April 2020 in the amount of \$9,324,283. The Society intends to apply by December 31, 2020 for complete forgiveness in accordance with the provisions for loan forgiveness. In addition, the Society established a Margin Account with TD Ameritrade, Inc. (Margin Loan) for a maximum of \$20,000,000 in April 2020. Terms of the Margin Loan are LIBOR plus .75% (which is 1.60% at June 30, 2020). The terms of the Margin Loan require the Society to maintain \$40,000,000 in their investment portfolio. As of and for the year ended June 30, 2020, the Society had not drawn any funds from the Margin Loan.

#### **(14) Concentration of Credit Risk**

Cash and cash equivalents that potentially subject the Society to a concentration of credit risk include cash accounts with banks that exceed the Federal Deposit Insurance Corporation (FDIC) insurance limits. Interest-bearing accounts are insured up to \$250,000 per depositor. Beginning in 2013, noninterest-bearing accounts are insured the same as interest-bearing accounts. As of June 30, 2020, cash accounts in financial institutions exceeded the federally insured limits by approximately \$8,796,000, of cash and cash equivalents held by banks that exceeded FDIC limits. Such excess includes outstanding checks.

Within accounts receivable, there are receivables from one company that represent 41% of accounts receivables at June 30, 2020.

#### **(15) Subsequent Events**

ASME has evaluated, for potential recognition and disclosure, events subsequent to the date of the consolidated statement of financial position through \_\_\_\_\_, \_\_\_\_\_, the date the consolidated financial statements were available to be issued. The spread of the coronavirus (COVID-19) around the world in the during 2020 has caused significant volatility in the U.S. and international markets. There is significant uncertainty around the breadth and duration of business disruptions related to COVID-19, as well as its impact on the U.S. and international economies and, as such, the Society is unable to determine if it will have a material impact on its operations.