

**AMERICAN SOCIETY FOR ENGINEERING
EDUCATION AND AFFILIATES**

**CONSOLIDATED FINANCIAL STATEMENTS
AND
OMB CIRCULAR A-133 REPORTS**

YEARS ENDED SEPTEMBER 30, 2012 AND 2011

**AMERICAN SOCIETY FOR ENGINEERING EDUCATION AND AFFILIATES
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INDEPENDENT AUDITORS' REPORT

Board of Directors
American Society for Engineering Education
Washington, DC

We have audited the accompanying consolidated statements of financial position of the American Society for Engineering Education and Affiliates (the "Society") as of September 30, 2012 and 2011, and the related consolidated statements of activities and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Society's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

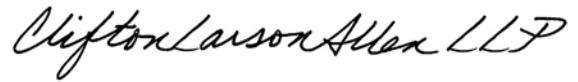
In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Society as of September 30, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 2, 2013 on our consideration of the Society's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audits were conducted for the purpose of forming an opinion on the basic consolidated financial statements. The consolidating statements and schedules on pages 15 through 20 are presented for purposes of additional analysis and are not a required part of the basic consolidated financial statements. The schedule of expenditures of federal awards on page 21 is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements.

Board of Directors
American Society for Engineering Education

The information has been subjected to the auditing procedures applied in the audits of the basic consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the basic consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Arlington, Virginia
February 2, 2013

AMERICAN SOCIETY FOR ENGINEERING EDUCATION AND AFFILIATES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2012 AND 2011

	2012	2011
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 7,914,083	\$ 13,752,162
Receivables:		
Federal Projects	1,477,729	1,231,078
Other	245,147	1,038,325
Total Receivables	1,722,876	2,269,403
Prepaid Expenses and Deposits	255,965	219,117
Total Current Assets	9,892,924	16,240,682
INVESTMENTS	1,171,251	978,421
PROPERTY AND EQUIPMENT, NET	1,686,253	1,913,377
Total Assets	\$ 12,750,428	\$ 19,132,480
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 569,307	\$ 720,160
Deferred Lease Incentive	55,285	55,285
Deferred Revenue:		
Projects, Including Federal Projects of \$7,492,112 and \$13,947,646 in 2012 and 2011, Respectively	8,167,964	14,337,534
Membership Dues	401,617	462,183
Other	208,923	109,752
Total Deferred Revenue	8,778,504	14,909,469
Total Current Liabilities	9,403,096	15,684,914
LONG TERM LIABILITIES		
Deferred Lease Incentives, Net of Current Portion	410,028	446,884
Deferred Rent	177,043	114,050
Total Long Term Liabilities	587,071	560,934
Total Liabilities	9,990,167	16,245,848
NET ASSETS		
Unrestricted Net Assets:		
Undesignated	533,404	755,865
Board Designated Awards	1,171,251	978,421
Board Designated BASS Accounts	974,214	979,641
Total Unrestricted Net Assets	2,678,869	2,713,927
Temporarily Restricted	81,392	172,705
Total Net Assets	2,760,261	2,886,632
Total Liabilities and Net Assets	\$ 12,750,428	\$ 19,132,480

See accompanying Notes to Consolidated Financial Statements.

AMERICAN SOCIETY FOR ENGINEERING EDUCATION AND AFFILIATES
CONSOLIDATED STATEMENTS OF ACTIVITIES
YEARS ENDED SEPTEMBER 30, 2012 AND 2011

	2012	2011
CHANGE IN UNRESTRICTED NET ASSETS		
Revenue:		
Government Funding	\$ 82,342,544	\$ 84,370,023
General Operations:		
Membership Services	1,201,428	1,159,987
Investment Income	193,994	3,653
Publication Services	1,195,275	1,375,572
Meetings and Conferences	2,830,618	2,863,956
Tau Alpha Pi	21,665	24,751
IFEES	94,835	226,390
Total General Operations	5,537,815	5,654,309
Non-Governmental Funding	2,487,103	287,425
BASS Accounts Revenue	282,251	275,563
Fee for Service Income	341,583	488,601
Development	4,706	-
Award Income	36,510	52,335
	91,032,512	91,128,256
Net Assets Released from Restrictions		
Satisfaction of Program Activities	171,000	349,300
Total Revenue	91,203,512	91,477,556
EXPENSES		
Government Programs	82,342,545	84,370,023
Non-Government Programs	2,487,104	290,748
Publication Services	1,846,775	2,284,729
Membership Services and BASS	912,347	789,232
Awards	41,099	34,790
Convention Services	2,782,592	3,126,952
Tau Alpha Pi	19,311	16,702
IFEES	99,266	157,581
Other	707,531	388,383
Total Expenses	91,238,570	91,459,140
Change in Unrestricted Net Assets	(35,058)	18,416
CHANGE IN TEMPORARILY RESTRICTED NET ASSETS		
Sponsorships	79,687	171,000
Net Assets Released from Restrictions	(171,000)	(349,300)
Change in Temporarily Restricted Net Assets	(91,313)	(178,300)
CHANGE IN NET ASSETS	(126,371)	(159,884)
Net Assets - Beginning of Year	2,886,632	3,046,516
NET ASSETS - END OF YEAR	\$ 2,760,261	\$ 2,886,632

See accompanying Notes to Consolidated Financial Statements.

AMERICAN SOCIETY FOR ENGINEERING EDUCATION AND AFFILIATES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2012 AND 2011

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (126,371)	\$ (159,884)
Adjustments to Reconcile Change in Net Assets to Net Cash Used in Operating Activities:		
Depreciation and Amortization	406,503	393,531
Unrealized (Gain) Loss on Investments	(167,251)	47,559
Changes in Assets and Liabilities:		
Receivables	546,527	1,401,024
Prepaid Expenses and Deposits	(36,848)	271,141
Accounts Payable and Accrued Expenses	(150,853)	(831,079)
Deferred Revenue	(6,130,965)	(8,397,944)
Deferred Lease Incentives	(36,856)	502,169
Deferred Rent	62,993	114,050
Net Cash Used in Operating Activities	(5,633,121)	(6,659,433)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Property and Equipment	(179,379)	(1,198,605)
Purchases of Investments	(25,579)	(69,208)
Net Cash Used in Investing Activities	(204,958)	(1,267,813)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(5,838,079)	(7,927,246)
Cash and Cash Equivalents - Beginning of Year	13,752,162	21,679,408
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 7,914,083	\$ 13,752,162

See accompanying Notes to Consolidated Financial Statements.

AMERICAN SOCIETY FOR ENGINEERING EDUCATION AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2012 AND 2011

NOTE 1 ORGANIZATION

American Society for Engineering Education

The American Society for Engineering Education (“ASEE”) was founded in 1893 for the purpose of expanding and improving engineering education. ASEE serves its members through publications, projects, and awards. ASEE was incorporated on January 29, 1943 pursuant to the laws of the Commonwealth of Pennsylvania.

ASEE Convention and Seminar Corporation

The ASEE Convention and Seminar Corporation (“ASEECS”) was incorporated on September 25, 1991, pursuant to the laws of the State of Delaware. ASEECS was established for the purpose of sponsoring the annual convention of the American Society for Engineering Education. ASEECS also sponsors various seminars, technical conferences and panels and otherwise provides for the instruction of members of ASEE and the public concerning engineering and allied branches of science and technology.

Tau Alpha Pi of ASEE, Inc.

Tau Alpha Pi of ASEE, Inc. (“ASEE TAP”) was organized for charitable, scientific and educational purposes, more specifically, to operate as an honor society for the engineering technology profession and to inspire engineering technology students to achieve scholarly excellence. ASEE TAP was incorporated on August 13, 1998 pursuant to the laws of the State of Delaware.

International Federation of Engineering Education Societies (IFEES)

Created in 2006, IFEES is an international “society of societies,” bringing together a global collection of organizations interested in engineering education. These entities are committed to educating students who desire to use engineering to positively impact development and socio-economic growth. Through the collaboration of its member societies, IFEES works to establish effective, high quality engineering education processes around the world to assure a global supply of well-prepared engineering graduates.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The consolidated financial statements include the accounts of ASEE, ASEECS, ASEE TAP, and IFEES (collectively referred to as ASEE and Affiliates). Significant intra-entity accounts and transactions have been eliminated in consolidation.

Basis of Accounting

The Organizations prepare their consolidated financial statements on the accrual basis of accounting. Consequently, revenue is recognized when earned and expenses when obligations are incurred.

AMERICAN SOCIETY FOR ENGINEERING EDUCATION AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2012 AND 2011

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. The consolidated financial statements include amounts that are based on management's best estimates and judgments. Actual results could differ from those estimates.

Cash and Cash Equivalents

For consolidated financial statement purposes, ASEE and Affiliates consider cash and cash equivalents to include certain certificates of deposit purchased with maturities ranging from twelve to forty-eight months or less. Any penalties for early withdrawal would not have a material effect on the financial statements, and as such they are considered as cash equivalents with carrying amounts approximating their fair value.

A large portion of the cash and cash equivalents is the result of cash received in excess of expenses incurred for various federal projects. Accordingly, these cash and cash equivalents must be used in compliance with the applicable federal project agreements.

Receivables

The receivables are stated at their net realizable value. The majority of the receivables are from federal projects. Receivables are considered past due after 30 days. Accounts past due are individually analyzed for collectibility. When all collection efforts have been exhausted, the account is written off against bad debt expense. Management estimates that all receivables are fully collectible.

Investments

Investments in marketable securities with readily determinable fair values are reported at their fair values in the statements of financial position.

Property and Equipment

Property and equipment are stated at cost, net of accumulated depreciation and amortization. Furniture and equipment and computers and software are depreciated using the straight-line method over the estimated useful lives of the assets, which range from 3 to 10 years. Leasehold improvements are amortized using the straight-line method over a period of the lesser of the estimated useful lives of the improvements or the lease term. Acquisitions of property and equipment greater or equal to \$1,000 are capitalized.

AMERICAN SOCIETY FOR ENGINEERING EDUCATION AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2012 AND 2011

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Assets

ASEE and Affiliates classify net assets into two categories; unrestricted and temporarily restricted. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Unrestricted net assets have been designated by the Board of Directors for specific purposes. Temporarily restricted net assets represent contributions with donor-imposed time and/or program restrictions. Temporarily restricted net assets are reclassified to unrestricted when the time restrictions expire or the funds are used for their restricted purpose and are reported in the consolidated statements of activities as net assets released from restrictions. However, revenue is recognized as unrestricted if the restrictions are satisfied in the same period as the revenue is recognized.

Revenue Recognition

Revenue from membership dues, subscriptions, advertising, government funding, and conferences is recognized in the year in which it is earned. Amounts received from these sources but not yet earned are recorded as deferred revenue.

Functional Allocation of Expenses

The costs of providing the various programs of ASEE and Affiliates are summarized on a functional basis. Indirect expenses are allocated to programmatic, supporting and fundraising activities based upon the resources benefiting each activity.

Fair Value Measurements

The Society categorizes its assets and liabilities measured at fair value into a three-level hierarchy based on the priority of the inputs to the valuation technique used to determine fair value. 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). If the inputs used in the determination of the fair value measurement fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement. Assets and liabilities valued at fair value are categorized based on the inputs to the valuation techniques as follows:

Level 1 – Inputs that utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that an entity has the ability to access. Securities value Level 1 inputs include those traded on an active exchange, such as the New York Stock Exchange.

Level 2 – Inputs that include quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the financial instrument. Fair values for these instruments are estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows. Securities value Level 2 inputs include corporate bonds and government securities.

Level 3 – Inputs that are unobservable inputs for the asset or liability, which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

AMERICAN SOCIETY FOR ENGINEERING EDUCATION AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2012 AND 2011

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements (Continued)

The following table presents the Society's fair value hierarchy for those investments measured at fair value on a recurring basis at September 30:

	2012			
	Level 1	Level 2	Level 3	Total
Mutual Fund	\$1,171,251	\$ -	\$ -	\$1,171,251
	2011			
	Level 1	Level 2	Level 3	Total
Mutual Fund	\$ 978,421	\$ -	\$ -	\$ 978,421

Income Taxes

ASEE and Affiliates are exempt from the payment of federal income taxes on their exempt activities pursuant to section 501(c)(3) of the Internal Revenue Code. Contributions made to ASEE and Affiliates are deductible by the donor for federal income tax purposes, subject to statutory limitations on charitable contributions.

ASEE and Affiliates follows the guidance in the income tax standard regarding the recognition and measurement of uncertain tax positions. The guidance clarifies the accounting for uncertainty in income taxes recognized in an entity's financial statements. The guidance further prescribes recognition and measurement of tax provisions taken or expected to be taken on a tax return that are not certain to be realized. The adoption of this standard had no impact on ASEE's financial statements. ASEE's tax returns for the years 2009, 2010, and 2011 are open for federal and state tax examinations.

Subsequent Events

In preparing these financial statements, the Society has evaluated events and transactions for potential recognition or disclosure through February 2, 2013, the date the financial statements were available to be issued.

NOTE 3 CONCENTRATIONS

Credit Risk

Financial instruments that subject the Society to a concentration of credit risk consist of cash and money market funds placed with financial institutions. At certain times during fiscal year 2012, funds invested with financial institutions exceeded the Federal Deposit Insurance Corporation (FDIC) limits. Sweep accounts are in place to minimize risk from cash and money market funds in excess of federally insured limited.

AMERICAN SOCIETY FOR ENGINEERING EDUCATION AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2012 AND 2011

NOTE 3 CONCENTRATIONS (CONTINUED)

Revenue and Accounts Receivable

A substantial portion of the Society's activities are supported by funds provided by Federal and non-federal grants. As of September 30, 2012 and 2011, the Society's revenues from grants were \$84,829,647 and \$84,660,769, respectively, which approximates 93.1% and 92.7% of total revenues, respectively. As of September 30, 2012 and 2011, the Society's receivables from grants were \$1,477,729 and \$1,231,078, respectively, which approximates 85.8% and 54.2% of total receivables, respectively.

NOTE 4 INVESTMENTS

Investments at September 30, 2012 and 2011 consist of one mutual fund that holds approximately 60% in equities and 40% in fixed income. Unrealized appreciation is included in investment income as a component of unrestricted net assets in the accompanying consolidated statements of activities. Investment income consists of the following for the years ended September 30:

	2012	2011
Interest and Dividends	\$ 26,743	\$ 51,212
Unrealized Gain (Loss) on Investments	167,251	(47,559)
Total Investment Income	\$ 193,994	\$ 3,653

NOTE 5 PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at September 30:

	2012	2011
Furniture and Equipment	\$ 254,881	\$ 251,882
Computers and Software	2,500,608	2,489,254
Leasehold Improvements	834,359	830,181
Work in Progress	473,702	314,478
Total	4,063,550	3,885,795
Less Accumulated Depreciation and Amortization	(2,377,297)	(1,972,418)
Total Property and Equipment, Net	\$ 1,686,253	\$ 1,913,377

**AMERICAN SOCIETY FOR ENGINEERING EDUCATION AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2012 AND 2011**

NOTE 6 TEMPORARILY RESTRICTED NET ASSETS

The temporarily restricted net assets consisted of the following at September 30:

	<u>2012</u>	<u>2011</u>
ASEE Convention and Seminar Corporation 2013 Event Sponsorships	\$ 73,587	\$ -
ASEE Convention and Seminar Corporation 2012 Event Sponsorships	-	170,000
IFEES 2012 Event Sponsorships	-	1,000
ASEE Miscellaneous Restricted Funds	<u>7,805</u>	<u>1,705</u>
	<u>\$ 81,392</u>	<u>\$ 172,705</u>

NOTE 7 BOARD DESIGNATED BASS ACCOUNTS

The Board designated unrestricted net assets for the BASS Accounts. This represents the accumulated excess revenue over expenses for the operating field units (BASS).

ASEE provides accounting services, referred to as the Banking and Accounting Services System (BASS), for the benefit of sixty-two participating operating field units that are part of ASEE operations. The operations associated with these field units are combined and presented in the accompanying consolidated statements of activities. There are no restrictions on any transactions authorized by the operating field units. Field units are financially responsible for all ASEE membership services they provide, including travel, newsletters, general administration, and meetings. BASS account funds are combined with the cash and cash equivalents of ASEE and Affiliates on the accompanying consolidated statements of financial position.

NOTE 8 RETIREMENT PLAN

ASEE sponsors a defined contribution plan. Under the terms of the plan, all employees who meet minimum service and age requirements are eligible to participate. Contributions are made by ASEE in an amount equal to 5% of salary expense for each participating employee under the age of 45 and 7.5% of each employee age 45 and over. Salary reductions for employee contributions are permitted. The retirement expense incurred for the years ended September 30, 2012 and 2011 was approximately \$216,000 and \$192,000, respectively.

ASEE has a tax deferred annuity plan wherein employees can enter into a salary reduction agreement with ASEE. Under the terms of the plan, a portion of the employee's compensation is applied on a before-tax basis to an annuity contract owned by the employee, rather than being paid directly to the employee. These amounts, together with any earnings, are not subject to federal income tax until they are paid to the employee (or beneficiary) in the form of benefits.

AMERICAN SOCIETY FOR ENGINEERING EDUCATION AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2012 AND 2011

NOTE 9 FUNCTIONAL ALLOCATION OF EXPENSES

ASEE and Affiliates present expenses within the accompanying consolidated statement of activities on a fully allocated basis with respect to general and administrative expenses. Functional expenses by program and supporting services is as follows for the years ended September 30:

	2012	2011
Government Programs	\$ 80,513,676	\$ 82,571,991
Non-Government Programs	2,399,684	287,184
Publication Services	1,153,086	1,473,543
Membership Services	677,704	614,940
Awards	41,099	34,790
Convention Services	2,210,578	2,579,519
Tau Alpha Pi	12,059	10,772
IFEES	97,454	104,730
Other	466,891	274,733
Total Program Services	87,572,231	87,952,202
General and Administrative	3,666,339	3,506,938
Total Expenses	\$ 91,238,570	\$ 91,459,140

NOTE 10 COMMITMENTS

Operating Leases

During 2010, ASEE signed an amended lease to rent additional office space. This amended operating lease commitment for office space began on November 1, 2010 and expires on October 31, 2020. ASEE allocates to the Affiliates their proportionate share of office rent. The lease contains an escalation clause. Accordingly, deferred rent totaling \$140,187 and \$114,050 as of September 30, 2012 and 2011, respectively, is reflected in the accompanying consolidated statement of financial position. Additionally, the lease provided an allowance for leasehold improvements as an incentive. During the 2012 and 2011 fiscal years, \$-0- and \$552,847 in lease hold improvements, respectively, were capitalized in fixed assets and the benefit of this incentive was deferred to be recognized over the life of the lease. As of September 30, 2012, the deferred lease incentive was \$502,169. Rent expense for the years ended September 30, 2012 and 2011 amounted to \$771,641 and \$706,107, respectively.

**AMERICAN SOCIETY FOR ENGINEERING EDUCATION AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2012 AND 2011**

NOTE 10 COMMITMENTS (CONTINUED)

Operating Leases (Continued)

Future minimum lease payments for all operating leases are as follows:

Year Ending September 30,	Amount
2013	\$ 746,184
2014	681,883
2015	783,959
2016	803,558
2017	835,459
Thereafter	2,712,324
Total	\$ 6,563,367

Hotel Agreements

ASEECS has entered into several agreements with hotels providing for room accommodations for its meetings and conventions through the year 2017. Many of these agreements contain clauses whereby ASEECS is liable for liquidated damages in the event of cancellation. At September 30, 2012, the maximum potential amount of liquidated damages was approximately \$1,741,000.

NOTE 11 FRINGE BENEFITS

Self-Funded Health Insurance Plan

ASEE maintains a self-insured health plan. In an attempt to limit its potential exposure, the organization purchased insurance that covers each participant up to \$1 million dollars in lifetime claims (with a \$40k deductible) along with a supplemental umbrella plan that provides an additional \$1 million of aggregate coverage per plan year above the maximum claims liability. Although significant insurance coverage exists there is always the possibility that an extremely sick employee could incur medical bills in excess of total insurance coverage thereby forcing ASEE to absorb any claims above and beyond this amount. ASEE has recorded a liability of \$52,000 and \$46,875 as of September 30, 2012 and 2011, respectively.

Post Retirement Health Benefit

ASEE pays 100% of the Medicare/Gap insurance premiums to eligible retirees and 50% of the premiums for eligible spouses and dependents. To be eligible, employees must be 58 years old and be employed with ASEE for 15 years. Currently, one employee is receiving benefits and one is eligible.

AMERICAN SOCIETY FOR ENGINEERING EDUCATION AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2012 AND 2011

NOTE 12 LINE OF CREDIT

ASEE has a \$1,000,000 line of credit. The line of credit's variable interest rate is based on the Wall Street Journal Prime Index of 3.25. The Interest is due monthly and the principal is due upon demand. There were no outstanding amounts at September 30, 2012 and 2011.

NOTE 13 CONTINGENCIES

The grantors providing federal awards to ASEE have the right to audit the use of such funds. Questioned costs that may arise from such audits would be expensed in the current period as disallowed.

ASEE has certain claims and legal proceedings incident to the ordinary course of business. ASEE's management, after consulting with legal counsel, believes the ultimate resolution of the proceedings will not have a material adverse effect on ASEE's financial position or change in net assets. Accordingly, no provision for any estimated loss is reflected in the accompanying financial statements.

**SUPPLEMENTAL INFORMATION AND
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

AMERICAN SOCIETY FOR ENGINEERING EDUCATION AND AFFILIATES
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30, 2012
(SEE INDEPENDENT AUDITORS' REPORT)

	American Society for Engineering Education	ASEE Convention and Seminar Corporation	Tau Alpha Pi of ASEE, Inc.	IFEES	Eliminations	Consolidated
CURRENT ASSETS						
Cash and Cash Equivalents	\$ 7,738,105	\$ 118,000	\$ 57,978	\$ -	\$ -	\$ 7,914,083
Receivables:						
Federal Projects	1,477,729	-	-	-	-	1,477,729
Other	140,726	104,421	-	-	-	245,147
Due from Affiliates	601,099	-	-	-	(601,099)	-
Total Receivables	<u>2,219,554</u>	<u>104,421</u>	<u>-</u>	<u>-</u>	<u>(601,099)</u>	<u>1,722,876</u>
Prepaid Expenses and Deposits	60,282	190,616	5,067	-	-	255,965
Total Current Assets	<u>10,017,941</u>	<u>413,037</u>	<u>63,045</u>	<u>-</u>	<u>(601,099)</u>	<u>9,892,924</u>
INVESTMENTS	1,171,251	-	-	-	-	1,171,251
PROPERTY AND EQUIPMENT, NET	1,684,631	1,622	-	-	-	1,686,253
Total Assets	<u>\$ 12,873,823</u>	<u>\$ 414,659</u>	<u>\$ 63,045</u>	<u>\$ -</u>	<u>\$ (601,099)</u>	<u>\$ 12,750,428</u>
CURRENT LIABILITIES						
Accounts Payable and Accrued Expenses	\$ 557,422	\$ 11,471	\$ 414	\$ -	\$ -	\$ 569,307
Due to Affiliates	-	601,099	-	-	(601,099)	-
Deferred Lease Incentive	55,285	-	-	-	-	55,285
Deferred Revenue:						
Projects	8,167,964	-	-	-	-	8,167,964
Membership Dues	401,617	-	-	-	-	401,617
Other	117,074	91,849	-	-	-	208,923
Total Deferred Revenue	<u>8,686,655</u>	<u>91,849</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,778,504</u>
Total Current Liabilities	<u>9,299,362</u>	<u>704,419</u>	<u>414</u>	<u>-</u>	<u>(601,099)</u>	<u>9,403,096</u>
LONG TERM LIABILITIES						
Deferred Lease Incentives, Net of Current Portion	410,028	-	-	-	-	410,028
Deferred Rent	177,043	-	-	-	-	177,043
Total Long Term Liabilities	<u>587,071</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>587,071</u>
Total Liabilities	9,886,433	704,419	414	-	(601,099)	9,990,167
NET ASSETS						
Unrestricted Net Assets	834,120	(363,347)	62,631	-	-	533,404
Board Designated Awards	1,171,251	-	-	-	-	1,171,251
Board Designated BASS Accounts	974,214	-	-	-	-	974,214
Total Unrestricted Net Assets	<u>2,979,585</u>	<u>(363,347)</u>	<u>62,631</u>	<u>-</u>	<u>-</u>	<u>2,678,869</u>
Temporarily Restricted	7,805	73,587	-	-	-	81,392
Total Net Assets	<u>2,987,390</u>	<u>(289,760)</u>	<u>62,631</u>	<u>-</u>	<u>-</u>	<u>2,760,261</u>
Total Liabilities and Net Assets	<u>\$ 12,873,823</u>	<u>\$ 414,659</u>	<u>\$ 63,045</u>	<u>\$ -</u>	<u>\$ (601,099)</u>	<u>\$ 12,750,428</u>

AMERICAN SOCIETY FOR ENGINEERING EDUCATION AND AFFILIATES
CONSOLIDATING STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2012
(SEE INDEPENDENT AUDITORS' REPORT)

	American Society for Engineering Education	ASEE Convention and Seminar Corporation	Tau Alpha Pi of ASEE, Inc.	IFEES	Eliminations	Consolidated
CHANGE IN UNRESTRICTED NET ASSETS						
Revenue:						
Government Funding	\$ 82,342,544	\$ -	\$ -	\$ -	\$ -	\$ 82,342,544
General Operations:						
Membership Services	1,201,428	-	-	-	-	1,201,428
Investment Income	193,994	-	-	-	-	193,994
Publication Services	1,195,275	-	-	-	-	1,195,275
Meetings and Conferences	-	2,830,618	-	-	-	2,830,618
Tau Alpha Pi	-	-	21,665	-	-	21,665
IFEES	-	-	-	94,835	-	94,835
Total General Operations	<u>2,590,697</u>	<u>2,830,618</u>	<u>21,665</u>	<u>94,835</u>	<u>-</u>	<u>5,537,815</u>
Non-Governmental Funding	2,487,103	-	-	-	-	2,487,103
BASS Accounts Revenue	282,251	-	-	-	-	282,251
Fee for Service Income	341,583	-	-	-	-	341,583
Development	70,084	-	-	-	(65,378)	4,706
Award Income	36,510	-	-	-	-	36,510
Total Unrestricted Revenue	<u>88,150,772</u>	<u>2,830,618</u>	<u>21,665</u>	<u>94,835</u>	<u>(65,378)</u>	<u>91,032,512</u>
Net Assets Released from Restrictions	-	170,000	-	1,000	-	171,000
Satisfaction of Program Activities	-	-	-	-	-	-
Total Revenue	<u>88,150,772</u>	<u>3,000,618</u>	<u>21,665</u>	<u>95,835</u>	<u>(65,378)</u>	<u>91,203,512</u>
EXPENSES:						
Government Programs	82,342,545	-	-	-	-	82,342,545
Non-Government Programs	2,487,104	-	-	-	-	2,487,104
Publication Services	1,846,775	-	-	-	-	1,846,775
Membership Services and BASS	912,347	-	-	-	-	912,347
Awards	41,099	-	-	-	-	41,099
Convention Services	-	2,782,592	-	-	-	2,782,592
Tau Alpha Pi	-	-	19,311	-	-	19,311
IFEES	-	-	-	164,644	(65,378)	99,266
Other	707,531	-	-	-	-	707,531
Total Expenses	<u>88,337,401</u>	<u>2,782,592</u>	<u>19,311</u>	<u>164,644</u>	<u>(65,378)</u>	<u>91,238,570</u>
CHANGE IN UNRESTRICTED NET ASSETS	(186,629)	218,026	2,354	(68,809)	-	(35,058)
CHANGE IN TEMPORARILY RESTRICTED NET ASSETS						
Sponsorships	6,100	73,587	-	-	-	79,687
Net Assets Released from Restrictions	-	(170,000)	-	(1,000)	-	(171,000)
CHANGE IN TEMPORARILY RESTRICTED NET ASSETS	6,100	(96,413)	-	(1,000)	-	(91,313)
CHANGE IN NET ASSETS	(180,529)	121,613	2,354	(69,809)	-	(126,371)
Net Assets - Beginning of Year	3,167,919	(411,373)	60,277	69,809	-	2,886,632
NET ASSETS - END OF YEAR	<u>\$ 2,987,390</u>	<u>\$ (289,760)</u>	<u>\$ 62,631</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,760,261</u>

AMERICAN SOCIETY FOR ENGINEERING EDUCATION AND AFFILIATES
CONSOLIDATING SCHEDULE OF FUNCTIONAL EXPENSES
YEAR ENDED SEPTEMBER 30, 2012
(SEE INDEPENDENT AUDITORS' REPORT)

	Government Programs	Non- Government Programs	Publication Services	Membership Services and BASS	Awards
Projects Participant Support	\$ 77,472,657	\$ 2,254,323	\$ -	\$ -	\$ -
Salaries and Benefits, Net of Reimbursements	1,988,014	135,310	710,323	262,541	-
Printing and Graphic Design	24,448	5,765	190,233	8,851	-
Rent and Related, Net of Reimbursements	-	-	-	-	-
BASS Accounts Expense	-	-	-	287,670	1,000
Travel and Related	397,192	-	15,651	5,731	-
Depreciation and Amortization	-	-	-	-	-
Postage and Freight, Net of Reimbursements	32,462	4,248	86,414	40,891	-
Computer/Professional Services	90,465	34	131,753	35,602	-
Miscellaneous	-	-	943	230	-
Outreach/Marketing	114,402	-	89	-	-
Mail Charges	-	-	6	13,882	-
Dues and Registration	1,050	-	7,799	200	-
AV, Bus Services and Facilities Rental	215,903	-	-	-	-
Telephone, Net of Reimbursement	7,288	1	707	87	-
Supplies, Net of Reimbursement	11,452	-	1,366	13,300	-
Repairs and Maintenance	5,990	-	1,569	-	-
Legal and Accounting	-	-	-	-	-
Catering	70,519	-	-	4,020	-
Photocopying	9,054	3	3,692	4,499	-
Recruitment and Staff Training	50	-	760	-	-
Honoraria	72,730	-	1,267	200	40,099
Subscriptions	-	-	514	-	-
Bad Debt Expense	-	-	-	-	-
	<u>80,513,676</u>	<u>2,399,684</u>	<u>1,153,086</u>	<u>677,704</u>	<u>41,099</u>
Indirect Costs	<u>1,828,869</u>	<u>87,420</u>	<u>693,689</u>	<u>234,643</u>	<u>-</u>
Total	<u>82,342,545</u>	<u>2,487,104</u>	<u>1,846,775</u>	<u>912,347</u>	<u>41,099</u>
Eliminations	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total After Eliminations	<u><u>\$ 82,342,545</u></u>	<u><u>\$ 2,487,104</u></u>	<u><u>\$ 1,846,775</u></u>	<u><u>\$ 912,347</u></u>	<u><u>\$ 41,099</u></u>

Convention Services	Tau Alpha Pi	IFEES	Other	Total Program Services	General and Administrative	Total
\$ -	\$ -	\$ -	\$ -	\$ 79,726,980	\$ -	\$ 79,726,980
910,077	4,861	1,065	336,224	4,348,415	1,813,174	6,161,589
86,952	-	-	8,142	324,391	14,229	338,620
1,220	-	-	-	1,220	830,464	831,684
-	-	-	-	288,670	-	288,670
67,884	-	1,209	3,595	491,262	93,777	585,039
51,044	-	-	-	51,044	355,459	406,503
19,623	1,697	-	17,427	202,762	20,715	223,477
202,479	-	309	300	460,942	74,072	535,014
86,277	130	159,820	20,257	267,657	114,425	382,082
-	-	-	-	114,491	500	114,991
118	-	-	914	14,920	2,073	16,993
1,118	-	25	11,810	22,002	57,399	79,401
223,502	-	-	-	439,405	1,121	440,526
1,820	23	472	1,149	11,547	39,315	50,862
42,610	5,020	-	1,517	75,265	49,112	124,377
1,228	-	-	3,999	12,786	42,135	54,921
3,380	-	-	47,349	50,729	82,132	132,861
494,900	230	-	390	570,059	12,592	582,651
5,808	42	-	203	23,301	12,223	35,524
-	-	-	447	1,257	50,292	51,549
11,482	56	-	4,810	130,644	994	131,638
-	-	-	7,465	7,979	136	8,115
(944)	-	(68)	893	(119)	-	(119)
2,210,578	12,059	162,832	466,891	87,637,609	3,666,339	91,303,948
572,014	7,252	1,812	240,640	3,666,339	(3,666,339)	-
2,782,592	19,311	164,644	707,531	91,303,948	-	91,303,948
-	-	(65,378)	-	(65,378)	-	(65,378)
<u>\$ 2,782,592</u>	<u>\$ 19,311</u>	<u>\$ 99,266</u>	<u>\$ 707,531</u>	<u>\$ 91,238,570</u>	<u>\$ -</u>	<u>\$ 91,238,570</u>

AMERICAN SOCIETY FOR ENGINEERING EDUCATION AND AFFILIATES
CONSOLIDATING SCHEDULE OF FUNCTIONAL EXPENSES
YEAR ENDED SEPTEMBER 30, 2011
(SEE INDEPENDENT AUDITORS' REPORT)

	Government Programs	Non- Government Programs	Publication Services	Membership Services	Awards
Projects participant support	\$ 79,305,813	\$ 280,710	\$ -	\$ -	\$ -
Salaries and benefits, net of reimbursements	1,971,196	6,474	587,867	210,041	-
Printing and graphic design	15,168	-	267,125	10,595	490
Rent and related, net of reimbursements	-	-	-	-	-
BASS accounts expense	-	-	-	298,332	500
Travel and Related	406,640	-	25,454	9,816	-
Depreciation and Amortization	-	-	-	-	-
Postage and Freight, Net of Reimbursements	14,490	-	103,085	39,834	514
Computer/Professional Services	101,807	-	465,771	487	429
Miscellaneous	-	-	1,708	169	-
Outreach / Marketing	64,699	-	1,740	-	-
Mail Charges	329	-	-	21,771	-
Dues and Registration	1,870	-	8,491	414	-
AV, Bus Services and Facilities Rental	477,928	-	-	-	-
Telephone, Net of Reimbursement	6,352	-	1,598	95	8
Supplies, Net of Reimbursement	40,983	-	907	12,914	1,420
Repairs and Maintenance	6,789	-	740	-	-
Legal and Accounting	12,500	-	-	-	-
Catering	62,422	-	488	3,136	-
Photocopying	5,179	-	7,518	6,344	245
Recruitment and Staff Training	-	-	254	-	-
Honoraria	76,326	-	-	992	31,184
Subscriptions	1,500	-	797	-	-
Bad Debt Expense	-	-	-	-	-
	<u>82,571,991</u>	<u>287,184</u>	<u>1,473,543</u>	<u>614,940</u>	<u>34,790</u>
Indirect Costs	<u>1,798,032</u>	<u>3,564</u>	<u>811,186</u>	<u>174,292</u>	<u>-</u>
	<u><u>\$ 84,370,023</u></u>	<u><u>\$ 290,748</u></u>	<u><u>\$ 2,284,729</u></u>	<u><u>\$ 789,232</u></u>	<u><u>\$ 34,790</u></u>

Convention Services	Tau Alpha Pi	IFEES	Other	Total Program Services	General and Administrative	Total
\$ -	\$ -	\$ -	\$ -	\$ 79,586,523	\$ -	\$ 79,586,523
831,976	2,959	87,760	143,651	3,841,924	1,521,165	5,363,089
95,722	-	-	175	389,275	9,965	399,240
1,980	-	-	-	1,980	789,962	791,942
-	-	-	-	298,832	-	298,832
105,821	-	3,425	6,986	558,142	103,451	661,593
75,513	-	-	-	75,513	318,018	393,531
13,231	1,034	60	48	172,296	13,985	186,281
237,454	-	1,547	17,651	825,146	231,750	1,056,896
172,793	-	8,878	30,914	214,462	106,622	321,084
1,573	-	-	2,640	70,652	-	70,652
1,121	-	-	791	24,012	3,103	27,115
475	712	-	2,564	14,526	60,569	75,095
311,424	-	-	-	789,352	1,530	790,882
5,624	76	2,701	514	16,968	32,816	49,784
50,523	2,584	49	667	110,047	66,777	176,824
983	-	-	-	8,512	72,669	81,181
2,902	-	-	48,023	63,425	109,450	172,875
652,595	571	242	933	720,387	22,632	743,019
3,486	-	-	396	23,168	11,973	35,141
-	-	-	39	293	29,540	29,833
16,628	2,836	-	12,364	140,330	226	140,556
-	-	-	6,511	8,808	735	9,543
(2,305)	-	68	(134)	(2,371)	-	(2,371)
2,579,519	10,772	104,730	274,733	87,952,202	3,506,938	91,459,140
547,433	5,930	52,851	113,650	3,506,938	(3,506,938)	-
<u>\$ 3,126,952</u>	<u>\$ 16,702</u>	<u>\$ 157,581</u>	<u>\$ 388,383</u>	<u>\$ 91,459,140</u>	<u>\$ -</u>	<u>\$ 91,459,140</u>

**AMERICAN SOCIETY FOR ENGINEERING EDUCATION AND AFFILIATES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED SEPTEMBER 30, 2012**

Federal Grantor / Program Title	Federal CFDA Number	Grant / Agreement Number	Federal Expenditures
DEPARTMENT OF DEFENSE (12.XXX)			
Basic and Applied Scientific Research Program			
SMART Scholarship Program	12.300	Various	\$ 34,088,260
Navy Research Laboratory and Other Postdoc Fellowship Program	12.300	Various	1,978,425
ONR Summer Faculty Research Program	12.300	Various	1,984,019
ONR STEM Advocacy Education Kit	12.300	N00014-12-1-0350	13,154
Naval Research Enterprise Intern Program/Science and Engineering Apprentice Program	12.300	Various	3,600,188
Total for the Basic and Applied Scientific Research Program	12.300		<u>41,664,046</u>
Air Force National Defense Science and Engineering Graduate (NDSEG) Fellowship Program	N/A	FA9550-05-C-0059	20,499,385
Air Force National Defense Science and Engineering Graduate (NDSEG) Fellowship Program	N/A	FA9550-11-C-0028	12,070,390
Air Force Summer Faculty Fellowship Program	N/A	FA9550-09-C-0114	2,457,449
Subtotal DoD			<u>76,691,270</u>
NATIONAL SCIENCE FOUNDATION (NSF) (47.XXX)			
NSF Small Business Postdoctoral Research Diversity Fellowship Program	47.041	IIP-1059286	2,183,236
NSF GRFP Engineering Innovation Fellowship Program	47.041	EEC-1059472	271,719
NSF Diversification Efforts in Engineering Education Meeting	47.041	EEC-1256000	731
			<u>2,455,686</u>
NSF 2012 S-STEM PI Meeting	47.076	DUE-1219584	116,514
NSF 2013 and 2014 STEP Grantees Mtg	47.076	DUE-1241552	3,288
NSF Virtual Communities of Practice	47.076	DUE-1224217	3,226
			<u>123,028</u>
NSF Industrial Postdoc Program: ARRA Funding	47.082	EEC-0946373	81,317
NSF Graduate Research Fellowship Program	N/A	DACS 10C1109	1,453,996
NSF EAPSI	N/A	NSFOISE-0811356	43,079
Subtotal NSF			<u>4,157,106</u>
NATIONAL AERONAUTICS & SPACE ADMINISTRATION (43.XXX)			
NASA Aeronautic Space Program	N/A	NNH08CC19C	1,491,168
Subtotal NASA			<u>1,491,168</u>
DEPARTMENT OF ENERGY			
DOE Workshops at ASEE Annual Conferences 2012 -2014	N/A	DE-ED0000218TDD	3,000
Subtotal DoE			<u>3,000</u>
Total Federal Awards			<u><u>\$ 82,342,544</u></u>

N/A Not Available

NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-122, Cost Principles for Non-profit Organizations, wherein certain types of expenditures are not allowable or are limited as to reimbursement.



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**REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Directors
American Society for Engineering Education
Washington, DC

We have audited the consolidated financial statements of the American Society for Engineering Education (the "Society") and Affiliates as of and for the year ended September 30, 2012, and have issued our report thereon dated February 2, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Society's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Society's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the organization's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a deficiency in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs as FS12-01, that we consider to be a significant deficiency in internal control over financial reporting. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

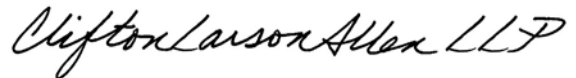
As part of obtaining reasonable assurance about whether the Society's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Board of Directors
American Society for Engineering Education

We noted certain matters that we reported to management of the Society in a separate letter dated February 2, 2013.

The Society's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the Society's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Board of Directors, Finance Committee, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Arlington, Virginia
February 2, 2013



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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD
HAVE A DIRECT AND MATERIAL EFFECT ON EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Directors
American Society for Engineering Education
Washington, DC

Compliance

We have audited the American Society for Engineering Education's (the Society) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Society's major federal programs for the year ended September 30, 2012. The Society's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Society's management. Our responsibility is to express an opinion on the Society's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Society's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Society's compliance with those requirements.

In our opinion, the Society complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2012.

Internal Control Over Compliance

Management of the Society is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Society's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Society's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying schedule of findings and questioned costs as items SA12-02, SA12-03, SA12-04, SA12-05, SA12-06 and SA12-07. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

The Society's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the Society's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of the Board of Directors, Finance Committee, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



CliftonLarsonAllen LLP

Arlington, Virginia
February 2, 2013

**AMERICAN SOCIETY FOR ENGINEERING EDUCATION AND AFFILIATES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2012**

PART I: SUMMARY OF AUDITORS' RESULTS

Financial Statements

We have audited the consolidated financial statements of the American Society for Engineering Education and Affiliates (the "Society"), as of and for the year ended September 30, 2012, and have issued an unqualified opinion thereon dated February 2, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal control over financial reporting:

- | | |
|--|-----|
| ▪ Material weakness identified | No |
| ▪ Significant deficiency identified that is not considered to be a material weakness | Yes |
| ▪ Noncompliance material to consolidated financial statements noted | No |

Federal Awards

We have also issued an unqualified opinion dated February 2, 2013, based on our consideration of the Society's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended September 30, 2012.

Internal control over major programs:

- | | |
|--|-----|
| ▪ Material weakness identified | No |
| ▪ Significant deficiency identified that is not considered to be a material weakness | Yes |

Any audit findings required to be reported under .510(a) of OMB Circular A-133?	Yes
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**AMERICAN SOCIETY FOR ENGINEERING EDUCATION AND AFFILIATES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2012**

PART I: SUMMARY OF AUDITORS' RESULTS (CONTINUED)

The major programs identified and tested are as follows:

Federal Grantor/ Program Title	Federal CFDA Number	Grant / Agreement Number
Department of Defense:		
SMART Scholarship Program	12.300	Various
Navy Research Laboratory and Other Postdoc Fellowship Program	12.300	Various
ONR Summer Faculty Research Program	12.300	Various
ONR STEM Advocacy Education Kit	12.300	N00014-12-1-0350
Naval Research Enterprise Intern Program/Science and Engineering Apprenticeship Program	12.300	Various
Department of Defense:		
Air Force National Defense Science and Engineering Graduate (NDSEG) Fellowship Program	N/A	FA9550-05-C-0059
Air Force National Defense Science and Engineering Graduate (NDSEG) Fellowship Program	N/A	FA9550-11-C-0028
National Science Foundation:		
NSF Small Business Postdoctoral Research Diversity Fellowship Program	47.041	IIP-1059286
NSF GRFP Engineering Innovation Fellowship Program	47.041	EEC-1059472
NSF Diversification Efforts in Engineering Education Meeting	47.041	EEC-1256000

For the September 30, 2012 audit, the threshold used to distinguish between Type A and Type B programs was \$2,470,276.

The Society was not determined to be a low-risk auditee as defined in Section .530 of OMB Circular A-133.

**AMERICAN SOCIETY FOR ENGINEERING EDUCATION AND AFFILIATES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2012**

PART II: CONSOLIDATED FINANCIAL STATEMENT FINDINGS

Significant Deficiency

Finding FS12-01 – Preparation of Schedule of Expenditures of Federal Awards

NSF Small Business Postdoctoral Research Diversity Fellowship Program - CFDA# 47.041;
IIP-1059286

Condition: The Society's internal controls did not identify the cost sharing portion of the grant.

Criteria: Management is responsible for establishing and maintaining internal controls over the preparation of the schedule of expenditures of federal awards.

Context: The schedule of expenditures of federal awards was overstated for the program by \$324,079.

Questioned Cost: None noted.

Effect: In effect, the schedule of expenditures of federal awards provided to the auditors was overstated by \$324,079, which represented the cost sharing portion of the revenues.

Cause: Controls are not in place to ensure proper reporting.

Recommendation: We recommend a separate general ledger account be created to record any cost sharing revenues received by corporations instead of recording the grant revenue and cost sharing revenue within the same general ledger code.

Corrective Action: The Society does maintain a separate general ledger account in the accounting system for all of its federal awards including cost-sharing awards such as the NSF SBIR program. The oversight was due to lack of noticing the specific general ledger account belongs to a cost-sharing award. To prevent this oversight in the future, we modified the general ledger account description to clearly indicate that the specific account belongs to a program that requires special reporting treatments.

**AMERICAN SOCIETY FOR ENGINEERING EDUCATION AND AFFILIATES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2012**

PART III: FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Significant Deficiencies

Finding SA12-02 – Internal Controls over Reimbursement Requests

NATIONAL SCIENCE FOUNDATION

NSF Small Business Postdoctoral Research Diversity Fellowship Program - CFDA# 47.041;
IIP-1059286

DEPARTMENT OF DEFENSE

Basic and Applied Scientific Research – CFDA# 12.300; SMART Scholarship Program;
Various, Navy Research Laboratory and Other Postdoc Fellowship Program; Various, ONR
Summer Faculty Research Program; Various, ONR STEM Advocacy Education Kit; N00014-
12-1-0350

Naval Research Enterprise Intern Program/Science and Engineering Apprentice Program;
Various

Air Force National Defense Science and Engineering Graduate (NDSEG) Fellowship Program
– N/A; FA9550-05-C-0059, FA9550-11-C-0028

Condition: The Society's internal controls over reimbursement requests do not include a documented dated signoff for approval prior to submission.

Criteria: Management is responsible for establishing and maintaining internal controls over the reimbursement requests.

Context: We selected a sample of eight reimbursement requests and noted, in all instances, the CFO approved each request with a signoff; however, the signoff was not dated. There was no way to determine if the approval was received prior to the reimbursement request being submitted. The Project Accountant prepares both the report and performs the reimbursement request. There is a detective control for programs under CFDA# 47.041 and 12.300 where the Director of Fellowships receives an email confirmation of the reimbursement request.

Questioned Cost: None noted.

Effect: The internal controls in place are not operating as designed.

Cause: Controls are not in place to ensure proper reporting for reimbursement requests.

Recommendation: We recommend the approval be documented with a date to ensure the proper amount was approved for the reimbursement request.

**AMERICAN SOCIETY FOR ENGINEERING EDUCATION AND AFFILIATES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2012**

PART III: FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Significant Deficiencies (Continued)

Finding SA12-02 – Internal Controls over Reimbursement Requests (Continued)

Corrective Action: The Society's CFO reviews and approves all cash drawdown requests as noted in the finding. She omitted dating her signature as the reports she reviews and approves had a date printed on them; however, we agree that this isn't strong documentation on the timing of her reviews and approvals. To improve the review and approval processes, we implemented a change to have all review and approval processes done via e-mail. The Projects Accountants will now send by e-mail the reports to the CFO to review and approve and the CFO will send a reply with a certification that she has reviewed the request/invoices and approved them for submission.

Finding SA12-03 – Internal Controls over Review of Reports Submitted for Grants

Basic and Applied Scientific Research – CFDA# 12.300; SMART Scholarship Program; Various, Navy Research Laboratory and Other Postdoc Fellowship Program; Various, ONR Summer Faculty Research Program; Various, ONR STEM Advocacy Education Kit; N00014-12-1-0350, Naval Research Enterprise Intern Program/Science and Engineering Apprentice Program; Various

Air Force National Defense Science and Engineering Graduate (NDSEG) Fellowship Program – N/A; FA9550-05-C-0059, FA9550-11-C-0028

Condition: The Society's internal controls over reporting do not include a review of the reports submitted for grants.

Criteria: Management is responsible for establishing and maintaining internal controls over the reporting process.

Context: We selected a sample of eight reports and noted, in six instances, there was no formal documented review process over the financial and performance reports submitted; therefore we were unable to determine that reports met the compliance requirement of proper review and timely submission.

Questioned Cost: None noted.

Effect: The internal controls in place are not operating as designed.

Cause: Controls are not in place to ensure proper review of reports prior to submission.

Recommendation: We recommend the approval be documented and dated to ensure the proper reports were approved prior to submission to granting agencies.

**AMERICAN SOCIETY FOR ENGINEERING EDUCATION AND AFFILIATES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2012**

PART III: FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Significant Deficiencies (Continued)

Finding SA12-03 – Internal Controls over Review of Reports Submitted for Grants (Continued)

Corrective Action: The Society does have the controls in place for submission, review, and approval of the reports submitted for grants. However, it failed to maintain documentation on a few occasions due to change in the staff in both the Fellowships and Research Opportunities Department and the Office of Contracts, Grants, and Compliance (OCGC) during the fiscal year. The Society will process submissions, reviews, and approvals through e-mail in order to have the time, date, and the staff performing the task documented accordingly. Moreover, the Society's OCGC will develop a comprehensive matrix to oversee the reporting management of all of its federally-funded programs.

Finding SA12-04 – Internal Controls over Review of Reports Submitted for Grants

NSF Small Business Postdoctoral Research Diversity Fellowship Program - CFDA# 47.041; IIP-1059286

Condition: Certain fellows were approved without meeting proper criteria or submitting all required documentation.

Criteria: Management is responsible for establishing proper internal controls to ensure proper eligibility of fellows receiving grant funds.

Context: We selected a sample of eight fellows receiving grant funds from the SBIR grant and noted three instances where criteria for eligibility was not met.

Questioned Cost: None noted.

Effect: The internal controls in place are not operating as designed.

Cause: Controls are not in place to ensure proper approval of reports prior to funding of grant to fellows.

Recommendation: We recommend approving recipients based upon the set criteria stated with no exceptions.

Corrective Action: The exceptions were granted by the authorized party but, unfortunately, those approvals were not properly documented. The Society will maintain proper documentations on future exceptions.

**AMERICAN SOCIETY FOR ENGINEERING EDUCATION AND AFFILIATES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2012**

PART III: FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

NATIONAL SCIENCE FOUNDATION

Significant Deficiencies (Continued)

Finding SA12-05 – Internal Controls over Review of Reports Submitted for Grants

NSF Small Business Postdoctoral Research Diversity Fellowship Program - CFDA# 47.041;
IIP-1059286

Condition: The Society's internal controls over reporting do not include a process to ensure supporting documentation of time and effort is maintained and accessible.

Criteria: Management is responsible for maintaining adequate support to document time and effort of employees allocating time to grant activities.

Context: We selected a sample of twelve payroll transactions related to this grant and were unable to review proper documentation to support the time and effort compliance criteria for one of the timesheets selected.

Questioned Cost: None noted.

Effect: The internal controls in place are not operating as designed.

Cause: Controls are not in place to ensure maintenance and accessibility of supporting documentation related to time and effort.

Recommendation: We recommend that all appropriate support should be maintained and accessible.

Corrective Action: The Society maintains the employees' timesheets on an online timesheet system. The Society's online timesheet system until December 31, 2011 experienced server issues on an occasional basis but these would normally be resolved within an hour or so. The Society switched its online timesheet system to a more reliable system effective January 1, 2012. Since then, the old online timesheet system was used for storing old timesheet data only. Unfortunately, the old online system experienced severe issues during the audit, so we could not retrieve a couple of timesheets that were selected for testing. This problem should not be repeated as we have switched to a new system that's more reliable. The Society already has the old timesheets backed up on its own server.

**AMERICAN SOCIETY FOR ENGINEERING EDUCATION AND AFFILIATES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2012**

PART III: FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

NATIONAL SCIENCE FOUNDATION

Significant Deficiencies (Continued)

Finding SA12-06 – Internal Controls over Review of Reports Submitted for Grants

NSF Small Business Postdoctoral Research Diversity Fellowship Program - CFDA# 47.041;
IIP-1059286

Condition: The Society's internal controls over reporting do not include a process to ensure supporting documentation of time and effort is maintained and accessible.

Criteria: Management is responsible for ensuring timesheets are properly reviewed, especially when affecting grants.

Context: We selected a sample of twelve timesheets and noted, for one week within a pay period, the timesheets did not indicate approval.

Questioned Cost: None noted.

Effect: The internal controls in place are not operating as designed.

Cause: Controls are not in place to ensure proper approval of timesheets.

Recommendation: We recommend the approval be documented and dated to ensure the proper approval of expenses prior to submission to granting agencies.

Corrective Action: The Society maintains the employees' timesheets on an online timesheet system. The Society's online timesheet system until December 31, 2011 experienced server issues on an occasional basis but these would normally be resolved within an hour or so. The Society switched its online timesheet system to a more reliable system effective January 1, 2012. Since then, the old online timesheet system was used for storing old timesheet data only. Unfortunately, the old online system experienced severe issues during the audit, so we could not retrieve a couple of timesheets that were selected for testing. This problem should not be repeated as we have switched to a new system that's more reliable. The Society already has the old timesheets backed up on its own server.

**AMERICAN SOCIETY FOR ENGINEERING EDUCATION AND AFFILIATES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2012**

PART III: FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

DEPARTMENT OF DEFENSE

Significant Deficiencies (Continued)

Finding SA12-07 – Internal Controls over Review of Reports Submitted for Grants

Basic and Applied Scientific Research – CFDA# 12.300; SMART Scholarship Program; Various, Navy Research Laboratory and Other Postdoc Fellowship Program; Various, ONR Summer Faculty Research Program; Various, ONR STEM Advocacy Education Kit; N00014-12-1-0350, Naval Research Enterprise Intern Program/Science and Engineering Apprentice Program; Various

Air Force National Defense Science and Engineering Graduate (NDSEG) Fellowship Program – N/A; FA9550-05-C-0059, FA9550-11-C-0028

Condition: The Society's internal controls over reporting do not include a review of the reports submitted for grants to ensure timely submission.

Criteria: Management is responsible for establishing and maintaining internal controls over the reporting process.

Context: We selected a sample of eight reports and noted, in three instances, there is no supporting documentation of the date reports were submitted and one instance the report was submitted after the deadline.

Questioned Cost: None noted.

Effect: The internal controls in place are not operating as designed.

Cause: Controls are not in place to ensure proper review of reports to ensure timely submission.

Recommendation: We recommend the approval be documented and dated to ensure the timely submission of reports to granting agencies.

Corrective Action: The Society does have the controls in place for submission, review, and approval of the reports submitted for grants. However, it failed to maintain documentation on a few occasions due to change in the staff in both the Fellowships and Research Opportunities Department and the Office of Contracts, Grants, and Compliance (OCGC) during the fiscal year. The Society will process submissions, reviews, and approvals through e-mail in order to have the time, date, and the staff performing the task documented accordingly. Moreover, the Society's OCGC will develop a comprehensive matrix to oversee the reporting management of all of its federally funded programs.

**AMERICAN SOCIETY FOR ENGINEERING EDUCATION AND AFFILIATES
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS AND CORRECTIVE ACTION PLAN
YEAR ENDED SEPTEMBER 30, 2012**

PART I: PRIOR YEAR CONSOLIDATED FINANCIAL STATEMENT FINDINGS

None.

PART II: PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None.

PART III: CORRECTIVE ACTION PLAN

Findings SA12-01, SA12-02, SA12-03, SA12-04, SA12-05, SA12-06 and SA12-07

Contact Person: Sae-Young Park

Correcting Action Plan: See Schedule of Findings and Questioned Costs Part III

Anticipated Completion Date: Calendar year 2013