

**AMERICAN SOCIETY FOR ENGINEERING  
EDUCATION AND AFFILIATES**

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

**YEARS ENDED SEPTEMBER 30, 2013 AND 2012**

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

Board of Directors  
American Society for Engineering Education  
Washington, DC

### **Report on the Consolidated Financial Statements**

We have audited the accompanying consolidated financial statements of the American Society for Engineering Education and Affiliates (the "Society"), which comprise the consolidated statements of financial position as of September 30, 2013 and 2012, and the related consolidated statements of activities and cash flows for the years 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 accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of 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 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 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 auditors' 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 consolidated financial position of the Society as of September 30, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

*Other Information*

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating statement of financial position, the consolidating statement of activities, and the consolidating statement of functional expenses are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. The schedule of expenditures of federal awards, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is also presented for purposes of additional analysis and is not a required part of the basic consolidated financial statements. The consolidating statement of financial position, the consolidating statement of activities, and the consolidating statement of functional expenses and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audit of the 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 consolidated financial statements or to the 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 consolidated financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated May 9, 2014, 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 result of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Society's internal control over financial reporting and compliance.



**CliftonLarsonAllen LLP**

Arlington, Virginia  
May 9, 2014

**AMERICAN SOCIETY FOR ENGINEERING EDUCATION AND AFFILIATES**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**SEPTEMBER 30, 2013 AND 2012**

	2013	2012
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 4,635,303	\$ 7,914,083
Receivables:		
Federal Projects	5,064,138	1,477,729
Other	341,752	245,147
Total Receivables	5,405,890	1,722,876
Prepaid Expenses and Deposits	200,207	255,965
Total Current Assets	10,241,400	9,892,924
 <b>INVESTMENTS</b>	 1,315,592	 1,171,251
 <b>PROPERTY AND EQUIPMENT, NET</b>	 1,438,518	 1,686,253
 Total Assets	 \$ 12,995,510	 \$ 12,750,428
 <b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable and Accrued Expenses	\$ 2,575,543	\$ 569,307
Deferred Lease Incentive	55,285	55,285
Deferred Revenue:		
Projects, Including Federal Projects of \$5,310,193 and \$7,492,112 in 2013 and 2012, Respectively	6,406,884	8,167,964
Membership Dues	522,622	401,617
Other	188,950	208,923
Total Deferred Revenue	7,118,456	8,778,504
Total Current Liabilities	9,749,284	9,403,096
 <b>LONG TERM LIABILITIES</b>		
Deferred Lease Incentives, Net of Current Portion	354,743	410,028
Deferred Rent	214,662	177,043
Total Long Term Liabilities	569,405	587,071
Total Liabilities	10,318,689	9,990,167
 <b>NET ASSETS</b>		
Unrestricted Net Assets:		
Undesignated	386,359	533,404
Board Designated Awards	1,315,592	1,171,251
Board Designated BASS Accounts	973,165	974,214
Total Unrestricted Net Assets	2,675,116	2,678,869
Temporarily Restricted	1,705	81,392
Total Net Assets	2,676,821	2,760,261
 Total Liabilities and Net Assets	 \$ 12,995,510	 \$ 12,750,428

See accompanying Notes to Consolidated Financial Statements.

**AMERICAN SOCIETY FOR ENGINEERING EDUCATION AND AFFILIATES**  
**CONSOLIDATED STATEMENTS OF ACTIVITIES**  
**YEARS ENDED SEPTEMBER 30, 2013 AND 2012**

	2013	2012
<b>CHANGE IN UNRESTRICTED NET ASSETS</b>		
Revenue:		
Government Funding	\$ 80,008,531	\$ 82,342,544
General Operations:		
Membership Services	1,240,969	1,201,428
Investment Income	144,877	193,994
Publication Services	999,371	1,195,275
Meetings and Conferences	2,881,939	2,830,618
Tau Alpha Pi	17,053	21,665
IFEES	-	94,835
Total General Operations	5,284,209	5,537,815
Non-Governmental Funding	2,695,431	2,487,103
BASS Accounts Revenue	239,334	282,251
Fee for Service Income *	319,965	341,583
Development *	137,339	4,706
Award Income *	46,300	36,510
	88,731,109	91,032,512
Net Assets Released from Restrictions		
Satisfaction of Program Activities	79,687	171,000
Total Revenue	88,810,796	91,203,512
<b>EXPENSES</b>		
Government Programs	80,008,531	82,342,545
Non-Government Programs	2,735,303	2,487,104
Publication Services	1,559,176	1,846,775
Membership Services and BASS	909,128	912,347
Awards	23,282	41,099
Convention Services	2,722,769	2,782,592
Tau Alpha Pi	9,905	19,311
IFEES	-	99,266
Other	846,455	707,531
Total Expenses	88,814,549	91,238,570
Change in Unrestricted Net Assets	(3,753)	(35,058)
<b>CHANGE IN TEMPORARILY RESTRICTED NET ASSETS</b>		
Sponsorships	-	79,687
Net Assets Released from Restrictions	(79,687)	(171,000)
Change in Temporarily Restricted Net Assets	(79,687)	(91,313)
<b>CHANGE IN NET ASSETS</b>	(83,440)	(126,371)
Net Assets - Beginning of Year	2,760,261	2,886,632
<b>NET ASSETS - END OF YEAR</b>	\$ 2,676,821	\$ 2,760,261

See accompanying Notes to Consolidated Financial Statements.

**AMERICAN SOCIETY FOR ENGINEERING EDUCATION AND AFFILIATES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
YEARS ENDED SEPTEMBER 30, 2013 AND 2012**

	2013	2012
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ (83,440)	\$ (126,371)
Adjustments to Reconcile Change in Net Assets to Net Cash Used in Operating Activities:		
Depreciation and Amortization	350,365	406,503
Unrealized Gain on Investments	(116,207)	(167,251)
Changes in Assets and Liabilities:		
Receivables	(3,683,014)	546,527
Prepaid Expenses and Deposits	55,758	(36,848)
Accounts Payable and Accrued Expenses	2,006,236	(150,853)
Deferred Revenue	(1,660,048)	(6,130,965)
Deferred Lease Incentives	(55,285)	(36,856)
Deferred Rent	37,619	62,993
Net Cash Used in Operating Activities	(3,148,016)	(5,633,121)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of Property and Equipment	(102,630)	(179,379)
Purchases of Investments	(28,134)	(25,579)
Net Cash Used in Investing Activities	(130,764)	(204,958)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from Line of Credit	400,000	500,000
Principal Repayments on Line of Credit	(400,000)	(500,000)
Net Cash Provided by Financing Activities	-	-
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	(3,278,780)	(5,838,079)
Cash and Cash Equivalents - Beginning of Year	7,914,083	13,752,162
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 4,635,303	\$ 7,914,083

See accompanying Notes to Consolidated Financial Statements.

**AMERICAN SOCIETY FOR ENGINEERING EDUCATION AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2013 AND 2012**

**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. IFEES separated from ASEE effective March 1, 2012 and became an independent entity.

**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 the "Society"). Significant intra-entity accounts and transactions have been eliminated in consolidation.

**Basis of Accounting**

The Society prepares 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, 2013 AND 2012**

**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, the Society considers 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 consolidated 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, 2013 AND 2012**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Net Assets**

The Society classifies 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.

**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, 2013 AND 2012**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Income Taxes**

The Society is 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 the Society are deductible by the donor for federal income tax purposes, subject to statutory limitations on charitable contributions.

The Society 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 the Society's consolidated financial statements. The Society's tax returns for the years 2010, 2011, and 2012 are open for federal and state tax examinations.

**Subsequent Events**

In preparing these consolidated financial statements, the Society has evaluated events and transactions for potential recognition or disclosure through May 9, 2014, the date the consolidated 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 2013, 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.

**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, 2013 and 2012, the Society's revenues from grants were \$82,703,962 and \$84,829,647, respectively, which approximates 93.2% and 93.1% of total revenues, respectively. As of September 30, 2013 and 2012, the Society's receivables from grants were \$5,064,138 and \$1,477,729, respectively, which approximates 93.7% and 85.8% of total receivables, respectively.

**AMERICAN SOCIETY FOR ENGINEERING EDUCATION AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2013 AND 2012**

**NOTE 4 INVESTMENTS**

Investments at September 30, 2013 and 2012 consist of one mutual fund that holds approximately 56% in equities, 35% in fixed income, and 9% in cash. 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:

	2013	2012
Interest and Dividends	\$ 28,670	\$ 26,743
Unrealized Gain on Investments	116,207	167,251
<b>Total Investment Income</b>	<b>\$ 144,877</b>	<b>\$ 193,994</b>

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

	2013			Total
	Level 1	Level 2	Level 3	
Mutual Fund	\$ 1,315,592	\$ -	\$ -	\$ 1,315,592
	2012			Total
	Level 1	Level 2	Level 3	
Mutual Fund	\$ 1,171,251	\$ -	\$ -	\$ 1,171,251

**NOTE 5 PROPERTY AND EQUIPMENT**

Property and equipment consisted of the following at September 30:

	2013	2012
Furniture and Equipment	\$ 266,717	\$ 254,881
Computers and Software	2,418,934	2,500,608
Leasehold Improvements	843,911	834,359
Work in Progress	531,245	473,702
Total	4,060,807	4,063,550
Less Accumulated Depreciation and Amortization	(2,622,289)	(2,377,297)
<b>Total Property and Equipment, Net</b>	<b>\$ 1,438,518</b>	<b>\$ 1,686,253</b>

AMERICAN SOCIETY FOR ENGINEERING EDUCATION AND AFFILIATES  
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
 SEPTEMBER 30, 2013 AND 2012

**NOTE 6 TEMPORARILY RESTRICTED NET ASSETS**

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

	2013	2012
ASEE Convention and Seminar Corporation 2013 Event Sponsorships	\$ -	\$ 73,587
ASEE Miscellaneous Restricted Funds	1,705	7,805
	\$ 1,705	\$ 81,392

**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 seventy-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, 2013 and 2012 was approximately \$192,000 and \$216,000, 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, 2013 AND 2012**

**NOTE 9 FUNCTIONAL ALLOCATION OF EXPENSES**

ASEE and Affiliates present expenses within the accompanying consolidated statements 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:

	<u>2013</u>	<u>2012</u>
Government Programs	\$ 77,976,009	\$ 80,513,676
Non-Government Programs	2,605,248	2,399,684
Publication Services	970,064	1,153,086
Membership Services	656,672	677,704
Awards	23,282	41,099
Convention Services	2,124,149	2,210,578
Tau Alpha Pi	6,262	12,059
IFEES	-	97,454
Other	615,408	466,891
	<u>84,977,094</u>	<u>87,572,231</u>
Total Program Services		
General and Administrative	<u>3,837,455</u>	<u>3,666,339</u>
Total Expenses	<u>\$ 88,814,549</u>	<u>\$ 91,238,570</u>

**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 \$214,662 and \$177,043 as of September 30, 2013 and 2012, respectively, is reflected in the accompanying consolidated statements of financial position. Additionally, the lease provided an allowance for leasehold improvements as an incentive. At the inception of the office space lease, \$552,847 in leasehold improvements 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, 2013 and 2012, the deferred lease incentive was \$410,028 and \$465,313, respectively. Rent expense for the years ended September 30, 2013 and 2012 amounted to \$731,069 and \$771,641, respectively.

**AMERICAN SOCIETY FOR ENGINEERING EDUCATION AND AFFILIATES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
SEPTEMBER 30, 2013 AND 2012**

**NOTE 10 COMMITMENTS (CONTINUED)**

**Operating Leases (Continued)**

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

<u>Year Ending September 30,</u>	<u>Amount</u>
2014	\$ 687,583
2015	789,660
2016	809,258
2017	838,309
2018	857,420
Thereafter	<u>1,779,682</u>
Total	<u>\$ 5,761,912</u>

**Hotel Agreements**

ASEECS has entered into several agreements with hotels providing for room accommodations for its meetings and conventions through the year 2020. Many of these agreements contain clauses whereby ASEECS is liable for liquidated damages in the event of cancellation. At September 30, 2013, the maximum potential amount of liquidated damages was approximately \$2,400,000.

**NOTE 11 FRINGE BENEFITS**

**Self-Funded Health Insurance Plan**

ASEE maintains a self-insured level-funded health plan. In an attempt to limit its potential exposure, the Organization purchased insurance that covers each participant with an unlimited maximum claims liability (with the Organization responsible for the first \$30,000 in paid claims) along with an aggregate insurance plan that protects the Organization during the plan year if overall paid claims exceed 110% of what is expected. Although significant insurance coverage exists, there is always a possibility that an extremely sick or injured employee or dependent could incur significant medical bills in one plan year in excess of total insurance coverage thereby forcing ASEE to absorb any claims above and beyond the insured amount. ASEE has recorded a liability of \$89,241 and \$52,609 as of September 30, 2013 and 2012, respectively.

**Post Retirement Health Benefit**

ASEE pays 100% of the Medicare/Gap insurance premiums to eligible retirees and 55% 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 two are eligible.

In addition, two employees entered into a voluntary separation program (VSP-1) in July 2013 for which the same benefits are provided. This offering was only available for that month, so there will be no additional participants added.

**AMERICAN SOCIETY FOR ENGINEERING EDUCATION AND AFFILIATES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
SEPTEMBER 30, 2013 AND 2012**

**NOTE 11 FRINGE BENEFITS (CONTINUED)**

**Post Retirement Health Benefit (Continued)**

To be eligible, employees must have been 55 years of age, been employed with ASEE as a full-time employee for 5 years, signed the Notice of Eligibility and Release and submitted to ASEE Managing Director for Administration and General Counsel by March 31, 2013, been approved by ASEE to participate in VSP-1, and have an effective termination date of July 31, 2013.

**NOTE 12 LINE OF CREDIT**

ASEE has a \$1,000,000 line of credit that expires on May 29, 2014. 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, 2013 and 2012.

**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 consolidated 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, 2013**  
**(SEE INDEPENDENT AUDITORS' REPORT)**

	American Society for Engineering Education	ASEE Convention and Seminar Corporation	Tau Alpha Pi of ASEE, Inc.	Eliminations	Consolidated
<b>CURRENT ASSETS</b>					
Cash and Cash Equivalents	\$ 4,502,100	\$ 64,171	\$ 69,032	\$ -	\$ 4,635,303
Receivables:					
Federal Projects	5,064,138	-	-	-	5,064,138
Other	279,546	62,206	-	-	341,752
Due from Affiliates	365,910	-	-	(365,910)	-
Total Receivables	5,709,594	62,206	-	(365,910)	5,405,890
Prepaid Expenses and Deposits	34,392	161,076	4,739	-	200,207
Total Current Assets	10,246,086	287,453	73,771	(365,910)	10,241,400
<b>INVESTMENTS</b>	1,315,592	-	-	-	1,315,592
<b>PROPERTY AND EQUIPMENT, NET</b>	1,438,530	(12)	-	-	1,438,518
Total Assets	<u>\$ 13,000,208</u>	<u>\$ 287,441</u>	<u>\$ 73,771</u>	<u>\$ (365,910)</u>	<u>\$ 12,995,510</u>
<b>CURRENT LIABILITIES</b>					
Accounts Payable and Accrued Expenses	\$ 2,569,838	\$ 5,707	\$ (2)	\$ -	\$ 2,575,543
Due to Affiliates	-	361,916	3,994	(365,910)	-
Deferred Lease Incentive	55,285	-	-	-	55,285
Deferred Revenue:					
Projects	6,406,884	-	-	-	6,406,884
Membership Dues	522,622	-	-	-	522,622
Other	103,000	85,950	-	-	188,950
Total Deferred Revenue	7,032,506	85,950	-	-	7,118,456
Total Current Liabilities	9,657,629	453,573	3,992	(365,910)	9,749,284
<b>LONG TERM LIABILITIES</b>					
Deferred Lease Incentives, Net of Current Portion	354,743	-	-	-	354,743
Deferred Rent	214,662	-	-	-	214,662
Total Long Term Liabilities	569,405	-	-	-	569,405
Total Liabilities	10,227,034	453,573	3,992	(365,910)	10,318,689
<b>NET ASSETS</b>					
Unrestricted Net Assets	482,712	(166,132)	69,779	-	386,359
Board Designated Awards	1,315,592	-	-	-	1,315,592
Board Designated BASS Accounts	973,165	-	-	-	973,165
Total Unrestricted Net Assets	2,771,469	(166,132)	69,779	-	2,675,116
Temporarily Restricted	1,705	-	-	-	1,705
Total Net Assets	2,773,174	(166,132)	69,779	-	2,676,821
Total Liabilities and Net Assets	<u>\$ 13,000,208</u>	<u>\$ 287,441</u>	<u>\$ 73,771</u>	<u>\$ (365,910)</u>	<u>\$ 12,995,510</u>

**AMERICAN SOCIETY FOR ENGINEERING EDUCATION AND AFFILIATES**  
**CONSOLIDATING STATEMENT OF ACTIVITIES**  
**YEAR ENDED SEPTEMBER 30, 2013**  
**(SEE INDEPENDENT AUDITORS' REPORT)**

	American Society for Engineering Education	ASEE Convention and Seminar Corporation	Tau Alpha Pi of ASEE, Inc.	Eliminations	Consolidated
<b>CHANGE IN UNRESTRICTED NET ASSETS</b>					
Revenue:					
Government Funding	\$ 80,008,531	-	-	-	\$ 80,008,531
General Operations:					
Membership Services	1,240,969	-	-	-	1,240,969
Investment Income	144,877	-	-	-	144,877
Publication Services	999,371	-	-	-	999,371
Meetings and Conferences	35,542	2,846,397	-	-	2,881,939
Tau Alpha Pi	-	-	17,053	-	17,053
Total General Operations	2,420,759	2,846,397	17,053	-	5,284,209
Non-Governmental Funding	2,695,431	-	-	-	2,695,431
BASS Accounts Revenue	239,334	-	-	-	239,334
Fee for Service Income	319,965	-	-	-	319,965
Development	137,339	-	-	-	137,339
Award Income	46,300	-	-	-	46,300
Total Unrestricted Revenue	85,867,659	2,846,397	17,053	-	88,731,109
Net Assets Released from Restrictions	6,100	73,587	-	-	79,687
Satisfaction of Program Activities	85,873,759	2,919,984	17,053	-	88,810,796
<b>EXPENSES:</b>					
Government Programs	80,008,531	-	-	-	80,008,531
Non-Government Programs	2,735,303	-	-	-	2,735,303
Publication Services	1,559,176	-	-	-	1,559,176
Membership Services and BASS	909,128	-	-	-	909,128
Awards	23,282	-	-	-	23,282
Convention Services	-	2,722,769	-	-	2,722,769
Tau Alpha Pi	-	-	9,905	-	9,905
Other	846,455	-	-	-	846,455
Total Expenses	86,081,875	2,722,769	9,905	-	88,814,549
<b>CHANGE IN UNRESTRICTED NET ASSETS</b>	(208,116)	197,215	7,148	-	(3,753)
<b>CHANGE IN TEMPORARILY RESTRICTED NET ASSETS</b>					
Net Assets Released from Restrictions	(6,100)	(73,587)	-	-	(79,687)
<b>CHANGE IN TEMPORARILY RESTRICTED NET ASSETS</b>	(6,100)	(73,587)	-	-	(79,687)
<b>CHANGE IN NET ASSETS</b>	(214,216)	123,628	7,148	-	(83,440)
Net Assets - Beginning of Year	2,987,390	(289,760)	62,631	-	2,760,261
<b>NET ASSETS - END OF YEAR</b>	\$ 2,773,174	\$ (166,132)	\$ 69,779	-	\$ 2,676,821

Convention Services	Tau Alpha Pi	Other	Total Program Services	General and Administrative	Total
\$ -	\$ -	\$ -	\$ 77,004,636	\$ -	\$ 77,004,636
655,148	1,169	357,159	4,115,441	1,927,995	6,043,436
68,781	-	889	273,161	8,343	281,504
-	-	-	378	805,179	805,557
-	-	-	239,565	68	239,633
64,465	-	4,322	460,469	77,551	538,020
1,635	-	-	1,635	348,730	350,365
12,647	445	391	124,992	6,576	131,568
199,040	235	865	759,658	186,015	945,673
51,483	-	2,528	57,729	153,753	211,482
391	-	1,678	134,102	-	134,102
-	-	1,719	44,764	-	44,764
880	664	7,520	17,884	80,442	98,326
657,616	-	-	764,509	-	764,509
33,483	25	256	40,537	36,825	77,362
36,769	3,724	65	66,997	42,527	109,524
1,447	-	115	13,453	44,290	57,743
2,390	-	220,571	222,961	66,833	289,794
321,981	-	416	482,989	3,267	486,256
4,140	-	370	20,873	19,616	40,489
295	-	2,000	5,011	28,033	33,044
12,159	-	4,810	115,894	1,382	117,276
-	-	7,767	8,090	30	8,120
(601)	-	1,967	1,366	-	1,366
<u>2,124,149</u>	<u>6,262</u>	<u>615,408</u>	<u>84,977,094</u>	<u>3,837,455</u>	<u>88,814,549</u>
<u>598,620</u>	<u>3,643</u>	<u>231,047</u>	<u>3,837,455</u>	<u>(3,837,455)</u>	<u>-</u>
<u>\$ 2,722,769</u>	<u>\$ 9,905</u>	<u>\$ 846,455</u>	<u>\$ 88,814,549</u>	<u>\$ -</u>	<u>\$ 88,814,549</u>

**AMERICAN SOCIETY FOR ENGINEERING EDUCATION AND AFFILIATES  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED SEPTEMBER 30, 2013**

Federal Grantor / Program Title	Federal CFDA Number	Grant / Agreement Number	Pass Through Grantor	Federal Expenditures
<b>DEPARTMENT OF DEFENSE (12.XXX)</b>				
Basic and Applied Scientific Research Program				
<i>Navy Research Laboratory and Other Postdoc Fellowship Program</i>	12.300	Various		\$ 2,988,644
<i>ONR STEM Advocacy Education Kit</i>	12.300	N00014-12-1-0350		64,190
<i>Naval Research Enterprise Intern Program/Science and     Engineering Apprentices Program</i>	12.300	Various		<u>3,766,294</u>
Total for the Basic and Applied Scientific Research Program				6,819,128
SMART Scholarship Program	12.631	Various		26,103,991
Air Force National Defense Science and Engineering Graduate (NDSEG) Fellowship Program	N/A	FA9550-05-C-0059		10,122,143
Air Force National Defense Science and Engineering Graduate (NDSEG) Fellowship Program	N/A	FA9550-11-C-0028		24,103,961
Air Force Summer Faculty Fellowship Program	N/A	FA9550-09-C-0114		<u>2,362,341</u>
Subtotal Department of Defense				<u>69,511,564</u>
<b>NATIONAL SCIENCE FOUNDATION (NSF) (47.XXX)</b>				
NSF Small Business Postdoctoral Research Diversity Fellowship Program				
	47.041	IIP-1059286		2,237,923
NSF GRFP Engineering Innovation Fellowship Program	47.041	EEC-1059472		195,890
NSF Diversification Efforts in Engineering Education Meeting	47.041	EEC-1256000		55,445
NSF Sponsorship of the 2012, 2013, and 2014 ECO Car Faculty Awards	47.041	IIP-1240283		25,026
NSF ASEE Summit on Transitioning Veterans to Engineering Related Careers	47.041	EEC-1262094		<u>127,581</u>
				2,641,865
NSF 2012 S-STEM PI Meeting	47.076	DUE-1219584		818,618
NSF 2013 and 2014 STEP Grantees Mtg	47.076	DUE-1241552		185,774
NSF Virtual Communities of Practice	47.076	DUE-1224217		186,626
NSF Transforming Undergraduate Education in Engineering - Phase 1	47.076	DUE-1256350		<u>125,652</u>
				1,316,670
NSF Graduate Research Fellowship Program	N/A	DACS 10C1109		<u>1,481,543</u>
Subtotal National Science Foundation				<u>5,440,078</u>
<b>NATIONAL AERONAUTICS &amp; SPACE ADMINISTRATION (43.XXX)</b>				
NASA Aeronautic Space Program				
	N/A	NNH08CC19C		1,470,293
Subtotal National Aeronautics & Space Administration				<u>1,470,293</u>
<b>U.S. ARMY RESEARCH OFFICE</b>				
Youth Science Cooperative Outreach Program - SEAP/CQL and GEMS				
	12.630	Various	Virginia Tech	3,586,596
Subtotal U.S. Army Research Office				<u>3,586,596</u>
Total Federal Awards				<u>\$ 80,008,531</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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**INDEPENDENT AUDITORS' 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 in accordance with the 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, the consolidated financial statements of the American Society for Engineering Education (the "Society") and Affiliates, which comprise the consolidated statement of financial position as of September 30, 2013, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated May 9, 2014.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the consolidated financial statements, we considered the Society's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Society's internal control. Accordingly, we do not express an opinion on the effectiveness of the organization's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedules of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiency described in the accompanying schedule of findings and questions as 2013-01 to be a material weakness.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as 2013-02 and 2013-03 to be significant deficiencies.

**Compliance and Other Matters**

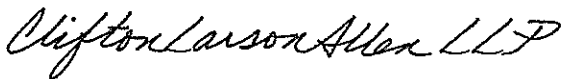
As part of obtaining reasonable assurance about whether the Society's consolidated financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of consolidated 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*.

**The Society's Response to Findings**

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

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purposes.



**CliftonLarsonAllen LLP**

Arlington, Virginia  
May 9, 2014



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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

**Report on Compliance for Each Major Federal Program**

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, 2013. The Society's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the Society's major federal programs based on our audit of the type of compliance requirements referred to above. 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the Society's compliance.

**Opinion on Each Major Federal Program**

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, 2013.



**AMERICAN SOCIETY FOR ENGINEERING EDUCATION AND AFFILIATES  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED SEPTEMBER 30, 2013**

**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, 2013, and have issued an unmodified opinion thereon dated May 9, 2014. 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   | Yes |
| ▪ 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 unmodified opinion dated May 9, 2014, 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, 2013.

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
---	-----

**AMERICAN SOCIETY FOR ENGINEERING EDUCATION AND AFFILIATES  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED SEPTEMBER 30, 2013**

**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
<b>Department of Defense:</b>		
Basic and Applied Scientific Research Program Navy Research Laboratory and Other Postdoc Fellowship Program	12.300	Various
ONR STEM Advocacy Education Kit	12.300	N00014-12-1-0350
Naval Research Enterprise Intern Program/Science and Engineering Apprentice Program	12.300	Various
SMART Scholarship Program	12.631	Various
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
Air Force Summer Faculty Fellowship Program	N/A	FA9550-09-C-0114
<b>National Science Foundation:</b>		
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
NSF Sponsorship of the 2012, 2013, and 2014 ECO Car Faculty Awards	47.041	IIP-1240283
NSF ASEE Summit on Transitioning Veterans to Engineering Related Careers	47.041	EEC-1262094
<b>U.S. Army Research Office:</b>		
Youth Science Cooperative Outreach Program - SEAP/CQL and GEMS	12.630	Various

For the September 30, 2013 audit, the threshold used to distinguish between Type A and Type B programs was \$2,400,256.

The Society was 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, 2013**

**PART II: CONSOLIDATED FINANCIAL STATEMENT FINDINGS**

**Material Weakness**

**2013-01: Material Audit Adjustment**

**Condition:** The Society's internal controls did not identify expenses that should have been accrued at year-end.

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

**Context:** Participant tuition expense, accounts payable and related revenue and accounts receivable balances were understated by \$1,791,000.

**Questioned Cost:** None noted.

**Effect:** In effect, financial statements assets, liabilities, revenue and expenses were understated by \$1,791,000.

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

**Recommendation:** We recommend procedures be reviewed and updated to ensure all applicable costs are recorded in proper period.

**Corrective Action:** The Society will review and update its procedures for processing cash disbursements and ensure that expenses are captured in the proper period.

**AMERICAN SOCIETY FOR ENGINEERING EDUCATION AND AFFILIATES  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED SEPTEMBER 30, 2013**

**PART II: CONSOLIDATED FINANCIAL STATEMENT FINDINGS (CONTINUED)**

**Significant Deficiencies**

**2013-02: Preparation of Schedule of Expenditures of Federal Awards**

**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 \$440,425.

**Questioned Cost:** None noted.

**Effect:** In effect, the schedule of expenditures of federal awards provided to the auditors was overstated by \$440,425, 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, 2013

**PART II: CONSOLIDATED FINANCIAL STATEMENT FINDINGS (CONTINUED)**

**Significant Deficiencies - Continued**

**2013-03: Documentation of Review and Approval of Payroll Registers**

**Condition:** Not all ADP payroll registers included documentation of review and approval noted on the payroll register.

**Criteria:** Management is responsible for ensuring the ADP payroll registers are reviewed and approved as noted in the policies and procedures manual.

**Context:** There were four months (December, April, June and September) where the ADP payroll registers did not have documentation of review and approval of the registers. This resulted in eight exceptions out of our sample size of 60 payroll disbursements.

**Questioned Cost:** None noted.

**Effect:** Time could be improperly charged to a contract code leading to unallowable costs requested for that contract code and employees may be over/underpaid.

**Cause:** Due to turnover in the Society, there were payroll periods in which there was no documentation of review performed by the Chief Financial Officer as noted per the policies and procedures manual.

**Recommendation:** We recommend that an employee knowledgeable of the payroll process reviews and signs off on the ADP payroll report each pay period in order to ensure that proper controls are implemented and documented.

**Corrective Action:** Procedures for fiscal year 2014 will be modified to have a staff accountant prepare payroll, the Accounting Director approve payroll, and the HR Director review payroll. The fiscal year 2014 Policies and Procedures Manual will reflect this. By virtue of the position, the HR Director is aware of employee payroll changes, new hires, terminations, etc. because those requests come through HR. Thus, the HR Director is best equipped to review the payroll registers to ensure amounts processed are reasonable.

**AMERICAN SOCIETY FOR ENGINEERING EDUCATION AND AFFILIATES  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED SEPTEMBER 30, 2013**

**PART III: FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

**Significant Deficiencies**

**2013-04: Documentation of Review of Reports for Grants; Reporting**

Department of Defense

Basic and Applied Scientific Research, *Navy Research Laboratory and Other Postdoctoral Fellowship Program; Naval Research Enterprise Intern Program/Science and Engineering Apprentice Program* – CFDA# 12.300

SMART Scholarship Program - CFDA# 12.631

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

Air Force Summer Faculty Fellowship Program – CFDA# N/A; Grant# FA9550-09-C-0114

U.S. Army Research Office

Youth Science Cooperative Outreach Program SEAP/CQL and GEMS – CFDA #12.630

**Condition:** The Society's internal controls over reporting do not include a formal documentation of 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 16 reports and noted that in nine instances there was no formal documentation of review process over the financial and performance reports submitted; therefore we were unable to determine that reports were reviewed. In one instance, the report was not reviewed by the appropriate personnel.

**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.

**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 turnover in the Society 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  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED SEPTEMBER 30, 2013

PART III: FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Significant Deficiencies (Continued)

2013-05: Incorrect Payment of Tuition; Eligibility

Department Of Defense

Basic and Applied Scientific Research, *Research Enterprise Intern Program/Science and Engineering Apprentices Program*; – CFDA# 12.300

**Condition:** Certain participants were paid as a new student when they should have been paid as a returning student, resulting in participants getting paid amounts less than they should have received.

**Criteria:** Management is responsible for determining that stipends paid to the participant are calculated correctly and in compliance with the participant's Acceptance of Terms form.

**Context:** We selected a sample of 40 participants and noted that in four instances the stipend paid was not properly calculated and the students received less than they should have.

**Questioned Cost:** None noted.

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

**Cause:** There is a lack of consistency between documentation in participant files and stipends paid to participants.

**Recommendation:** We recommend an additional procedure be implemented where the participant's Acceptance of Use Form is cross checked and approved with amounts requested as stipend prior to payments being processed.

**Corrective Action:** The Society agrees and will implement procedures to cross check amounts paid to participants before payments are approved.

**AMERICAN SOCIETY FOR ENGINEERING EDUCATION AND AFFILIATES  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED SEPTEMBER 30, 2013**

**PART III: FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

**Significant Deficiencies (Continued)**

**2013-06: Documentation of Review and Approval of Payroll Registers; Allowable Costs**

Department Of Defense

Basic and Applied Scientific Research, *Navy Research Laboratory and Other Postdoctoral Fellowship Program* – CFDA# 12.300;

U.S. Army Research Office

Youth Science Cooperative Outreach Program SEAP/CQL and GEMS – CFDA #12.630

As discussed at finding 2013-03, ADP payroll registers were not reviewed and approved as required by the Policies and Procedures Manual. The Chief Financial Officer should review and sign off on the ADP payroll report each pay period in order to ensure that procedures are properly being followed and such reviews are being performed and documented.

**2013-07: Material Audit Adjustment, Allowable Costs**

Department Of Defense

SMART Scholarship Program – CFDA# 12.631

Air Force National Defense Science Engineering Graduate (NDSEG) Fellowship Program – CFDA # N/A, Grant FA9550-11-C-0028

As discussed at finding 2013-01, a material audit adjustment was necessary to properly reflect expenses in the proper period. Procedures should be reviewed and updated to ensure all applicable costs are recorded in the proper period.



**AMERICAN SOCIETY FOR ENGINEERING EDUCATION AND AFFILIATES  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED SEPTEMBER 30, 2013**

**PART III: FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

**Significant Deficiencies (Continued)**

**2013-08: Documentation of Review of Journal Entries; Allowable Costs**

Department of Defense

Air Force Summer Faculty Fellowship Program – CFDA N/A; FA9550-09-C-0114

National Science Foundation

NSF GRFP Engineering Innovation Fellowship Program – CFDA #47.041; EEC-1059472,  
NSF Small Business Postdoctoral Research Diversity Fellowship Program – CFDA #47.041;  
IIP-1059286

**Condition:** There was no documentation of review of journal entries performed for indirect cost and fringe benefit allocations.

**Criteria:** Management is responsible for reviewing journal entries.

**Context:** Of the 25 grant expenses sampled for Air Force Summer Faculty Fellowship Program, there were four instances that did not have documentation of review of the journal entry recorded for indirect cost and fringe benefit allocations. Of the 60 grant expenses sampled for CFDA #47.041, there were three instances that did not have documentation of review of the journal entry recorded for indirect cost and fringe benefit allocations.

**Questioned Cost:** None noted.

**Effect:** Indirect costs and fringe benefits could be incorrectly calculated or charged to grant contract code leading to unallowable costs requested as reimbursement.

**Cause:** Due to turnover in the Society, there were instances in which documentation of journal entries recorded was not provided.

**Recommendation:** We recommend that all journal entries be reviewed as part of the monthly close process or other periodic basis.

**Corrective Action:** Management agrees to implement procedures and controls over the journal entry process to ensure all journal entries are reviewed as part of the monthly close or other periodic basis.

**AMERICAN SOCIETY FOR ENGINEERING EDUCATION AND AFFILIATES  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS AND CORRECTIVE ACTION PLAN  
YEAR ENDED SEPTEMBER 30, 2013**

**PART II: PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

**SIGNIFICANT DEFICIENCIES**

**Finding SA12-02 – Internal Control over Reimbursement Requests**

National Science Foundation

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

Department Of Defense

Basic and Applied Scientific Research, *Navy Research Laboratory and Other Postdoctoral Fellowship Program; Various, ONR Summer Faculty Research Program, Naval Research Enterprise Intern Program/Science and Engineering Apprentice Program, ONR STEM Advocacy Education Kit* – CFDA# 12.300; SMART Scholarship Program – CFDA# 12.631  
Air Force National Defense Science and Engineering Graduate (NDSEG) Fellowship Program– CFDA# N/A; Grant# FA9550-05-C-0059 and Grant# 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.

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

Current Status: We are pleased note that we did not note such a finding in current year.

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

Department of Defense

Basic and Applied Scientific Research, *Navy Research Laboratory and Other Postdoctoral Fellowship Program; ONR Summer Faculty Research Program; ONR STEM Advocacy Education Kit; Naval Research Enterprise Intern Program/Science and Engineering Apprentice Program;* – CFDA# 12.300;  
SMART Scholarship Program – CFDA #12.631  
Air Force National Defense Science and Engineering Graduate (NDSEG) Fellowship Program – CFDA# - N/A; Grant# FA9550-05-C-0059 and Grant #FA9550-11-C-0028

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

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

Current Status: See current year finding 2013-04

**AMERICAN SOCIETY FOR ENGINEERING EDUCATION AND AFFILIATES  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS AND CORRECTIVE ACTION PLAN  
YEAR ENDED SEPTEMBER 30, 2013**

**PART II: PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

**SIGNIFICANT DEFICIENCIES (CONTINUED)**

**Finding SA12-04 – Internal Controls over Eligibility**

National Science Foundation

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

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

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

Current Status: We are pleased to report that there were no issues noted in our testing of controls over compliance with eligibility of fellows for the National Science Foundation for the year ended September 30, 2013.

**Finding SA12-05 – Internal Controls over Maintenance of Supporting Documents**

National Science Foundation

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.

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

Current Status: We are pleased to report that there were no issues noted in our testing of controls over compliance with supporting documentation of time and effort in the year ended September 30, 2013.

**AMERICAN SOCIETY FOR ENGINEERING EDUCATION AND AFFILIATES  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS AND CORRECTIVE ACTION PLAN  
YEAR ENDED SEPTEMBER 30, 2013**

**PART II: PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

**SIGNIFICANT DEFICIENCIES (CONTINUED)**

**Finding SA12-06 – Internal Controls over Approval of Expenses**

National Science Foundation

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.

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

Current Status: We are pleased to report that there were no issues in our testing of controls over compliance with supporting documentation of time and effort in the year ended September 30, 2013.

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

Department Of Defense

*Basic and Applied Scientific Research, Navy Research Laboratory and Other Postdoctoral Fellowship Program; ONR Summer Faculty Research Program; ONR STEM Advocacy Education Kit; Naval Research Enterprise Intern Program/Science and Engineering Apprentice Program – CFDA# 12.300;  
SMART Scholarship Program – CFDA# 12.631  
Air Force National Defense Science and Engineering Graduate (NDSEG) Fellowship Program – CFDA# N/A; Grant# FA9550-05-C-0059 and Grant# 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.

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

Current Status: See current year finding 2013-04.

**AMERICAN SOCIETY FOR ENGINEERING EDUCATION AND AFFILIATES  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS AND CORRECTIVE ACTION PLAN  
YEAR ENDED SEPTEMBER 30, 2013**

**PART III: CORRECTIVE ACTION PLAN**

**Findings 2013-01, 2013-02, 2013-03, 2013-04, 2013-05, 2013-06, 2013-07 and 2013-08**

Contact Person: Edgar Lugo

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

Anticipated Completion Date: Calendar year 2014