2018-2019 BOARD OF GOVERNORS
ASME Headquarters, New York, NY
October 1-2, 2018

Attendance during the open session was as follows:

Board of Governors
President: Said Jahanmir
President Nominee: Richard Laudenat

Absent: Stuart Cameron, Charla K. Wise

Governor-Nominees: Todd Allen, Laura Hitchcock, Thomas Kurfess

Other Officers
Senior Vice Presidents: Kalan Guiley, Public Affairs and Outreach
Sam Korellis, Standards and Certification Sector
Richard C. Marboe, Technical Events and Content
Callie Tourigny, Student and Early Career Development

Secretary and Treasurer: Bryan Erler

Executive Director: Thomas Costabile

Assistant Secretary: John Delli Venneri

Assistant Treasurer: William Garofalo

Corporate Counsel: John Sare

Other Guests
Howard Berko: Chair, Presidential Task Force on Nomination Process
Andrew Bicos: Chair, Presidential Task Force on Membership
Amos Holt: Past President, 2009-2010
Susan Meier: Principal, Meier and Associates
John Mulvihill: Chair, Group Engagement Committee
Khosro Shirvani: BOG ECLIPSE Intern
Bob Sims: Past President, 2014-2015
Reginald Vachon: Past President, 2003-2004

Staff
Clare Bruff: Senior Manager, Government Relations
Michael Cowan: Director, Strategic Communications
Tim Graves: Managing Director, Technical Conferences & Events
John Hasselmann: Managing Director, Government Relations
1. Opening of the Meeting

1.1. Call to Order: On October 1, 2018, a meeting of the Board of Governors of the American Society of Mechanical Engineers was held at its headquarters in New York, NY. A quorum was present, and the meeting was called to order by President Jahanmir at 1:16 PM Eastern Daylight Time.

1.2. Adoption of the Agenda: The Board voted to adopt the agenda as amended on September 17, 2018.

1.3. Announcements: President Jahanmir acknowledged Past Presidents Amos Holt and Reginald Vachon, and Julia Goodrich as the new Director, Membership Development. He recognized and congratulated the most recent promotions at ASME: Andrea Mahoney, Senior Director, Marketing & Digital Operations, Kara Dress, Director, Inbound Marketing & Branded Content, Allian Pratt, Managing Director, Global Alliances & Board Operations, Melissa Carl, Director, Public Affairs, Matthew Vasquez, Director, Conformity Assessment Operations, and lastly, Steven Rossi, Project Engineer Manager, Pressure Technology Codes and Standards Department. He welcomed BOG 2018-2019 ECLIPSE Intern Khosro Shirvani. President Jahanmir pointed out that moving forward, most of the Board meetings will be conducted in open session. Lastly, he pointed out that all the materials for any Board meeting must be submitted two weeks prior to the meeting. Staff and volunteers must work cohesively to maintain this deadline.

1.4. President's Remarks: President Jahanmir announced that since June, the PEDT has had continuous weekly discussions focused on ASME moving forward in the upcoming year. The Board Dialogue created under Charla’s term, will continue. It enables informal discussion between the Board and Senior Vice Presidents. In addition, he mentioned that Divisions, Sections, and Student Sections should work together to create the core for ASME.

1.5. Executive Director's Remarks: Tom Costabile welcomed all to the meeting and thanked Allian Pratt, Karen Russo, and Elizabeth Sumpter for their hard work with the management and organization of the October Board meeting. He provided brief remarks including improving the membership at ASME, and welcomed our new Director of Membership, Julia Goodrich. Over the last few months, he met with the following engineering societies: AIChE, ASCE, NSPE, ABET, ANSI, NCEES, AMT, and SME as
part of his learning. Lastly, announced that he is working on restructuring the ASME Foundation.

1.6. Consent Items for Action:

The Board voted to approve the following items on the consent agenda:

1.6.2. Approval of Minutes from June 3, 2018 Meeting
1.6.3. Approval of Minutes from June 6, 2018 Meeting
1.6.4. Approval of Proposed Appointments
(Appendix 1.6.4.)

2. Open Session Agenda Items

2.1. Overview of Governance as Leadership: A Board’s Fiduciary, Strategic, and Generative Work: Susan Meier, Principal, Meier and Associates, facilitated a governance discussion based on the framework for helping nonprofit organizations maximize the efficiency and effectiveness of their boards. As a key element, the Board participated in a dialogue on how to build a constructive partnership between the Board and staff. (Minutes Appendix 2.1.)

2.2. Interview of 2019-2022 Technical Events & Content Sector SVP- Nominee: Rick Marboe introduced the Technical Events & Content Sector SVP-Nominee candidate George Papadopoulos to the Board. (Minutes Appendix 2.2.)

Prior to the discussion on the nominee, the President asked all except BOG and Officers to temporarily leave the room.

The Board voted: To approve the 2019-2022 Technical Events & Content SVP-Nominee candidate George Papadopoulos.

2.3. Approval of FY18 Audited Financial Statements: Bill Garofalo and Karen Ohland provided an overview of the ASME investment portfolio and high level financial position of ASME.

The Board voted: The ASME Board of Governors accepts and approves ASME FY18 audited financial statements as presented by KPMG.

The Board voted: To appoint KPMG as auditors for the FY 2019 audit. (Minutes Appendix 2.3.)

2.4. FY18 Enterprise Incentive Compensation Performance Results: Tom Costabile reviewed and discussed the FY18 performance results for enterprise incentive objective.

The Board voted: To approve the incentive compensation performance results for the Enterprise as outlined in appendix 2.4. (Minutes Appendix 2.4.)
2.5. **VOLT Academy Update:** Todd Allen provided an overview and update on VOLT Academy. He highlighted the sessions that VOLT has presented such as: Creating and Working Effectively in Teams at IMECE, Preparing the Next Generation Leaders of ASME 2050 at Annual Meeting, Cross-Sector Leadership Development Workshop held in April, ECLIPSE Orientation and Leadership Workshop, New Chair Orientation and Training Program, and continuous training for BOG and SVP’s held at IMECE/Annual meetings. He also worked on strategic planning training for the Gas Turbine Segment. Overall, VOLT plans to expand on FY19 opportunities and programs. The goal is to double volunteer touch points in 2019 from 500 to 1000. (Minutes Appendix 2.5.)

2.6. **Update on WFEO:** Reginald Vachon and John Delli Venneri provided a brief update on the World Federation of Engineering Organizations and ASME’s relationship with this international body. (Minutes Appendix 2.6.)

2.7. **Strategic Advisory Committee: ASME’s Mission and Vision Statements:** Bill Wepfer provided an overview to the Board of the discussion within SAC on the ASME Mission and Vision statements. (Minutes Appendix 2.7.)

A motion was made and seconded, but did not receive board approval.

2.8. **Report from Presidential Task Force on Core Technologies:** Michael Molnar presented on The Core Technologies Task Force which was created to review the current strategy, status of work and implementation plans for the ASME Strategy for Core Technologies. The task force is then charged to develop recommendations for improving the strategy to accelerate growth in the core technologies, including but not limited to provisions for collaborations. Mike expanded on the overview of the task force which is reviewing the individual strategies on achieving the “go to” state and future plans. (Minutes Appendix 2.8.)

2.9. **The Nomination Process Task Force:** Howard Berkof provided an overview of the Presidential Task Force on Nomination Process. The purpose of this task force is to educate volunteers on future leadership positions. To collect data to understand where the issues are within the organization and to see if the Board is aligned effectively. (Minutes Appendix 2.9.)

2.10. **Report from Presidential Task Force on Membership:** Andrew Bicos provided an overview of the Membership Task Force which was created to develop a plan of action for both staff and volunteer perspectives, and to revamp the value proposition for ASME membership. They will look at a new membership model designed to address a declining and aging membership roll. This presentation concluded by requesting BOG, Sector Leadership, Board Committees, and Executive Management Team members to complete a Membership Task Force online questionnaire. (Minutes Appendix 2.10.)

2.11. **New Business:** There were no items.

3. **Open Session Information Items**

3.1. **Dates of Future Meetings**
<table>
<thead>
<tr>
<th>DATE</th>
<th>DAY</th>
<th>TIME</th>
<th>LOCATION</th>
</tr>
</thead>
<tbody>
<tr>
<td>November 10, 2018</td>
<td>Saturday</td>
<td>9:00 AM – 5:00PM</td>
<td>Pittsburgh, PA</td>
</tr>
<tr>
<td>December 14, 2018</td>
<td>Friday</td>
<td>3:00 PM – 4:00 PM</td>
<td>Conference Call</td>
</tr>
<tr>
<td>February TBD (a)</td>
<td>TBD</td>
<td>TBD</td>
<td>Conference Call</td>
</tr>
<tr>
<td>April 8, 2019 (a)</td>
<td>Monday</td>
<td>12:00 PM – 4:00 PM</td>
<td>Capitol Hill, Washington, DC</td>
</tr>
<tr>
<td>April 9, 2019</td>
<td>Tuesday</td>
<td>8:15 AM – 1:00PM</td>
<td>Washington, DC</td>
</tr>
<tr>
<td>April 9, 2019</td>
<td>Tuesday</td>
<td>1:00 PM – 5:00PM</td>
<td>Capitol Hill, Washington, DC</td>
</tr>
<tr>
<td>April 9, 2019</td>
<td>Tuesday</td>
<td>Dinner – Evening</td>
<td>Washington, DC</td>
</tr>
<tr>
<td>April 10, 2019 (a)</td>
<td>Wednesday</td>
<td>8:00 AM – 12:00 PM</td>
<td>Capitol Hill, Washington, DC</td>
</tr>
<tr>
<td>June 2, 2019 (a)</td>
<td>Sunday</td>
<td>8:30 AM – 4:00 PM</td>
<td>Orlando, FL</td>
</tr>
<tr>
<td>June 5, 2019 (b)</td>
<td>Wednesday</td>
<td>10:00 AM – 3:00PM</td>
<td>Orlando, FL</td>
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</tbody>
</table>

a) 2018-2019 Board of Governors  b) 2019-2020 Board of Governors

3.2. Committee on Organization and Rules Annual Report

3.3. Committee on Honors Annual Report

3.4. Committee of Past Presidents Annual Report

3.5. Auxiliary Annual Report

4. **Adjournment:** The meeting adjourned on Tuesday, October 2, 2018 at 10:30 AM Eastern Daylight Time.

__________________________
Bryan Erler
Secretary
List of Appendices

1.6.4. Proposed Appointments

2.1. Overview of Governance as Leadership: A Board’s Fiduciary, Strategic, and Generative Work

2.2. Interview of 2019-2022 Technical Events & Content Sector SVP-Nominee

2.3. Approval of FY18 Audited Financial Statements

2.4. FY18 Enterprise Incentive Compensation Performance Results

2.5. VOLT Academy Update

2.6. Update on WFEO

2.7. Strategic Advisory Committee: ASME’s Mission and Vision Statements

2.8. Report from Presidential Task Force on Core Technologies

2.9. The Nomination Process Task Force

2.10. Report from Presidential Task Force on Membership

3.1. Report from Presidential Task Force on Organizational Structure (Closed)

5.1. Corporate Counsel Legal Report (Closed)

6.2. Committee on Organization and Rules Annual Report

6.3. Committee on Honors Annual Report

6.4. Committee of Past Presidents Annual Report

6.5. Auxiliary Annual Report
Date Submitted: September 7, 2018
BOG Meeting Date: October 1-2, 2018

To: Board of Governors
From: Committee on Organization and Rules
Presented by: Fred Stong
Agenda Title: Proposed Appointments

Agenda Item Executive Summary:

Proposed appointments reviewed by the COR on September 7, 2018.

Proposed motion for BOG Action:

To approve the attached appointments.

Attachments: Document attached.
# SEPTEMBER 2018
## PROPOSED APPOINTMENTS TO ASME UNITS

<table>
<thead>
<tr>
<th>Internal Unit</th>
<th>Nominee</th>
<th>Appointment Position/Title</th>
<th>Appointment Term/Category</th>
<th>Appointment Type</th>
<th>History</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public Affairs and Outreach Council</td>
<td>Aaron Adams</td>
<td>Member-at-Large</td>
<td>September 2018 – June 2019</td>
<td>Initial</td>
<td>Alabama A&amp;M Faculty</td>
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<tr>
<td>Public Affairs and Outreach Council</td>
<td>Desmond Chan</td>
<td>Member-at-Large</td>
<td>September 2018 – June 2019</td>
<td>Initial</td>
<td>Industry Advisory Board</td>
</tr>
<tr>
<td>Student and Early Career Development Council</td>
<td>Leila Aboharb</td>
<td>Member-at-Large</td>
<td>July 2018 - June 2019</td>
<td>Initial</td>
<td>Early Career Programming Committee</td>
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<tr>
<td>Student and Early Career Development Council</td>
<td>Nishant Trivedi</td>
<td>Member-at-Large</td>
<td>July 2018 - June 2019</td>
<td>Initial</td>
<td>Student Section Enterprise Committee</td>
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## PROPOSED APPOINTMENTS TO EXTERNAL UNITS

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<tr>
<th>External Unit</th>
<th>Nominee</th>
<th>Appointment Position/Title</th>
<th>Appointment Term/Category</th>
<th>Appointment Type</th>
<th>History</th>
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</thead>
<tbody>
<tr>
<td>Daniel Guggenheim Medal Board</td>
<td>Erdogan Madenci</td>
<td>ASME Representative</td>
<td>October 2018 – September 2021</td>
<td>Initial</td>
<td>Aerospace Division Structures and Materials Committee</td>
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<tr>
<td>Daniel Guggenheim Medal Board</td>
<td>Ozden Ochoa</td>
<td>ASME Representative</td>
<td>October 2018 – September 2021</td>
<td>Initial</td>
<td>Past member, Board of Governors</td>
</tr>
<tr>
<td>Max Jakob Award Board</td>
<td>Portonovo Ayyaswamy</td>
<td>ASME Representative</td>
<td>July 2018 – June 2021</td>
<td>Initial</td>
<td>Editor, Journal of Heat Transfer</td>
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<tr>
<td>Max Jakob Award Board</td>
<td>John Howell</td>
<td>ASME Representative</td>
<td>July 2018 – June 2019</td>
<td>Initial</td>
<td>Past member, Heat Transfer Executive Committee</td>
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<tr>
<td>Max Jakob Award Board</td>
<td>Vijay Dhir</td>
<td>ASME Representative</td>
<td>July 2018 – June 2021</td>
<td>Initial</td>
<td>Member, Technical Committee on Publications and Communications</td>
</tr>
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Date Submitted: September 6, 2018
BOG Meeting Date: October 1, 2019

To: Board of Governors
From: Strategy Advisory Committee
Presented by: Susan Meier, Meier and Associates
Agenda Title: Overview of Governance as Leadership: A Board’s Fiduciary, Strategic, and Generative Work

Agenda Item Executive Summary:

With six new members of the Board in attendance—three new and three nominees, the Strategy Advisory Committee recommends a facilitated governance session on Governance as Leadership by Susan Meier.

The session is based on a new framework for helping nonprofit organizations maximize the effectiveness of their boards. The key elements of the session are:

1) Reframing the Board’s work in the Fiduciary, strategic and generative modes.
2) Building a constructive partnership between the Board and Staff.

Proposed motion for BOG Action:

Information only

Attachments:

None
ASME Board of Governors Meeting

Optimizing Your Board's Potential: Governance as Leadership

October 1, 2018

SUSAN S. MEIER, MEIER AND ASSOCIATES

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Susan Meier

- Principal, Meier and Associates
- C-Suite experience with national nonprofits
- 30+ years of experience working with nonprofit organizations
- Corporate experience
- National and local board member and officer experience
Exercise

New York and Mississippi Valley Printing Telegraph Company – Western Union
Blockbuster – Netflix
NES – Nintendo
CVS -- CVS Health
“Discovery consists of seeing what everybody else has seen and thinking what nobody else has thought.”

-Albert Szent-Gyorgi, 1937 Nobel Prize for Medicine
Chief Executive

Coordinates and directs the affairs/operations of the association
  – has immediate responsibility
  – is accountable to the board

Board

Governs the life of the organization
  – has ultimate responsibility
  – is accountable to the public trust
  – is responsible for the long term viability and health of the association
## What’s the Problem?

<table>
<thead>
<tr>
<th>Classical</th>
<th>Diagnosis</th>
<th>Problem of performance</th>
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</thead>
<tbody>
<tr>
<td>Response</td>
<td>Codify board’s role, clarify tasks.</td>
<td>Do the work better.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Reframe</th>
<th>Diagnosis</th>
<th>Problem of purpose.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Response</td>
<td>Enrich the job, engage the board.</td>
<td>Do better work.</td>
</tr>
<tr>
<td>Objective</td>
<td>Do better work.</td>
<td></td>
</tr>
</tbody>
</table>
The Governance Triangle

Governance as Leadership

Fiduciary
Strategic
Generative
Core Concepts

• Board must think and work in three different modes.
• Each mode emphasizes a different aspect of governance.
• All three modes are important.
• The value added by a board will increase as the board:
  • Becomes more proficient in more modes;
  • Does more work in the third mode;
  • Chooses the appropriate mode/s of work.
• This work is best done in constructive partnership.
Working in Constructive Partnership

“Exceptional boards govern in constructive partnership with the chief executive, recognizing that the effectiveness of the board and chief executive are interdependent. They build this partnership through trust, candor, respect, and honest communication.”

Constructive Partnership: Principle 1, The Source
# The Constructive Partnership*

<table>
<thead>
<tr>
<th>Responsible Boards</th>
<th>x The Source of Power</th>
<th>= Exceptional Boards</th>
</tr>
</thead>
<tbody>
<tr>
<td>• CEO Job Description</td>
<td>• Trust, candor, respect</td>
<td>• Face and resolve problems early</td>
</tr>
<tr>
<td>• Delegate operations to CEO</td>
<td>• Sharing good and bad news</td>
<td>• Attract more qualified chief executives</td>
</tr>
<tr>
<td>• Evaluate CEO annually</td>
<td>• Open and honest CEO</td>
<td>• Retain talented chief executives longer</td>
</tr>
<tr>
<td>• Ensure fair &amp; competitive compensation</td>
<td>• Communication in and between meetings</td>
<td>• Change executive leadership at the right time</td>
</tr>
</tbody>
</table>

• Insightful tools and information

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Modes of Governance

I. *Fiduciary.* Stewardship of tangible assets. Oversee operations; deploy resources wisely; ensure legal and financial integrity; monitor results.

II. *Strategic.* Partner with senior staff to scan internal & external environments; design & modify strategic plans; strengthen comparative advantage.

III. *Generative.* Source of leadership to discern, frame, and confront challenges rooted in values, traditions, and beliefs; engage in sense-making, meaning-making, and problem framing.
Value-Add Fiduciary Work

Oversight
Due diligence?
Scandal free?
In compliance?
Can we afford it?
Clean audit?
Budget balanced?
Do we manage risk?
New program meets market?
Is it legal?

Inquiry
Hold what in trust for whom?
Safeguards in place?
Voluntary measures to earn trust?
What’s the opportunity cost?
Insights from audit?
Budget matches priorities?
Do we take sensible risks?
New program serves mission?
Is it ethical?
Value-Add Strategic Work

Planning

Money, space, personnel?
Resource generation?
Compensation plan?
Size of market?
What is? (Extrapolation)
Valid assumptions?
Traditional competitors?
Internal preferences?
Management must do what?

Thinking

Business model viable?
Social entrepreneurialism?
Great place to work?
New markets?
What could be? (BHAGs)
Make new rules?
Nontraditional competitors?
Member value proposition?
Board must do what?
Generative Thinking

• Places current challenges in new light.
• Perceives and frames “better” problems and opportunities.
• Recognizes organizations are not always rational.
• Discovers strategies, priorities, & “realities.”
• Suspends the rules of logic to tap intuition and intellectual playfulness.
• Encourages robust discourse not quick consensus.
Case Study: A Triple Helix

The Bellagio Casino in Las Vegas has approached the Boston Museum of Fine Arts (MFA) with an offer for the MFA to loan the casino 21 Monet masterpieces in exchange for a substantial amount of money.

Your small group breakout is the board of directors for the MFA. Briefly discuss the situation and list the questions that you think the board should consider as it makes its decision regarding whether or not to accept the offer. This is a “triple-helix” situation that requires all three levels of governance thinking: fiduciary, strategic and generative.

Identify the questions you wish to ask as a board in order to make this decision. Be sure to identify questions in all 3 modes.
Why Is Generative Work So Important?

• Brings deeper meaning to our work
• Deepens our understanding of why something matters
• Challenges us to go beyond what is presented and get to the real issue
• Is the most underutilized aspect of a board’s work so it offers great possibilities to most boards
• Leads to discovery and breakthroughs
• Informs our strategic and fiduciary work
<table>
<thead>
<tr>
<th>Attribute</th>
<th>Generative Mode</th>
<th>Strategic Mode</th>
<th>Fiduciary Mode</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Board’s core work</strong></td>
<td>Creative: discern problems, engage in sense-making</td>
<td>Analytical: shape strategy, review performance</td>
<td>Technical: oversee operations, ensure accountability</td>
</tr>
<tr>
<td><strong>Board’s principal role</strong></td>
<td>Sense maker</td>
<td>Strategist</td>
<td>Sentinel</td>
</tr>
<tr>
<td><strong>Key question</strong></td>
<td>What’s the key question?</td>
<td>What’s the plan?</td>
<td>What’s wrong?</td>
</tr>
<tr>
<td>Attribute</td>
<td>Generative Mode</td>
<td>Strategic Mode</td>
<td>Fiduciary Mode</td>
</tr>
<tr>
<td>---------------------------------</td>
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</tr>
<tr>
<td>Problems are to be:</td>
<td>Framed</td>
<td>Solved</td>
<td>Spotted</td>
</tr>
<tr>
<td>Deliberative process</td>
<td>Robust and sometimes playful</td>
<td>Empirical and logical</td>
<td>Parliamentary and orderly</td>
</tr>
<tr>
<td>Way of Deciding</td>
<td>Grappling &amp; discerning</td>
<td>Group process &amp; consensus</td>
<td>Protocol and exception</td>
</tr>
</tbody>
</table>
The Generative Curve

Opportunity for Generative Work

Cues, Clues, Framing Retrospectively

Plans Strategies Problems

Time
Trustee involvement is lowest where generative opportunity is greatest, and trustee involvement increases as generative opportunity declines.
Where Do We Find Generative Opportunities?

Before...

• Making any important, lasting decision
• Strategic planning process/Setting a new strategic direction
• Chief executive search process
• Mission reassessment
• Considering a merger or acquisition
• Assessing our relevancy
Typical Nonprofit Board Approach

Boards tend to rush to find solutions before they have identified the real issue.

Policy Need
Business Issue
Problem Solving

Decision Making
Remember:

The presenting issue is rarely the *real* issue.
Ideally, the Generative Comes 1st

Generative Thinking

Policy Setting
Strategic Planning
Problem Solving

Implementation
Bringing Generative Thinking into the Boardroom

Generative Thinking

- Cues & Clues
- Silent Starts
- Boundary Work
- Dominant Narrative
- Catalytic Questions
- Retrospective Thinking
- Spotting Embedded Issues
- Discussion vs Dialogue
Catalytic Questions

• What will be most strikingly different about our Society in 5 years?
• On what list do we want to rank #1?
• What are we most resistant to, and why?
• What is our greatest hope for how our Society will be in 10 years?
• What if our reserves quadrupled tomorrow? What would we do differently? What would the board spend its time on?
• What are our 3 greatest assets (other than our staff and volunteers)? Now, name 2 hidden assets.
• What is most distinctive about this organization? Is that quality/service becoming more or less valuable in the world in which we work?
Embedded Issues → Often Missed Opportunities

A local social service agency
- Stated problem: voluntary turnover of staff
- Reframed: quality work place

A food bank:
- Stated problem: increased community need
- Reframed: prevention or self-sustainable strategies

An art museum:
- Stated problem: opportunity to purchase a prized and expensive work of art
- Reframed: owning art vs displaying art?
Discussion vs Dialogue*

**DISCUSSIONS**

• Different views are presented and defended.

• Decisions are made.

• Convergence on a conclusion or course of action occurs.

• Action is often the focus of the discussion.

**DIALOGUES**

• Different views are presented as a means of discovering a new view.

• Complex issues are explored.

• Divergence—not seeking agreement, but a richer grasp of the issues—is the goal.

• New actions emerge as a byproduct of dialogue.

*Flipping the Boardroom for Trustee Engagement: Why and How, Cathy Trower, *Trusteeship*, AGB.*
“The main thing is figuring out the main thing.”

- Richard Chait
To Bring Generative Thinking into Your Boardroom...

• Work in Constructive Partnership
• Build a High Level of Board Trust
• Create Thoughtfully Crafted Agendas
• Ask Great Questions
• Embrace a Culture of Inquiry
Governance as Leadership Cautions

• Do not overuse any one mode.

• Do not be formulaic about working in three modes.

• Do not find generative work everywhere.

• Do not mount the generative curve after the staff or committee work has been done.

• Do not underestimate the costs of the status quo.
The Payoff

Empowers the board.
Engages the “collective mind.”
Exploits board’s talents.
Enriches board’s work.
Enhances performance of board and association.

Governance as Leadership
Questions?
Susan S. Meier
Meier and Associates

susan@meierandassociates.net

312.523.7388
ASME Board of Governors
Agenda Item
Cover Memo

Date Submitted: September 12, 2018
BOG Meeting Date: October 1-2, 2018

To: Board of Governors
From: Technical Events and Content Sector
Presented by: Richard Marboe
Agenda Title: Interview of 2019-2022 Technical Events and Content Senior Vice President

Agenda Item Executive Summary:

To interview and meet the TEC SVP-Nominee.

Proposed motion for BOG Action:

To approve the 2019-2022 Technical Events and Content SVP-Nominee

Attachments: None
ASME Board of Governors
Agenda Item
Cover Memo

Date Submitted: September 17, 2018
BOG Meeting Date: October 1-2, 2018

To: Board of Governors
From: Audit Committee
Presented by: William Garofalo and Karen Ohland
Agenda Title: Audited Financial Statements

Agenda Item Executive Summary:

Review of the audited financial statements and 2018 results.

Proposed motion for BOG Action:

The Audit Committee recommends that the ASME Board of Governors accept and approve ASME’s FY2018 financial statements as presented by KPMG.

The Audit Committee recommends that ASME Board of Governors appoint KPMG as auditors for the FY2019 audit.

Attachments:
Forthcoming.
ASME 2018 Audited Financial Statements

Karen Ohland, Audit Committee Chair
Bill Garofalo, Assistant Treasurer

October 1, 2018
What to Expect from this Presentation

**Brief Description** – Audit Committee update, review the ASME investment portfolio and high level overview of the financial position of ASME.

**Desired Outcome** – BOG motions to approve the FY18 Audited Financial Statements and appoint KPMG as auditors for FY19.

**Questions** – Please ask questions during the presentation.

**Duration** – Presentation will last 30 minutes.
1. Audit Committee Update, Process Timeline & Highlights

2. Statement of Financial Position & Cash Flow

3. ASME Investment Portfolio

4. FY18 Operating Results

5. ASME Contingency Reserve %

6. BOG motions
Audit Committee Update

• **KPMG**
  - April - Discussed the Annual Pre-Audit FY18 Plan with KPMG
  - September - Reviewed results and management comments from FY18 Audit
  - Executive Session

• **Internal Audit**
  - Reviewed audit results for operational and conference audits
  - Received the report from the Treasurer on his review of the expense reports for the President and Executive Director
  - Approved the Internal Audit plan for FY19
  - Executive Session

• **Procedures / Policies**
  - Reviewed status of Conflict of Interest and Whistleblower Policies
<table>
<thead>
<tr>
<th>Date</th>
<th>Event Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>February 5</td>
<td>Planning meeting with KPMG and ASME staff</td>
</tr>
<tr>
<td>March</td>
<td>Engagement letters issued and signed</td>
</tr>
<tr>
<td>April 18</td>
<td>Audit Plan presented by KPMG to the Audit Committee</td>
</tr>
<tr>
<td>May/June</td>
<td>Interim fieldwork performed by KPMG</td>
</tr>
<tr>
<td>July 18</td>
<td>Preliminary close of financial systems</td>
</tr>
<tr>
<td>July/August</td>
<td>Auditor fieldwork at ASME Little Falls/NYC</td>
</tr>
<tr>
<td>August 10</td>
<td>Draft/unaudited financial statements completed by ASME staff</td>
</tr>
<tr>
<td>August 24</td>
<td>Exit meeting with KPMG and ASME staff</td>
</tr>
<tr>
<td>August 31</td>
<td>Draft Audited financial statements finalized</td>
</tr>
<tr>
<td>Sept. 11</td>
<td>FY18 results presented to COFI</td>
</tr>
<tr>
<td>Sept. 12</td>
<td>KPMG presented the audit report and financial statements to the Audit Committee</td>
</tr>
<tr>
<td>Oct. 1</td>
<td>Audit Committee recommends BOG acceptance and approval of audit results and FY18 Audited Financial Statements</td>
</tr>
</tbody>
</table>
ASME 2018 Audit Summary & Highlights

The audit of ASME’s FY2018 Finance & Operations has been successfully completed

- KPMG presented the audited financials to the Audit Committee
- ASME received an unmodified and clean opinion
- No material weaknesses were identified / reported
- KPMG completed fifth year audit on time
- Process was extensive with auditors in-house for three weeks in May and three weeks July/August

- Scope of audit included:
  - Accounting processes and controls
  - Information technology systems
ASME 2018 Audit Comments & Recommendations

• FY2018 Comments & Recommendations:
  • HR & Finance:
    ➢ SOC 1 reports
  • Technology:
    ➢ IT policies and procedures
1. Audit Committee Update, Process Timeline & Highlights

2. Statement of Financial Position & Cash Flow

3. ASME Investment Portfolio

4. FY18 Operating Results

5. ASME Contingency Reserve %

6. BOG motions
# ASME Statements of Financial Position

<table>
<thead>
<tr>
<th>Assets</th>
<th>June 30, 2018</th>
<th>June 30, 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>$ 8,090,012</td>
<td>$ 12,028,869</td>
</tr>
<tr>
<td>Accounts receivable, less allowance for</td>
<td></td>
<td></td>
</tr>
<tr>
<td>doubtful accounts of $226,000 in 2018 and</td>
<td></td>
<td></td>
</tr>
<tr>
<td>$278,000 in 2017</td>
<td>15,856,239</td>
<td>13,886,295</td>
</tr>
<tr>
<td>Due from The ASME Foundation, Inc.</td>
<td>—</td>
<td>279,289</td>
</tr>
<tr>
<td>Inventories</td>
<td>656,976</td>
<td>539,608</td>
</tr>
<tr>
<td>Prepaid expenses, deferred charges, and</td>
<td>3,109,710</td>
<td>4,131,475</td>
</tr>
<tr>
<td>deposits</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investments</td>
<td>133,047,764</td>
<td>123,392,172</td>
</tr>
<tr>
<td>Property, furniture, equipment, and</td>
<td>19,540,458</td>
<td>18,745,330</td>
</tr>
<tr>
<td>leasehold improvements, net</td>
<td>$ 180,301,159</td>
<td>$ 173,003,038</td>
</tr>
<tr>
<td>Total assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Liabilities and Net Assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable and accrued expenses</td>
<td>$ 10,408,184</td>
<td>$ 9,217,347</td>
</tr>
<tr>
<td>Due to The ASME Foundation, Inc.</td>
<td>63,364</td>
<td></td>
</tr>
<tr>
<td>Accrued employee benefits</td>
<td>17,415,567</td>
<td>29,331,599</td>
</tr>
<tr>
<td>Deferred publications revenue</td>
<td>11,332,346</td>
<td>470,043</td>
</tr>
<tr>
<td>Deferred dues revenue</td>
<td>2,339,030</td>
<td>2,770,615</td>
</tr>
<tr>
<td>Accreditation and other deferred revenue</td>
<td>19,821,179</td>
<td>21,221,521</td>
</tr>
<tr>
<td>Deferred rent</td>
<td>10,539,157</td>
<td>11,181,078</td>
</tr>
<tr>
<td>Total liabilities</td>
<td>71,918,827</td>
<td>74,192,203</td>
</tr>
<tr>
<td>Commitments</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unrestricted</td>
<td>107,883,545</td>
<td>98,307,457</td>
</tr>
<tr>
<td>Temporarily restricted</td>
<td>362,220</td>
<td>366,811</td>
</tr>
<tr>
<td>Permanently restricted</td>
<td>136,567</td>
<td>136,567</td>
</tr>
<tr>
<td>Total net assets</td>
<td>$ 108,382,332</td>
<td>$ 98,810,835</td>
</tr>
<tr>
<td>Total liabilities and net assets</td>
<td>$ 180,301,159</td>
<td>$ 173,003,038</td>
</tr>
</tbody>
</table>
### ASME Statement of Cash Flow

#### Cash flows from operating activities:

<table>
<thead>
<tr>
<th>Description</th>
<th>June 30, 2018</th>
<th>June 30, 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increase in net assets</td>
<td>$ 9,571,497</td>
<td>$ 9,835,617</td>
</tr>
</tbody>
</table>

#### Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities:

- **Depreciation and amortization**                                     | 5,073,954     | 5,600,951     |
- **Loss on disposal of fixed assets**                                   | 32,182        | —             |
- **Realized and unrealized (gain) loss on investments**                 | (7,411,072)   | (11,150,506)  |
- **Bad debt (recovery) expense**                                        | (52,015)      | (500)         |
- **Pension and post-retirement changes other than net periodic costs**  | (2,596,937)   | (1,669,789)   |

#### Change in operating assets and liabilities:

<table>
<thead>
<tr>
<th>Description</th>
<th>June 30, 2018</th>
<th>June 30, 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts receivable</td>
<td>(1,917,929)</td>
<td>2,895,221</td>
</tr>
<tr>
<td>Due from The ASME Foundation, Inc.</td>
<td>279,289</td>
<td>88,478</td>
</tr>
<tr>
<td>Inventories</td>
<td>(117,368)</td>
<td>13,594</td>
</tr>
<tr>
<td>Prepaid expenses, deferred charges, and deposits</td>
<td>1,150,193</td>
<td>(1,032,242)</td>
</tr>
<tr>
<td>Accounts payable and accrued expenses</td>
<td>438,976</td>
<td>(748,994)</td>
</tr>
<tr>
<td>Due to the ASME Foundation, Inc.</td>
<td>63,364</td>
<td></td>
</tr>
<tr>
<td>Accrued employee benefits</td>
<td>(9,319,095)</td>
<td>(4,179,226)</td>
</tr>
</tbody>
</table>

#### Net cash provided by (used in) operating activities:

<table>
<thead>
<tr>
<th>Description</th>
<th>FY 2018</th>
<th>FY 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deferred publications revenue</td>
<td>10,862,303</td>
<td>(9,608,175)</td>
</tr>
<tr>
<td>Deferred dues revenue</td>
<td>(431,585)</td>
<td>(285,138)</td>
</tr>
<tr>
<td>Accreditation and other deferred</td>
<td>(1,400,342)</td>
<td>297,153</td>
</tr>
<tr>
<td>Deferred rent</td>
<td>(641,921)</td>
<td>(502,298)</td>
</tr>
<tr>
<td>Net cash provided by (used in) operating activities</td>
<td>3,583,494</td>
<td>(10,445,964)</td>
</tr>
</tbody>
</table>

#### Cash flows from investing activities:

<table>
<thead>
<tr>
<th>Description</th>
<th>June 30, 2018</th>
<th>June 30, 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purchases of investments</td>
<td>(18,823,478)</td>
<td>(39,867,382)</td>
</tr>
<tr>
<td>Proceeds from sales of investments</td>
<td>16,450,530</td>
<td>52,753,323</td>
</tr>
<tr>
<td>Acquisition of fixed assets</td>
<td>(5,149,403)</td>
<td>(866,831)</td>
</tr>
</tbody>
</table>

#### Net cash (used in) provided by investing activities:

<table>
<thead>
<tr>
<th>Description</th>
<th>FY 2018</th>
<th>FY 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net cash (used in) provided by investing activities</td>
<td>(7,522,351)</td>
<td>12,019,110</td>
</tr>
<tr>
<td>Net (decrease) increase in cash and cash equivalents</td>
<td>(3,938,857)</td>
<td>1,573,146</td>
</tr>
</tbody>
</table>

#### Cash and cash equivalents at beginning of period:

<table>
<thead>
<tr>
<th>Description</th>
<th>June 30, 2018</th>
<th>June 30, 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents at beginning of period</td>
<td>12,028,869</td>
<td>10,455,723</td>
</tr>
</tbody>
</table>

#### Cash and cash equivalents at end of period:

<table>
<thead>
<tr>
<th>Description</th>
<th>June 30, 2018</th>
<th>June 30, 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents at end of period</td>
<td>$ 8,090,012</td>
<td>$ 12,028,869</td>
</tr>
</tbody>
</table>

#### Supplemental disclosure for cash flow information:

- **Increase in amounts accrued for fixed assets**                          | $ 751,861     | $ —           |

Confidential and Proprietary - Not to be disclosed outside of ASME
Agenda

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6. BOG motions
ASME Investment Portfolio
June 30, 2018

- Core Bond: 33%
- International: 17%
- Large Blend: 24%
- Small Blend: 6%
- Tactical Equity: 1%
- TIPS: 3%
- Hard Assets: 3%
- Tactical Non-Equity: 1%

Confidential and Proprietary - Not to be disclosed outside of ASME
High Performing Investment (Equity) Portfolio [FY18 through June]

- Bridgeway: 10.66%
- Vanguard Instit. Index: 14.33%
- Leuthold Core: 6.42%
- Vanguard Small-Cap Index: 16.48%
- Johcm International Select: 15.24%
- Dodge & Cox Int'l: 0.50%
- Vanguard Energy: 21.89%
- T. Rowe Price New Era: 14.91%

Top 4 High Performing Investments
Agenda

1. Audit Committee Update, Process Timeline & Highlights
2. Statement of Financial Position & Cash Flow
3. ASME Investment Portfolio
4. FY18 Operating Results
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# ASME FY18 Financial Results – vs. Budget & Forecast

![Revenue and Expense Comparison Chart]

The chart above illustrates the comparison between Actual, Forecast, and Budget figures for Revenue and Expense. The table below provides a detailed comparison:

<table>
<thead>
<tr>
<th></th>
<th>Actual</th>
<th>Forecast</th>
<th>Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>$117.3</td>
<td>$116.2</td>
<td>$114.7</td>
</tr>
<tr>
<td>Expense</td>
<td>$113.3</td>
<td>$120.1</td>
<td>$122.6</td>
</tr>
<tr>
<td>Net</td>
<td>$4.0</td>
<td>($3.9)</td>
<td>($7.9)</td>
</tr>
</tbody>
</table>
Revenue and Expense Trends 2012-2018 (General Fund)

Revenue CAGR 2.5%
Expense CAGR 1.7%

2015, 2016 Excludes initiatives, 2016 excludes Sale of NJ Building and 2017 excludes Executive Director Transition

* Indicates first year of Boiler Code Cycle
Business Overview of FY18 Results

Standards

Greater than expected Boiler & Pressure Vessel direct sales and increased reseller revenues; growth in new small & medium customers by new IHS Markit reseller.

Conformity Assessment

Erratic swings in the price of Oil & Gas and lower than anticipated certificate renewals by companies affected by hurricanes in Florida, Houston & Louisiana

Marketing Services

Delays in new product launches, reduced spending in pay per click campaigns due to shift in strategy, & General Data Protection Regulation spend related to policy changes

Operational Underspend

Underspend related to product development, depreciation, travel, consulting and timing of hiring

Increase in Royalty Revenues due to reduced level of discounts offered by ASME to existing resellers
Recent Highlights

1. The inaugural AABME event saw an attendance of 60 registrants; the premise of the event was to connect members of the bioengineering landscape.

2. Offshore Wind Energy B2B Forum was well attended with total registration of 85 attendees, significantly higher than anticipated.

3. E-Fests East at Penn State University had attendance of 1,120 registrants from 10 different countries, spanning 114 schools.

4. Publications sale to a consortium in Brazil which will generate $1.4M in new revenue over next 3 years completed.

5. Successful renegotiation of top 5 reseller contracts completed.
Recent Highlights

6. Robotics for Inspection and Maintenance Forum convened robotics industry and asset owners, presented the latest robotics and unmanned aerial systems (UAS) technologies, advanced data analytics to increase safety, lower the costs, and improve business outcomes.

7. Executive workshop addressed key challenges of Power Plant Cycling, the impact of increased cycling on plant equipment and development of strategic mitigation solutions.

8. Additive Manufacturing Leadership Forum, June 19, 2018, co-located with LiveWorx focused on how additive manufacturing is transforming industries, disrupting supply chains, reducing manufacturing & service costs, & improving margins.

9. TEC Council approved 16 projects for a total FY19 funding of $150k; proposals were submitted through all five SLTs from several Technical Divisions.

10. E-Fests South America at UFRJ, Rio de Janeiro, Brazil held from July 27 to 29 was ASME’s inaugural EFests South America. Had an attendance of more than 500 registrants from 9 different countries.
Capital Budget Spend Actuals vs Budget

Capital Spend

<table>
<thead>
<tr>
<th></th>
<th>FY17</th>
<th>FY18</th>
</tr>
</thead>
<tbody>
<tr>
<td>Facilities &amp; Space</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Technology/Other</td>
<td>$1,000</td>
<td>$9,000</td>
</tr>
</tbody>
</table>

Legend:
- Green: Actuals
- Blue: Budget
## ASME FY18 Financial Results – vs. Prior Year (FY17)

### Chart:
- **Revenue**
  - Actual: $117.3
  - Prior: $108.6
  - Variance: $8.7
  - Variance %: 8.0%

- **Expense**
  - Actual: $113.3
  - Prior: $107.0
  - Variance: ($6.3)
  - Variance %: -5.9%

### Table:

<table>
<thead>
<tr>
<th></th>
<th>Actual</th>
<th>Prior</th>
<th>Variance $</th>
<th>Variance %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>$117.3</td>
<td>$108.6</td>
<td>$8.7</td>
<td>8.0%</td>
</tr>
<tr>
<td>Expense</td>
<td>$113.3</td>
<td>$107.0</td>
<td>($6.3)</td>
<td>-5.9%</td>
</tr>
<tr>
<td>Net</td>
<td>$4.0</td>
<td>$1.6</td>
<td>$2.4</td>
<td></td>
</tr>
</tbody>
</table>
Agenda

1. Audit Committee Update, Process Timeline & Highlights
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Contingency Reserve %

<table>
<thead>
<tr>
<th>$ in millions</th>
<th>FY 10</th>
<th>FY 11</th>
<th>FY 12</th>
<th>FY 13</th>
<th>Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beginning General Fund Balance</td>
<td>$46.4</td>
<td>$48.4</td>
<td>$71.1</td>
<td>$60.1</td>
<td>$65.2</td>
</tr>
<tr>
<td>Net Operating Results</td>
<td>0.8</td>
<td>6.5</td>
<td>(0.9)</td>
<td>(8.8)</td>
<td>(2.4)</td>
</tr>
<tr>
<td>Investment Returns</td>
<td>8.4</td>
<td>14.5</td>
<td>0.7</td>
<td>8.7</td>
<td>13.4</td>
</tr>
<tr>
<td>Accounting Adjustments</td>
<td>(7.2)</td>
<td>1.7</td>
<td>(10.8)</td>
<td>5.2</td>
<td>(0.2)</td>
</tr>
<tr>
<td>Ending General Fund Balance</td>
<td>$48.4</td>
<td>$71.1</td>
<td>$60.1</td>
<td>$65.2</td>
<td>$76.0</td>
</tr>
</tbody>
</table>

General Fund Balance as a % of 3 Year Operating Expense Average

<table>
<thead>
<tr>
<th>FY 10</th>
<th>FY 11</th>
<th>FY 12</th>
<th>FY 13</th>
<th>FY 14</th>
<th>FY 15</th>
<th>FY 16</th>
<th>FY 17</th>
<th>FY 18</th>
</tr>
</thead>
<tbody>
<tr>
<td>62%</td>
<td>86%</td>
<td>67%</td>
<td>67%</td>
<td>73%</td>
<td>61%</td>
<td>59%</td>
<td>68%</td>
<td>77%</td>
</tr>
</tbody>
</table>
Agenda

1. Audit Committee Update, Process Timeline & Highlights
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6. BOG motions
Audit Committee Recommended Motions

• The ASME Audit Committee recommends the following motions:

  • *The ASME Board of Governors accepts and approves ASME FY 2018 audited financial statements as presented by KPMG.*

  • *The ASME Board of Governors appoints KPMG as auditors for the FY 2019 audit.*
Questions?
THE AMERICAN SOCIETY OF MECHANICAL ENGINEERS

Consolidated Financial Statements

June 30, 2018 and 2017

(With Independent Auditors' Report Thereon)
Independent Auditors' Report

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

We have audited the accompanying consolidated financial statements of The American Society of Mechanical Engineers D/B/A ASME (the Society), which comprise the consolidated statements of financial position as of June 30, 2018 and 2017, 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 U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Society as of June 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

September 18, 2018

KPMG LLP
THE AMERICAN SOCIETY OF MECHANICAL ENGINEERS
Consolidated Statements of Financial Position
June 30, 2016 and 2017

<table>
<thead>
<tr>
<th>Assets</th>
<th>General</th>
<th>Designated and restricted</th>
<th>Consolidating adjustments</th>
<th>2018 Total</th>
<th>2017 Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents (note 13)</td>
<td>$3,238,164</td>
<td>4,851,848</td>
<td>—</td>
<td>8,090,012</td>
<td>12,028,899</td>
</tr>
<tr>
<td>Accounts receivable, less allowance for doubtful accounts of $226,000 in 2016 and $276,000 in 2017 (note 13)</td>
<td>25,495,231</td>
<td>693,234</td>
<td>(10,332,226)</td>
<td>15,856,239</td>
<td>13,898,295</td>
</tr>
<tr>
<td>Due from The ASME Foundation, Inc. (note 3)</td>
<td>656,976</td>
<td>—</td>
<td>—</td>
<td>656,976</td>
<td>535,608</td>
</tr>
<tr>
<td>Prepaid expenses, deferred charges, and deposits</td>
<td>3,064,436</td>
<td>45,271</td>
<td>—</td>
<td>3,109,710</td>
<td>4,131,475</td>
</tr>
<tr>
<td>Investments (note 4)</td>
<td>108,218,275</td>
<td>24,829,499</td>
<td>—</td>
<td>133,047,774</td>
<td>123,392,172</td>
</tr>
<tr>
<td>Property, furniture, equipment, and leasehold improvements, net (note 5)</td>
<td>15,481,151</td>
<td>49,307</td>
<td>—</td>
<td>15,540,566</td>
<td>18,745,330</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td><strong>$160,164,236</strong></td>
<td><strong>30,469,149</strong></td>
<td><strong>(10,332,226)</strong></td>
<td><strong>180,301,159</strong></td>
<td><strong>173,003,038</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Liabilities and Net Assets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts payable and accrued expenses</td>
</tr>
<tr>
<td>Due to The ASME Foundation, Inc. (note 3)</td>
</tr>
<tr>
<td>Accrued employee benefits (notes 7 and 8)</td>
</tr>
<tr>
<td>Deferred publications revenue</td>
</tr>
<tr>
<td>Deferred dues revenue</td>
</tr>
<tr>
<td>Accreditation and other deferred revenue</td>
</tr>
<tr>
<td>Deferred rent (note 11)</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Commitments (notes 5, 11, and 12)</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Net assets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unrestricted</td>
</tr>
<tr>
<td>Temporarily restricted (notes 9 and 10)</td>
</tr>
<tr>
<td>Permanently restricted (notes 9 and 10)</td>
</tr>
<tr>
<td><strong>Total net assets</strong></td>
</tr>
</tbody>
</table>

| Total liabilities and net assets | $160,164,236 | 30,469,149 | (10,332,226) | 180,301,159 | 173,003,038 |

See accompanying notes to consolidated financial statements.
### Consolidated Statements of Activities

#### Years ended June 30, 2019 and 2017

<table>
<thead>
<tr>
<th></th>
<th>General</th>
<th>Designated and restricted (notes 9 and 10)</th>
<th>Consolidating adjustments</th>
<th>2018 Total</th>
<th>2017 Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Operating revenue (note 6):</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Membership dues, publications, accreditation, conference fees, and other revenue by sector/operating unit:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Codes and standards</td>
<td>$41,655,213</td>
<td>783,936</td>
<td>(725,668)</td>
<td>41,723,181</td>
<td>35,015,812</td>
</tr>
<tr>
<td>Conformity assessment</td>
<td>30,743,549</td>
<td>4,342</td>
<td></td>
<td>30,777,891</td>
<td>32,524,461</td>
</tr>
<tr>
<td>Learning and development</td>
<td>6,289,540</td>
<td>—</td>
<td></td>
<td>6,289,540</td>
<td>5,306,029</td>
</tr>
<tr>
<td>Programs</td>
<td>758,112</td>
<td>641,449</td>
<td>(615,270)</td>
<td>784,290</td>
<td>947,832</td>
</tr>
<tr>
<td>Technical events and content</td>
<td>10,495,950</td>
<td>16,953</td>
<td></td>
<td>10,514,903</td>
<td>9,897,888</td>
</tr>
<tr>
<td>Publications</td>
<td>13,006,810</td>
<td>—</td>
<td></td>
<td>13,006,810</td>
<td>12,186,730</td>
</tr>
<tr>
<td>Constituent engagement</td>
<td>13,840,050</td>
<td>810,544</td>
<td>(17,136)</td>
<td>14,433,458</td>
<td>13,145,915</td>
</tr>
<tr>
<td>Miscellaneous revenue</td>
<td>483,814</td>
<td>269,952</td>
<td>(333,754)</td>
<td>195,152</td>
<td>434,817</td>
</tr>
<tr>
<td><strong>Total operating revenue</strong></td>
<td><strong>117,263,049</strong></td>
<td><strong>2,328,335</strong></td>
<td>(1,892,128)</td>
<td><strong>117,699,245</strong></td>
<td><strong>109,485,654</strong></td>
</tr>
</tbody>
</table>

| **Operating expenses:** |         |                                           |                           |            |            |
| Program services by sector/operating unit: |         |                                           |                           |            |            |
| Codes and standards     | 17,729,065 | 1,087,624                                 | (681,426)                  | 18,116,661 | 17,323,573 |
| Conformity assessment   | 15,312,960 | 114,654                                   | (312,254)                  | 18,177,360 | 18,255,676 |
| Learning and development| 6,955,477   | —                                         |                           | 6,955,477  | 6,438,123  |
| Programs (note 3)       | 7,076,531   | 1,004,241                                 | (615,270)                  | 7,465,502  | 6,081,416  |
| Technical events and content | 12,025,117 | 1,248,299                                 |                           | 13,273,416 | 13,125,199 |
| Publications            | 11,704,697  | —                                         |                           | 11,704,697 | 11,769,245 |
| New product development | 501,026     | —                                         |                           | 501,026    | —          |
| Technology advancement and business development | 4,817,785 | —                                         |                           | 4,817,785  | 4,471,940  |
| Constituent engagement  | 7,087,552   | 1,648,441                                 | (17,136)                   | 9,038,867  | 8,798,466  |
| **Total program services** | **87,162,249** | **5,103,239**                             | (1,654,068)               | **89,611,411** | **86,372,638** |

| **Supporting services:** |         |                                           |                           |            |            |
| Board of governors and committees | 727,442 | 55,580                                   | —                          | 783,022    | 837,497    |
| Marketing               | 4,671,489  | 230,731                                   | —                          | 4,902,220  | 3,616,790  |
| Sales and customer care | 2,371,874  | —                                         | (266,060)                  | 2,105,814  | 1,542,500  |
| General administration (note 3) | 20,924,492 | —                                         | —                          | 20,924,492 | 19,364,125 |
| **Total supporting services** | **28,685,207** | **286,311**                              | (266,060)                  | **28,713,458** | **25,360,973** |

| **Total operating expenses** | **115,855,447** | **5,389,550**                             | (1,892,128)               | **119,252,869** | **111,763,611** |

| **Surplus (deficit) of operating revenue over expenses** | $1,407,601 | (3,061,225)                               | —                          | (1,653,624) | (2,307,957) |

### Nonoperating activities:

#### Interest and dividends:

- Net of investment fees of $313,040 in 2018 and $231,487 in 2017
- $1,675,837 in 2019 and $81,846 in 2018
- $1,614,666 in 2017

#### Pension and post-retirement changes other than net periodic costs:

- $2,068,937 in 2018
- $2,068,937 in 2017

#### Other components of net periodic costs (notes 7 and 8):

- $2,762,426 in 2019
- $2,762,426 in 2018
- $1,669,769 in 2017

#### Increase (decrease) in net assets (note 9):

- $11,102,365 in 2019 (1,930,866) in 2017
- $9,171,497 in 2018

| **Net assets at beginning of year** | $76,843,851 | 22,366,984 | (100,000) | 98,010,835 |
| **Net assets at end of year**      | $88,266,436 | 20,836,096 | (100,000) | 108,532,332 |

See accompanying notes to consolidated financial statements.
### Consolidated Statements of Cash Flows

**Years ended June 30, 2018 and 2017**

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash flows from operating activities:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Increase in net assets</td>
<td>$9,571,497</td>
<td>9,535,617</td>
</tr>
<tr>
<td>Adjustments to reconcile increase in net assets to net cash provided by (used in) operating activities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>5,073,954</td>
<td>5,600,851</td>
</tr>
<tr>
<td>Loss on disposal of fixed assets</td>
<td>32,182</td>
<td>—</td>
</tr>
<tr>
<td>Realized and unrealized gain on investments</td>
<td>(7,411,072)</td>
<td>(11,150,506)</td>
</tr>
<tr>
<td>Bad debt recovery</td>
<td>(52,015)</td>
<td>(500)</td>
</tr>
<tr>
<td>Pension and post-retirement changes other than net periodic costs</td>
<td>(2,596,937)</td>
<td>(1,669,789)</td>
</tr>
<tr>
<td><strong>Changes in operating assets and liabilities:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>(1,917,929)</td>
<td>2,695,221</td>
</tr>
<tr>
<td>Due from The ASME Foundation, Inc.</td>
<td>279,289</td>
<td>88,478</td>
</tr>
<tr>
<td>Inventories</td>
<td>(117,368)</td>
<td>13,594</td>
</tr>
<tr>
<td>Prepaid expenses, deferred charges, and deposits</td>
<td>1,150,193</td>
<td>(1,032,242)</td>
</tr>
<tr>
<td>Accounts payable and accrued expenses</td>
<td>438,976</td>
<td>(748,994)</td>
</tr>
<tr>
<td>Due to the ASME Foundation, Inc.</td>
<td>63,364</td>
<td>—</td>
</tr>
<tr>
<td>Accrued employee benefits</td>
<td>(9,319,095)</td>
<td>(4,179,336)</td>
</tr>
<tr>
<td>Deferred publications revenue</td>
<td>10,862,303</td>
<td>(9,608,175)</td>
</tr>
<tr>
<td>Deferred dues revenue</td>
<td>(431,585)</td>
<td>(285,138)</td>
</tr>
<tr>
<td>Accreditation and other deferred</td>
<td>1,400,342</td>
<td>297,153</td>
</tr>
<tr>
<td>Deferred rent</td>
<td>(641,921)</td>
<td>(602,296)</td>
</tr>
<tr>
<td><strong>Net cash provided by (used in) operating activities</strong></td>
<td>3,583,494</td>
<td>(10,445,964)</td>
</tr>
</tbody>
</table>

| **Cash flows from investing activities:** |              |              |
| Purchases of investments         | (18,823,478) | (39,867,382) |
| Proceeds from sales of investments | 16,450,530   | 52,753,323   |
| Acquisition of fixed assets      | (5,149,403)  | (866,831)    |
| **Net cash (used in) provided by investing activities** | (7,522,351)  | 12,019,110   |
| **Net (decrease) increase in cash and cash equivalents** | (3,938,857)  | 1,573,146    |
| **Cash and cash equivalents at beginning of year** | 12,028,869   | 10,455,723   |
| **Cash and cash equivalents at end of year** | $8,090,012   | 12,028,869   |

**Supplemental disclosure for cash flow information:**

Increase in amounts accrued for fixed assets

|                                | $751,861    |

See accompanying notes to consolidated financial statements.
THE AMERICAN SOCIETY OF MECHANICAL ENGINEERS

Notes to Consolidated Financial Statements

June 30, 2018 and 2017

(1) Organization

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

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

The Society has six limited liability corporations (LLC) and one foreign corporate entity that are consolidated into the Society’s financial statements. These are ASME Innovative Technologies Institute (ITI) LLC, ASME Standards Technology (ST) LLC, ASME Asia Pacific (AP) LLC, Engineering for Change (E4C) LLC, ASME East Asia Holding LLC (EAH), ASME India Private LTD (India) and Personnel Certifications, LLC (PCLLC). ITI develops standards primarily in the risk assessment/management area. ST develops standards for emerging technologies. AP promotes the understanding and use of ASME Codes & Standards, along with other ASME services, in the growing markets of the Asia Pacific region. E4C facilitates the development of affordable, locally appropriate and sustainable solutions to the most pressing humanitarian challenges. EAH is a shareholder of India, India promotes awareness and use of the broad array of ASME products and services in the growing India market. PCLLC enables individuals to achieve certifications to bring back to their sponsoring organization to provide best-practices. These operations are included in the designated and restricted column of the consolidated financial statements. All significant intercompany transactions have been eliminated.

The accompanying consolidated financial statements do not include the Society’s non-domestic sections (unincorporated geographical subdivisions, which are not controlled by the Society). In addition, they do not include The ASME Foundation, Inc. (the Foundation) or The American Society of Mechanical Engineers Auxiliary, Inc. (the Auxiliary), which are separately incorporated organizations affiliated with, but not controlled by, the Society.

(2) Summary of Significant Accounting Policies

(a) Basis of Accounting

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

(b) Basis of Presentation

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

Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that will be met either by actions of the Society and/or the passage of time. In addition, these net assets include unappropriated earnings on donor-restricted endowment.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Society. Generally, the donors of these assets permit the
Society to use all or part of the income earned on related investments for general or specific purposes.

Revenues are reported as increases in unrestricted net assets unless their use is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions. Restricted contributions are recorded as unrestricted revenues if the restrictions are fulfilled in the same time period in which the contribution is received.

(c) Revenue and Expenses

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

**Codes and Standards** – Revenue includes publication sales of Codes and Standards. Revenue from the sale of Codes and Standards is recognized over the life of the code sold. The principal product affecting revenue and expenses for this financial statement component is the Society's Boiler and Pressure Vessel Code (the Boiler Code). The Boiler Code is published every two years. The 2017 Boiler Code was released in July 2017.

**Conformity Assessment** – Revenue includes accreditation program fees. All accreditation revenues are recognized in the period that the accreditation process is completed and certificates and/or stamps are issued. Expenses are recognized as they are incurred.

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

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

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

**Publications** – Revenue includes publication sales. Publication sales are recognized upon shipment of the publications except for some subscription based activity where the revenue is recognized over the term of the subscription. Expenses relate to publication activities.

**Technology Advancement and Business Development** – Revenue includes incremental revenues associated with new technologies and business opportunities. The revenue amounts to $68,977 and $135,085 for the years ended June 30, 2018 and 2017, respectively, and is included in miscellaneous revenue in the 2018 and 2017 consolidated statements of activities. Expenses
relate to the Society’s mission to provide technical and policy advice to government; assure quality in engineering education; support increasing diversity of women and minorities in the engineering profession and their active involvement in the Society; dissemination of information to the public; and for government and private-sponsored programs for improving engineering education, global development, diversity in the profession, public awareness, and development of future Society leaders.

Constituent Engagement – Revenue includes member dues and royalties from membership-based affinity programs. Member dues are recognized over the applicable membership period. Affinity revenue is recognized over the term of the scheduled payment period. Expenses relate to membership activities, as well as membership standards, grades, recruitment, and retention, and to the Society’s technical activities.

(d) Cash Equivalents
Cash equivalents include commercial paper with original maturities of three months or less, and money market funds that are not maintained in the investment portfolio.

(e) Accounts Receivable
The Society determined that an allowance for uncollectible accounts is necessary for accounts receivable as of June 30, 2018 and 2017 in the amount of $228,000 and $278,000, respectively. This determination is based on historical loss experience and consideration of the aging of the accounts receivable. Accounts receivables are written off when all reasonable collection efforts have been exhausted.

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

(g) Investments
Investments are reported at fair value (see note 4). Although available for operating purposes when necessary, the investment portfolio is generally considered by management to be invested on a long-term basis. Realized and unrealized gains and losses are recognized as changes in net assets in the periods in which they occur. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Purchases and sales of securities are recorded on a trade-date basis.

Fair value measurements are based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In order to increase consistency and comparability in fair value measurements, a fair value hierarchy prioritizes observable and unobservable inputs used to measure fair value into three levels, as described in note 4.
(h) **Property, Furniture, Equipment, and Leasehold Improvements**

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

(i) **Nonoperating Activities**

The consolidated statements of activities distinguish between operating and nonoperating activities. Nonoperating activities include investment return (interest and dividends, as well as realized and unrealized gains and losses on investments) and certain pension and post-retirement changes. All other activities are classified as operating.

(j) **Designated Funds**

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

(k) **Uncertain Tax Positions**

There are certain transactions that could be deemed unrelated business income and would result in a tax liability. Management reviews transactions to estimate potential tax liabilities using a threshold of more likely than not. It is management’s estimation that there are no material income tax liabilities that need to be recorded at June 30, 2018 or 2017.

(l) **Functional Expenses**

The costs of providing the various programs and other activities of the Society have been summarized on a functional basis in the consolidated statements of activities. Accordingly, certain costs have been allocated among program services and supporting services.

(m) **Use of Estimates**

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires management to make estimates and assumptions that affect certain reported amounts and disclosures at the date of the consolidated financial statements and the reported amounts of revenue, expenses, and other changes in net assets during the reported period. Significant estimates include the allowance for doubtful accounts, the valuation of investments and the assumptions used to account for pension and postretirement obligations. Actual results could differ from those estimates.

(n) **New Accounting Pronouncements**

In fiscal 2018, the Society adopted the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2017-07, *Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*. The provisions of this update require that an employer report the service cost component in the same line item or items as other compensation
costs arising from services rendered by the pertinent employees during the period. The other components of net benefit cost are required to be presented in the consolidated statement of activities separately from the service cost component and outside a subtotal of income from operations. The Society adopted the provisions of this update in fiscal year 2018 and applied the provisions retrospectively to fiscal year 2017. As a result, the Society reclassified $2,469,735 of the other components of net benefit cost from operating expenses to other components of net periodic costs in nonoperating activities in the 2017 consolidated statement of activities.

The FASB issued ASU 2016-14, Presentation of Financial Statements of Not-for-Profit Entities, which among other things, changes how not-for-profit entities report net asset classes, expenses and liquidity in their financial statements. The significant requirements of the new ASU include the reduction of the number of net asset classes from three to two: with donor restrictions and without donor restrictions; the presentation of expenses by their function and their natural classification in one location; quantitative and qualitative information about the management of liquid resources and the availability of financial assets to meet cash needs within one year of the date of the statement of financial position; and retaining the option to present operating cash flows in the statement of cash flows using either the direct or indirect method. The Society plans to adopt ASU 2016-14 for the year ending June 30, 2019.

The FASB issued ASU 2014-09, Revenue from Contracts with Customers, which introduced a five-step model and related application guidance, which replaces most existing revenue recognition guidance in U.S. generally accepted accounting principles. The core principle of this standard is that an entity shall recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Society plans to adopt ASU 2014-09 for the year ending June 30, 2020.

(o) Reclassifications

There were reclassifications made to certain 2017 amounts to conform with the current year presentation.

(3) Transactions with Related Parties

The Society performs certain administrative functions for the Foundation. The Society charges the Foundation for all direct expenses along with additional charges for support services. In fiscal years 2018 and 2017, such charges totaled $365,699 and $251,814, respectively, which represent the costs of these charges and services and are recorded in general administration expense in the consolidated statements of activities.

In fiscal years 2018 and 2017, the Foundation made total contributions of approximately $98,000 and $188,000, respectively, to the Society in support of iShow and Engineering for Change (E4C) and is included in programs revenue. In fiscal years 2018 and 2017, the Society contributed $4,105,637 and $538,250, respectively, for award programs to the Foundation and recorded the contributions in program and general administration expenses in the consolidated statements of activities.

Additionally, the Society pays invoices to third parties where the invoices include services for both the Society and the Foundation. At June 30, 2017, the Society recorded an amount due from the Foundation in the amount of $279,289, for amounts paid on behalf of the Foundation. At June 30, 2018, the Society recorded an amount due to the Foundation in the amount of $63,364, for amounts owed to the Foundation which include contributions received by ASME on behalf of the Foundation.
THE AMERICAN SOCIETY OF MECHANICAL ENGINEERS  
Notes to Consolidated Financial Statements  
June 30, 2018 and 2017

The Society performs certain administrative functions for the Auxiliary. The Society charges for all direct expenses along with additional charges and then records a donation for the services. In fiscal years 2018 and 2017, such charges totaled $32,892 and $30,506, respectively. The contributed services are included in the supporting services sector expenses in the accompanying consolidated statements of activities.

(4) Investments

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

Level 1: Unadjusted quoted prices or published net asset value for funds with characteristics similar to a mutual fund in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level 2: Inputs other than quoted prices within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Inputs that are unobservable for the asset or liability and that include situations where there is little, if any, market activity for the asset or liability. The inputs into the determination of fair value are based upon the best information in the circumstances and may require significant management judgment or estimation.

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

The following methods and assumptions were used in estimating the fair values of significant financial instruments at June 30, 2018 and 2017:

Common Stock

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

Mutual Funds

Mutual funds are valued based upon quoted or published prices determined in an active market. There are no restrictions on redemptions of these funds, and they can be redeemed daily.
Investments, measured at fair value on a recurring basis, are classified as Level 1 and consisted of the following at June 30, 2018 and 2017:

<table>
<thead>
<tr>
<th>Common stock:</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S. large cap</td>
<td>$15,697,666</td>
<td>13,996,690</td>
</tr>
<tr>
<td><strong>Equity – mutual funds:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Large blend</td>
<td>32,869,626</td>
<td>28,748,967</td>
</tr>
<tr>
<td>Foreign large blend</td>
<td>23,518,162</td>
<td>21,938,784</td>
</tr>
<tr>
<td>Small blend</td>
<td>7,469,286</td>
<td>6,412,336</td>
</tr>
<tr>
<td>Aggressive allocation</td>
<td>1,598,933</td>
<td>2,311,523</td>
</tr>
<tr>
<td>Energy</td>
<td>3,087,982</td>
<td>2,517,095</td>
</tr>
<tr>
<td>Natural resources</td>
<td>935,693</td>
<td>814,266</td>
</tr>
<tr>
<td><strong>Mutual funds – bonds and fixed income</strong></td>
<td>49,126,700</td>
<td>47,779,716</td>
</tr>
<tr>
<td><strong>Money market funds</strong></td>
<td>264,350</td>
<td>354,496</td>
</tr>
<tr>
<td><strong>Total portfolio</strong></td>
<td>134,548,388</td>
<td>124,873,873</td>
</tr>
</tbody>
</table>

**Less:**

| Undivided interest held on behalf of the Auxiliary | 1,500,624 | 1,481,701 |

<table>
<thead>
<tr>
<th><strong>Total ASME</strong></th>
<th><strong>2018</strong></th>
<th><strong>2017</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$133,047,764</td>
<td>123,392,172</td>
</tr>
</tbody>
</table>

Realized and unrealized gain on investments for the years ended June 30, 2018 and 2017 consists of the following:

<table>
<thead>
<tr>
<th>Realized gain on investment transactions</th>
<th><strong>2018</strong></th>
<th><strong>2017</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$1,055,937</td>
<td>3,587,114</td>
</tr>
</tbody>
</table>

| Unrealized gain                          | 6,355,135 | 7,563,382 |

| **Total**                                | $7,411,072 | 11,150,506 |
THE AMERICAN SOCIETY OF MECHANICAL ENGINEERS
Notes to Consolidated Financial Statements
June 30, 2018 and 2017

(5) Property, Furniture, Equipment, and Leasehold Improvements

Property, furniture, equipment, and leasehold improvements at June 30, 2018 and 2017 consist of the following:

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Computer equipment</td>
<td>$45,763,484</td>
<td>40,137,692</td>
</tr>
<tr>
<td>Leasehold improvements</td>
<td>15,872,786</td>
<td>15,805,090</td>
</tr>
<tr>
<td>Furniture and fixtures</td>
<td>4,391,834</td>
<td>4,555,277</td>
</tr>
<tr>
<td>Others</td>
<td>53,242</td>
<td>53,242</td>
</tr>
<tr>
<td></td>
<td>66,081,346</td>
<td>60,551,601</td>
</tr>
</tbody>
</table>

Less accumulated depreciation and amortization

|                      | (46,540,888) | (41,806,271) |
|                      | $19,540,458  | 18,745,330   |

Construction in progress of approximately $4,545,000 and $674,000 is included in the computer equipment category at June 30, 2018 and 2017, respectively. These amounts include costs associated with projects to improve the Society’s infrastructure and software platforms relating to reporting financial results, customer-facing applications and the ASME website. Such improvements include gaining efficiencies and additional capabilities through the replacement of outdated, legacy software applications, much of which is being developed through the partnership of subject matter experts within the Society and technical counterparts. The estimated cost to complete these projects at various dates through May 2021 is approximately $7,569,000.

Depreciation and amortization expense amounted to $5,073,954 and $5,600,951 for the years ended June 30, 2018 and 2017, respectively. During the years ended June 30, 2018 and 2017, ASME wrote off property and equipment amounting to $371,520 and $3,830,879, respectively.

(6) Operating Revenue

Operating revenue is presented principally by sector in the accompanying consolidated statements of activities. Set forth below is revenue for the years ended June 30, 2018 and 2017, summarized by type:

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Membership dues</td>
<td>$7,011,045</td>
<td>7,346,105</td>
</tr>
<tr>
<td>Codes and standards and technical publication revenue</td>
<td>54,491,161</td>
<td>47,202,542</td>
</tr>
<tr>
<td>Accreditation revenue</td>
<td>30,732,364</td>
<td>32,521,481</td>
</tr>
<tr>
<td>Conferences, exhibits, and course fees</td>
<td>19,810,216</td>
<td>17,564,128</td>
</tr>
<tr>
<td>Other operating revenue</td>
<td>5,862,505</td>
<td>4,521,687</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>191,954</td>
<td>299,731</td>
</tr>
<tr>
<td></td>
<td>$117,699,245</td>
<td>109,455,654</td>
</tr>
</tbody>
</table>
THE AMERICAN SOCIETY OF MECHANICAL ENGINEERS

Notes to Consolidated Financial Statements

June 30, 2018 and 2017

(7) Pension Plans

(a) Defined Benefit Pension Plan

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

The funded status reported in the consolidated statements of financial position as of June 30, 2018 and 2017 was measured as the difference between fair value of plan assets and the benefit obligation on a plan-by-plan basis.

The following table provides information with respect to the Plan as of and for the years ended June 30, 2018 and 2017:

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Benefit obligation at June 30</td>
<td>$(71,579,760)</td>
<td>$(77,081,267)</td>
</tr>
<tr>
<td>Fair value of plan assets at June 30</td>
<td>62,216,943</td>
<td>57,548,119</td>
</tr>
<tr>
<td><strong>Funded status</strong></td>
<td><strong>$(9,362,817)</strong></td>
<td><strong>(19,533,148)</strong></td>
</tr>
</tbody>
</table>

Amounts recognized in the consolidated financial statements:

- Accrued employee benefits: $9,362,817 (19,533,148)
- Service cost: $(368,823) (1,316,737)
- Other net periodic benefit costs: 531,222 (263,098)
- Settlement loss: $(1,336,784) (2,163,261)
- Employer contributions: 9,000,000 6,000,000
- Benefits paid: $(5,457,500) (7,585,974)

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

- Discount rate: 4.42% 3.98%
- Rate of compensation increase: N/A 3.50%

Weighted average assumptions used to determine net periodic benefit cost for the years ended June 30, 2018 and 2017:

- Discount rate: 3.98% 3.78%
- Expected return on plan assets: 6.50 6.50
- Rate of compensation increase: N/A N/A

The accumulated benefit obligation for the Plan was $71,579,760 and $77,081,267 at June 30, 2018 and 2017, respectively.
THE AMERICAN SOCIETY OF MECHANICAL ENGINEERS
Notes to Consolidated Financial Statements
June 30, 2018 and 2017

Other changes in plan assets and benefit obligations recognized in the change in unrestricted net assets for the years ended June 30, 2018 and 2017 are as follows:

<table>
<thead>
<tr>
<th>Item</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net gain (loss)</td>
<td>$ 327,750</td>
<td>(1,787,070)</td>
</tr>
<tr>
<td>Amortization of net actuarial loss</td>
<td>678,182</td>
<td>693,517</td>
</tr>
<tr>
<td>Effect of settlement/curtailment on net actuarial loss</td>
<td>1,336,784</td>
<td>2,163,261</td>
</tr>
<tr>
<td><strong>Net amount recognized in change in unrestricted net assets</strong></td>
<td><strong>$ 2,342,715</strong></td>
<td><strong>1,069,708</strong></td>
</tr>
</tbody>
</table>

Amounts that have not been recognized as components of other net periodic benefit cost but included in unrestricted net assets to date as of June 30, 2018 and 2017 are as follows:

<table>
<thead>
<tr>
<th>Item</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net actuarial loss</strong></td>
<td><strong>$ 25,127,641</strong></td>
<td><strong>27,470,357</strong></td>
</tr>
</tbody>
</table>

Amounts in unrestricted net assets and expected to be recognized as components of other net periodic benefit cost in fiscal year 2019 are as follows:

<table>
<thead>
<tr>
<th>Item</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net loss</td>
<td>$ 632,512</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Year(s) ending June 30:</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>$ 4,018,292</td>
</tr>
<tr>
<td>2020</td>
<td>4,516,080</td>
</tr>
<tr>
<td>2021</td>
<td>4,229,418</td>
</tr>
<tr>
<td>2022</td>
<td>4,296,030</td>
</tr>
<tr>
<td>2023</td>
<td>4,359,805</td>
</tr>
<tr>
<td>2024–2028</td>
<td>22,890,769</td>
</tr>
</tbody>
</table>

On June 6, 2016, the Society adopted a resolution to freeze the Plan prior to December 31, 2016. During 2018 and 2017, Plan participants requested lump sum payments exceeding the sum of service cost and interest cost. As a result of the above action, the projected benefit obligation decreased by $3,808,024 and $6,070,066 in 2018 and 2017, respectively. A settlement loss of $1,336,784 and $2,163,261 is recognized in other components of net periodic costs in the 2018 and 2017 consolidated statements of activities, respectively.
The following table presents the Plan’s assets measured at fair value as of June 30, 2018 and 2017. At June 30, 2018 and 2017, the assets in the Plan’s investment portfolio were considered Level 1.

<table>
<thead>
<tr>
<th>Equity – mutual funds:</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Large blend</td>
<td>$3,428,910</td>
<td>12,169,862</td>
</tr>
<tr>
<td>Foreign large blend</td>
<td>—</td>
<td>6,147,234</td>
</tr>
<tr>
<td>Energy</td>
<td>—</td>
<td>2,724,080</td>
</tr>
<tr>
<td>Money market fund</td>
<td>5,258,854</td>
<td>908,022</td>
</tr>
<tr>
<td>Bonds and fixed income – mutual funds</td>
<td>53,529,179</td>
<td>35,598,921</td>
</tr>
<tr>
<td><strong>Total ASME pension plan and trust assets</strong></td>
<td><strong>$62,216,943</strong></td>
<td><strong>57,548,119</strong></td>
</tr>
</tbody>
</table>

The following methods and assumptions were used in estimating the fair values of significant financial instruments at June 30, 2018 and 2017:

*Mutual Funds*

Mutual funds that are valued upon quoted market prices determined in an active market are considered Level 1 in the fair value hierarchy. There are no restrictions on any of these funds and they can all be redeemed daily.

The pension investments are managed to provide a reasonable investment return compared to the market while striving to preserve capital and provide cash flows required for distributions. The portfolio is diversified among investment managers and mutual funds selected by the Plan’s trustees using the advice of an independent performance evaluator.

The expected long-term rate of return for the Plan’s total assets is based on both the Society’s historical rate of return and the expected rate of return on the Society’s asset classes, weighted based on target allocations for each class. The Society’s pension plan weighted average asset allocations at June 30, 2018 and 2017, by asset category, are as follows:

<table>
<thead>
<tr>
<th>Mutual funds invested in equity securities</th>
<th>14 %</th>
<th>35 %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mutual funds invested in debt securities</td>
<td>86</td>
<td>65</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>100 %</strong></td>
<td><strong>100 %</strong></td>
</tr>
</tbody>
</table>

The Society expects to contribute $10,000,000 to the Plan in fiscal year 2019.

*Benefit Restoration Plan*

In 1994, ASME initiated the ASME Benefit Restoration Plan (SERP) in order to “restore” more highly compensated employees to a measure of parity with employees who earn lower amounts and whose full compensation is taken into account for purposes of calculating retirement plan contributions.
ASME’s SERP is a nonqualified, unfunded deferred compensation plan for the benefit of certain ASME executives whose compensation exceeds a federally imposed limit on the amount of compensation that can be contributed to qualified (i.e., tax-exempt) retirement plans.

On June 8, 2016, the Society adopted a resolution to freeze the SERP prior to December 31, 2016. During 2017, the SERP was fully transitioned to a deferred compensation plan under Section 457(f) of the Internal Revenue Code, which triggered a settlement as of December 31, 2016. The obligation was remeasured at December 31, 2016 using a discount rate of 4.12%. A settlement loss of $574,475 is recognized in other components of net periodic costs in the 2017 consolidated statement of activities. The SERP was fully liquidated in December 2017, resulting in no obligation or assets as of June 30, 2018.

Other changes in SERP assets and benefit obligations recognized in the change in unrestricted net assets for the year ended June 30, 2017 are as follows:

<table>
<thead>
<tr>
<th>Description</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net loss</td>
<td>$ (99,414)</td>
</tr>
<tr>
<td>Amortization of net actuarial loss</td>
<td>8,190</td>
</tr>
<tr>
<td>Effect of settlement/curtailment on net actuarial loss</td>
<td>574,475</td>
</tr>
<tr>
<td>Net amount recognized in change in unrestricted net assets</td>
<td>$ 481,251</td>
</tr>
</tbody>
</table>

(c) Defined Contributions Plans

The Society has a qualified defined contribution plan covering all eligible full-time employees hired after December 31, 2005, which was frozen to new contributions as of December 31, 2016. Pension expense for the year ended June 30, 2017 of $255,642.

The Society also maintained a thrift plan under Section 403(b) of the Code covering substantially all employees, which was frozen as of December 31, 2016. The Society’s contribution was $536,175 for the year ended June 30, 2017.

On January 1, 2017, the Society no longer contributed to the qualified defined contribution plan and thrift plan and began contributing to retirement plan under Section 401(k) of the Code covering substantially all employees. The 401(k) Plan is open to existing and new employees. Under the 401(k) Plan, the Society is matching contributions for employees who previously participated in the ASME Defined Benefit Pension Plan, the ASME Defined Contribution Plan and the ASME Thrift Plan, as well as newly hired employees. The Society contributed $3,317,558 and $1,763,119 for the years ended June 30, 2018 and 2017, respectively. These contributions were comprised of Base Match of $1,538,305 and $779,928, Contributing Match of $1,038,989 and $543,107, and Transitional Match of $740,262 and $441,084 for the years ended June 30, 2018 and 2017, respectively.
(8) Postretirement Healthcare and Life Insurance Benefits

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

The following tables provide information with respect to the postretirement benefits as of and for the years ended June 30, 2018 and 2017:

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Postretirement benefit obligation</td>
<td>$1,996,846</td>
<td>(2,270,181)</td>
</tr>
<tr>
<td>Accrued benefit recognized</td>
<td>(1,996,846)</td>
<td>(2,270,181)</td>
</tr>
<tr>
<td>Service cost</td>
<td>(77,603)</td>
<td>(82,373)</td>
</tr>
<tr>
<td>Other net periodic postretirement benefit costs</td>
<td>43,136</td>
<td>4,843</td>
</tr>
<tr>
<td>Employer contribution</td>
<td>54,581</td>
<td>47,884</td>
</tr>
<tr>
<td>Plan participants’ contribution</td>
<td>84,070</td>
<td>97,613</td>
</tr>
<tr>
<td>Benefits paid</td>
<td>138,651</td>
<td>145,497</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Discount rate</td>
<td>4.29 %</td>
<td>3.60 %</td>
</tr>
<tr>
<td>Expected return on plan assets</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Rate of compensation increase</td>
<td>3.50 %</td>
<td>3.50 %</td>
</tr>
<tr>
<td>Healthcare cost trends:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Increase from current year to next fiscal year</td>
<td>7.50</td>
<td>7.00</td>
</tr>
<tr>
<td>Ultimate rate increase</td>
<td>4.50</td>
<td>5.00</td>
</tr>
<tr>
<td>Fiscal year that the ultimate rate is attained</td>
<td>2030</td>
<td>2022</td>
</tr>
</tbody>
</table>

Weighted average assumptions used to determine net periodic benefit cost for the years ended June 30, 2017 and 2016:

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Discount rate</td>
<td>3.60 %</td>
<td>3.24 %</td>
</tr>
<tr>
<td>Expected return on plan assets</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Rate of compensation increase</td>
<td>3.50 %</td>
<td>3.50 %</td>
</tr>
<tr>
<td>Healthcare cost trends:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Increase from current year to next fiscal year</td>
<td>7.00</td>
<td>7.50</td>
</tr>
<tr>
<td>Ultimate rate increase</td>
<td>5.00</td>
<td>5.00</td>
</tr>
<tr>
<td>Fiscal year that the ultimate rate is attained</td>
<td>2022</td>
<td>2022</td>
</tr>
</tbody>
</table>

(Continued)
THE AMERICAN SOCIETY OF MECHANICAL ENGINEERS
Notes to Consolidated Financial Statements
June 30, 2018 and 2017

Other changes in postretirement plan assets and benefit obligations recognized in the change in unrestricted net assets for the years ended June 30, 2018 and 2017 are as follows:

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net actuarial gain</td>
<td>$280,504</td>
<td>$145,113</td>
</tr>
<tr>
<td>Prior service credit</td>
<td>(26,283)</td>
<td>(26,283)</td>
</tr>
<tr>
<td><strong>Net amount recognized in change in unrestricted net assets</strong></td>
<td><strong>$254,221</strong></td>
<td><strong>118,830</strong></td>
</tr>
</tbody>
</table>

Amounts that have not been recognized as components of net periodic benefit costs, but included in unrestricted net assets to date as of June 30, 2018 and 2017, are as follows:

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net gain</td>
<td>($1,277,729)</td>
<td>($697,225)</td>
</tr>
<tr>
<td>Prior service credit</td>
<td>(13,671)</td>
<td>(39,954)</td>
</tr>
<tr>
<td><strong>Net amount recognized in unrestricted net assets</strong></td>
<td><strong>($1,291,400)</strong></td>
<td><strong>($1,037,179)</strong></td>
</tr>
</tbody>
</table>

Estimated amounts that will be amortized from unrestricted net assets into net periodic benefit cost in the fiscal year ending in 2019 are as follows:

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Actuarial gain</td>
<td>$92,624</td>
</tr>
<tr>
<td>Prior service credit</td>
<td>(13,672)</td>
</tr>
</tbody>
</table>

Healthcare cost rate trends:
1. Assumed healthcare cost trend rate for the next year:
   General description of the direction and pattern of change in the assumed trend rates thereafter: 7.5% per year
   -0.25% per year to 4.5%, then 4.5% thereafter
   Ultimate trend rate and when that rate is expected to be achieved: 4.5%

2. One percentage point increase:
   Effect on total service and interest cost $15,781
   Effect on end of year postretirement benefit obligation 124,631

3. One percentage point decrease:
   Effect on total service and interest cost $(13,605)
   Effect on end of year postretirement benefit obligation (109,875)

(Continued)
THE AMERICAN SOCIETY OF MECHANICAL ENGINEERS
Notes to Consolidated Financial Statements
June 30, 2018 and 2017

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

<table>
<thead>
<tr>
<th>Year(s) ending June 30:</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>$155,750</td>
</tr>
<tr>
<td>2020</td>
<td>157,112</td>
</tr>
<tr>
<td>2021</td>
<td>158,578</td>
</tr>
<tr>
<td>2022</td>
<td>156,527</td>
</tr>
<tr>
<td>2023</td>
<td>160,459</td>
</tr>
<tr>
<td>2024–2028</td>
<td>892,186</td>
</tr>
</tbody>
</table>

(9) Temporarily and Permanently Restricted Net Assets

Temporarily and permanently restricted net assets and the income earned on permanently restricted net assets are restricted by donors to the following purposes at June 30, 2018 and 2017:

<table>
<thead>
<tr>
<th></th>
<th>Temporarily restricted</th>
<th>Permanently restricted</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>2017</td>
<td></td>
</tr>
<tr>
<td>Award programs</td>
<td>$250,845</td>
<td>40,110</td>
</tr>
<tr>
<td>The engineering library</td>
<td>109,302</td>
<td>74,695</td>
</tr>
<tr>
<td>Membership programs</td>
<td>2,073</td>
<td>21,752</td>
</tr>
<tr>
<td></td>
<td>$362,220</td>
<td>136,567</td>
</tr>
<tr>
<td></td>
<td>$366,811</td>
<td>136,567</td>
</tr>
</tbody>
</table>

Temporarily restricted net asset activity has not been separately presented in the consolidated statements of activities. There was no activity in permanently restricted net assets during 2018 or 2017. Temporarily restricted activity for 2018 and 2017 is summarized below:

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest and dividends, net of investment fees</td>
<td>$5,971</td>
<td>7,182</td>
</tr>
<tr>
<td>Realized and unrealized gain in fair value of investments</td>
<td>24,913</td>
<td>44,591</td>
</tr>
<tr>
<td>Net assets released from restrictions</td>
<td>(35,475)</td>
<td>(37,886)</td>
</tr>
<tr>
<td>(Decrease) increase in temporarily restricted net assets</td>
<td>$(4,591)</td>
<td>13,877</td>
</tr>
</tbody>
</table>
THE AMERICAN SOCIETY OF MECHANICAL ENGINEERS
Notes to Consolidated Financial Statements
June 30, 2018 and 2017

(10) Endowment Net Assets

The Society recognized that New York State adopted as law the New York Prudent Management of Institutional Funds Act (NYPMIFA) on September 17, 2010. NYPMIFA replaced the prior law, which was the Uniform Management of Institutional Funds Act (UMIFA).

In addition, NYPMIFA created a rebuttable presumption of imprudence if an organization appropriates more than 7% of a donor-restricted permanent endowment fund’s fair value (averaged over a period of not less than the preceding five years) in any year. Any unappropriated earnings that would otherwise be considered unrestricted by the donor will be reflected as temporarily restricted until appropriated.

The Society’s Board of Governors has interpreted NYPMIFA as allowing the Society to appropriate for expenditure or accumulate so much of an endowment fund as the Society determines is prudent for the uses, benefits, purposes, and duration for which the endowment fund was established, subject to the intent of the donor as expressed in the gift instrument. Unless stated otherwise, the assets in a donor-restricted endowment fund shall be donor-restricted assets until appropriated for expenditure by the Board of Governors. As a result of this interpretation, the Society has not changed the way permanently restricted net assets are classified. See note 2 for how the Society classifies its net assets.

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

Changes in endowment net assets for the year ended June 30, 2018 are as follows:

<table>
<thead>
<tr>
<th></th>
<th>Temporarily restricted</th>
<th>Permanently restricted</th>
<th>Total endowment investments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Endowment net assets, beginning of year</td>
<td>$366,811</td>
<td>136,567</td>
<td>503,378</td>
</tr>
<tr>
<td>Investment activities:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest and dividends</td>
<td>5,971</td>
<td></td>
<td>5,971</td>
</tr>
<tr>
<td>Realized gain on investments</td>
<td>2,653</td>
<td></td>
<td>2,653</td>
</tr>
<tr>
<td>Unrealized gain on investments</td>
<td>22,260</td>
<td></td>
<td>22,260</td>
</tr>
<tr>
<td>Total investment activities</td>
<td>30,884</td>
<td></td>
<td>30,884</td>
</tr>
<tr>
<td>Amount appropriated for expenditures</td>
<td>(35,475)</td>
<td></td>
<td>(35,475)</td>
</tr>
<tr>
<td>Endowment net assets, end of year</td>
<td>$362,220</td>
<td>136,567</td>
<td>498,787</td>
</tr>
</tbody>
</table>

(Continued)
THE AMERICAN SOCIETY OF MECHANICAL ENGINEERS

Notes to Consolidated Financial Statements

June 30, 2018 and 2017

Changes in endowment net assets for the year ended June 30, 2017 are as follows:

<table>
<thead>
<tr>
<th></th>
<th>Temporarily restricted</th>
<th>Permanently restricted</th>
<th>Total endowment investments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Endowment net assets, beginning of year</td>
<td>$352,934</td>
<td>136,567</td>
<td>489,501</td>
</tr>
<tr>
<td>Investment activities:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest and dividends</td>
<td>7,182</td>
<td>—</td>
<td>7,182</td>
</tr>
<tr>
<td>Realized gain on investments</td>
<td>14,229</td>
<td>—</td>
<td>14,229</td>
</tr>
<tr>
<td>Unrealized gain on investments</td>
<td>30,362</td>
<td>—</td>
<td>30,362</td>
</tr>
<tr>
<td>Total investment activities</td>
<td>51,773</td>
<td>—</td>
<td>51,773</td>
</tr>
<tr>
<td>Amount appropriated for expenditures</td>
<td>(37,896)</td>
<td>—</td>
<td>(37,896)</td>
</tr>
<tr>
<td>Endowment net assets, end of year</td>
<td>$368,811</td>
<td>136,567</td>
<td>503,378</td>
</tr>
</tbody>
</table>

Endowment net assets of $498,787 and $503,378 are included with investments in the consolidated statements of financial position at June 30, 2018 and 2017, respectively.

(11) Commitments and Contingencies

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

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

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

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

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

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

Notes to Consolidated Financial Statements
June 30, 2018 and 2017

The following is a schedule of the approximate minimum future rentals on all leases at June 30, 2018:

<table>
<thead>
<tr>
<th>Year(s) ending June 30:</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>$5,834,000</td>
</tr>
<tr>
<td>2020</td>
<td>5,859,000</td>
</tr>
<tr>
<td>2021</td>
<td>5,885,000</td>
</tr>
<tr>
<td>2022</td>
<td>5,911,000</td>
</tr>
<tr>
<td>2023</td>
<td>5,760,000</td>
</tr>
<tr>
<td>2024–2029</td>
<td>26,571,000</td>
</tr>
</tbody>
</table>

Rent expense under all of the Society’s leases was approximately $5,218,000 and $5,311,000 in 2018 and 2017, respectively.

(12) Line of Credit

The Society had established a $5,000,000 secured, uncommitted line of credit to service short-term working capital needs. The line of credit, renewable annually, expires on December 31, 2018. Terms are LIBOR plus 1.50%, (which is 4.2631% and 3.2384% at June 30, 2018 and 2017, respectively), the bank has a general lien on the assets of the Society, and interest will be automatically deducted from the Society’s bank account monthly. As of and during the years ended June 30, 2018 and 2017, the Society had not drawn any funds from this line of credit.

(13) Concentration of Credit Risk

Cash and cash equivalents that potentially subject the Society to a concentration of credit risk include cash accounts with banks that exceed the Federal Deposit Insurance Corporation (FDIC) insurance limits. Interest-bearing accounts are insured up to $250,000 per depositor. Beginning in 2013, noninterest-bearing accounts are insured the same as interest-bearing accounts. As of June 30, 2018 and 2017, cash accounts in financial institutions exceeded the federal insured limits by approximately $6,534,000 and $11,258,000, respectively, of cash and cash equivalents held by banks that exceeded FDIC limits. Such excess includes outstanding checks.

Within accounts receivable, there are receivables from one company that represent 29% and 23% of accounts receivables at June 30, 2018 and 2017, respectively.

(14) Subsequent Events

ASME has evaluated, for potential recognition and disclosure, events subsequent to the date of the consolidated statement of financial position through September 18, 2018, the date the consolidated financial statements were available to be issued.
Date Submitted: August 17, 2018  
BOG Meeting Date: October 1-2, 2018

To: Board of Governors  
From: EDESC  
Presented by: Tom Costabile  
Agenda Title: FY18 Enterprise Incentive Compensation Performance Results

Agenda Item Executive Summary:
A Summary of the FY18 Incentive Compensation Performance Results.

Proposed motion for BOG Action:
To approve FY18 Incentive Compensation Performance results for the Enterprise as outlined in the table in Agenda Appendix 2.4.

Attachments:
PowerPoint Presentation
FYE18 Incentive Comp 
Performance Results for Enterprise Objectives 

Report to the EDESC 
September 11, 2018 – via email 

Report to the BOG 
October 1, 2018 

Tom Costabile 
Executive Director
Objectives

• To review FYE18 Performance Results for Enterprise Incentive Comp Objectives

• To request EDESC acceptance of the Enterprise Performance Objective Results

• To request BOG approval of the Enterprise Performance Objective Results on October 1, 2018
A funding trigger helps to ensure the affordability of awards. If this funding trigger is met, the incentive plan is operable, and award payments are made based on performance results.
Executive Summary

FY18 net surplus of $4.0M is $11.9M favorable to budget, with revenue favorable by $2.6M and expense favorable by $9.3M. The favorable revenue variance includes higher Standards revenues driven by channel optimization efforts as well as higher than anticipated Boiler and Pressure Vessel hardcopy sales. Also contributing are higher revenues related to our affinity programs. The favorable expenses include lower than anticipated staff compensation of $3.3M and underspend of $1.7M in depreciation expense due to delays in our capital projects. The remainder of the difference includes lower than anticipated “promo & advertising”, “direct cost of product”, and “travel” expenses.

Note: Audit Committee will review results on 09/12/2018.
### Incentive Compensation Components:

- **Enterprise**
- **IOP/Sector/Group/Unit/Indv**

#### Variable Compensation Construct

<table>
<thead>
<tr>
<th>Staff Level</th>
<th>Target Award</th>
<th>FY18</th>
<th>FY19</th>
</tr>
</thead>
<tbody>
<tr>
<td>ED</td>
<td>20%</td>
<td>☺</td>
<td>☺</td>
</tr>
<tr>
<td>COO*</td>
<td>18%</td>
<td>☺️</td>
<td>☺</td>
</tr>
<tr>
<td>EMT</td>
<td>15%</td>
<td>☺️</td>
<td>☺️</td>
</tr>
<tr>
<td>MDs</td>
<td>13%</td>
<td>☺️</td>
<td>☺️</td>
</tr>
<tr>
<td>Directors</td>
<td>10%/8%/5%</td>
<td>☺️</td>
<td>☺️</td>
</tr>
<tr>
<td>Mgmt/Prof</td>
<td>N/A</td>
<td>☺️</td>
<td>☺️</td>
</tr>
<tr>
<td>Entry-level Professional</td>
<td>N/A</td>
<td>☺️</td>
<td>☺️</td>
</tr>
<tr>
<td>Clerical/Admin</td>
<td>N/A</td>
<td>☺️</td>
<td>☺️</td>
</tr>
</tbody>
</table>

**FY18 award construct:**
- Focused the organization on several key IOP-related goals

**FY19 award construct ensures:**
- Line-of-sight
- Accountability for performance outcomes
- Reinforcement of cross-sector/group/unit collaboration
- Focus more on outcomes; not processes
- EMT (below the ED level), Managing Directors and Directors will be assigned IOP or other key operational goals in addition to the Enterprise objectives

*COO established 2016; formerly Deputy Executive Director target award.*
## FY18 Incentive Compensation – Enterprise Goals

### Incentive Compensation Goals

<table>
<thead>
<tr>
<th>Moving the Strategy Forward</th>
<th>Weight</th>
<th>Lower Threshold (award=50% of target amount)</th>
<th>Target (award=100% of target amount)</th>
<th>Upper Threshold (award=150% of target amount)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Engagement</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1) eFest – achieve combined attendance target of 2,900 registered student attendees for four E-Fest events: three to be held in FY18, plus one in July 2018 (FY19)</td>
<td>20%</td>
<td>Achieve 1 of 3</td>
<td>Achieve 2 of 3</td>
<td>Achieve 3 of 3</td>
</tr>
<tr>
<td>2) Achieve conversion rate of 27% for student members transitioning to professional member status</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3) Reduce bounce rate on asme.org editorial pages to 76.5% by FYE</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(bounce rate is the percentage of visitors to a particular website who navigate away from the site after viewing only one page).</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>IT Projects</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Percentage of projects completed or FYE18 milestones completed (for projects extending beyond FYE18) on time and on budget (10% differential in timing or budget = on time and on budget)</td>
<td>20%</td>
<td>90%</td>
<td>100%</td>
<td>105%</td>
</tr>
<tr>
<td><strong>New Products and Programs Launched</strong> (released to the market in FY18)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of New Products and Programs launched in the 5 technologies</td>
<td>20%</td>
<td>10</td>
<td>11</td>
<td>12</td>
</tr>
<tr>
<td><strong>FINANCIAL SUSTAINABILITY</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Achieve Revenue Targets</td>
<td>40%</td>
<td>114.4M</td>
<td>115M</td>
<td>116M</td>
</tr>
</tbody>
</table>

**Funding Trigger:** Achieve Operating Budget Net (current funding trigger)
### Incentive Compensation Goals

#### Moving the Strategy Forward

<table>
<thead>
<tr>
<th>Incentive Compensation Goals</th>
<th>Weight</th>
<th>Lower Threshold</th>
<th>Target</th>
<th>Upper Threshold</th>
<th>FYE Projected</th>
<th>FYE Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Engagement</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1) eFest – achieve combined attendance target of 2,900 registered student attendees for four E-Fest events: three to be held in FY18, plus one in July 2018 (FY19)</td>
<td>20%</td>
<td>Achieve 1 of 3</td>
<td>Achieve 2 of 3</td>
<td>Achieve 3 of 3</td>
<td>Projected 27%</td>
<td>27.8%</td>
</tr>
<tr>
<td>2) Achieve conversion rate of 27% for student members transitioning to professional member status</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3) Reduce bounce rate on asme.org editorial pages to 76.5% by FYE</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>83.8%</td>
</tr>
</tbody>
</table>
  (bounce rate is the percentage of visitors to a particular website who navigate away from the site after viewing only one page). |
| **IT Projects**              |        |                 |        |                |              |           |
| Percentage of projects completed or FYE18 milestones completed (for projects extending beyond FYE18) on time and on budget (10% differential in timing or budget = on time and on budget) | 20%    | 90%             | 100%   | 105%           | 83%         | 87%       |
| **New Products and Programs Launched** (released to the market in FY18) |        |                 |        |                |              |           |
| Number of New Products and Programs launched in the 5 technologies | 20%    | 10              | 11     | 12             | 8           | 7         |
| **FINANCIAL SUSTAINABILITY** |        |                 |        |                |              |           |
| Achieve Revenue Targets      | 40%    | 114.4M          | 115M   | 116M           | 116.2M       | 117.3M    |

Funding Trigger: Achieve Operating Budget Net (current funding trigger)

Quarterly results reviewed with EDESC, BOG; Awards can vary from 0 to 150% of target, based on performance results

**FYE Incentive Award**

Target 20%

Goal Not Met 0%

Upper Threshold 60%

Payout 80%

- **Green** – On track to achieve LT or better or achieved at FYE
- **Yellow** – Off track but recoverable by FYE
- **Red** – Off track and not likely to achieve LT or above by FYE or LT missed at FYE

*See additional appendices for details on status*
FY18 Incentive Comp Pay-out

- **FY18 Payout at Target: 100%**
- **Engagement (20%)**
- **IT Projects *(20%)**
- **New Products & Programs Launched *(20%)**
- **Financial Sustainability (40%)**
- **Actual Payout Pending BOG Approval of Results: 80%**

<table>
<thead>
<tr>
<th>Staff Level</th>
<th>Incentive Award as a % of Salary for Results at Target (100%)</th>
<th>Incentive Award Payout as a % of Salary for FYE Results (80%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>ED</td>
<td>20%</td>
<td>16.00%</td>
</tr>
<tr>
<td>COO</td>
<td>18%</td>
<td>14.40%</td>
</tr>
<tr>
<td>EMT</td>
<td>15%</td>
<td>12.00%</td>
</tr>
<tr>
<td>Band 10 (MDs)</td>
<td>13%</td>
<td>10.40%</td>
</tr>
<tr>
<td>Band 9 (Dirs)</td>
<td>10%</td>
<td>8.00%</td>
</tr>
<tr>
<td>Band 8 (Dirs)</td>
<td>8%</td>
<td>6.40%</td>
</tr>
<tr>
<td>Band 7 (Dirs)</td>
<td>5%</td>
<td>4.00%</td>
</tr>
</tbody>
</table>

*100% of award is based on Enterprise objectives for all Incentive eligible staff*

*Goal not met = 0% Payout*
**FYE 18 Enterprise Incentive Comp Results**

**BOG Motion:** To APPROVE FY18 incentive compensation performance results for the Enterprise as outlined in the following table:

<table>
<thead>
<tr>
<th>Incentive Comp Component</th>
<th>Weight of Enterprise Goals (Target Award =100%)</th>
<th>Performance Results</th>
<th>Incentive Award Level Achieved (As a % of Target)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Engagement</td>
<td>20%</td>
<td>Target</td>
<td>20%</td>
</tr>
<tr>
<td>IT Projects</td>
<td>20%</td>
<td>Goal Not Met</td>
<td>0%</td>
</tr>
<tr>
<td>New Products &amp; Programs Launched</td>
<td>20%</td>
<td>Goal Not Met</td>
<td>0%</td>
</tr>
<tr>
<td>Financial Sustainability</td>
<td>40%</td>
<td>Upper Threshold</td>
<td>60%</td>
</tr>
<tr>
<td>Total</td>
<td>100%</td>
<td></td>
<td>80%</td>
</tr>
</tbody>
</table>

**EDESC: Request Acceptance and Recommend Board Approval.**
Appendices
## New Products and Programs to be Launched in FY18

<table>
<thead>
<tr>
<th>Initiative</th>
<th>Manufacturing</th>
<th>Bioengineering</th>
<th>Clean Energy</th>
<th>Pressure Technology</th>
<th>Robotics</th>
<th>Products</th>
<th>FY17 Q4 Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cell Therapy Training</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>courses</td>
<td>Approved</td>
</tr>
<tr>
<td>Alliance of Advanced Biomedical Engineering</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>subscription service</td>
<td>Approved</td>
</tr>
<tr>
<td>Journal of Biomedical Eng. and Biotechnology*</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>journal</td>
<td>Approved</td>
</tr>
<tr>
<td>Journal of NDE, Diagnostics and Prognostics*</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>journal</td>
<td>Approved</td>
</tr>
<tr>
<td>eLearning - Design for Additive Manufacturing</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>courses, certificate program</td>
<td>Approved</td>
</tr>
<tr>
<td>B&amp;PV User Group Event</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>conference and expo</td>
<td>Approved</td>
</tr>
<tr>
<td>eLearning - Robotic Systems for Manufacturing</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>courses, certificate program</td>
<td>Approved</td>
</tr>
<tr>
<td>Offshore Wind Energy Conference</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>conference and expo</td>
<td>Approved</td>
</tr>
<tr>
<td>Nuclear Decontamination &amp; Decommissioning</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>courses</td>
<td>Approved</td>
</tr>
<tr>
<td><strong>9 Business Plans Approved in Total</strong></td>
<td><strong>2</strong></td>
<td><strong>3</strong></td>
<td><strong>2</strong></td>
<td><strong>1</strong></td>
<td><strong>1</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Note: New Products and Programs Launched will be from this list of Products/Programs approved in FY17, or from Products/Programs to be approved in FY18. The EDESC will be informed as the Business Review Team approves new Products/Programs in FY18.
TACTIC: Engagement
Achieve combined attendance target of 2,900 registered student attendees for four E-Fest events: three to be held in FY18, plus one in July 2018 (FY19)

Status: Achieved Goal for FY18

<table>
<thead>
<tr>
<th></th>
<th>Q1</th>
<th>Q2</th>
<th>Q3</th>
<th>Q4</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asia Pacific: Goal</td>
<td>800</td>
<td>Actual:</td>
<td>1,150</td>
<td></td>
</tr>
<tr>
<td>U.S. West: Goal</td>
<td>600</td>
<td>Actual:</td>
<td>630</td>
<td></td>
</tr>
<tr>
<td>U.S. East: Goal</td>
<td>800</td>
<td>Actual:</td>
<td>880</td>
<td></td>
</tr>
<tr>
<td>South America: Goal</td>
<td>700</td>
<td>Actual:</td>
<td>425</td>
<td></td>
</tr>
</tbody>
</table>

- **Total Goal All Locations**: 2,900
- **Total Achieved**: 3,085
Incentive Compensation Goals

Q4 Conversion of student to professional membership

TACTIC: Engagement 2
Achieve conversion rate of 27% for student members transitioning to professional member status

Unit: Membership - FY'18 Student Transition to Professional Goal, Increase by 1% (to 27%)

Status: Surpassed Goal of 27% for FY18

<table>
<thead>
<tr>
<th></th>
<th>Q1</th>
<th>Q2</th>
<th>Q3</th>
<th>Q4</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Full-Year Detail</th>
<th>FY'17</th>
<th>FY'18</th>
<th>Variance</th>
</tr>
</thead>
<tbody>
<tr>
<td>1st Qtr (July-Sept)</td>
<td>14.50%</td>
<td>12.00%</td>
<td>-2.50%</td>
</tr>
<tr>
<td>2nd Qtr (Oct-Dec)</td>
<td>20.90%</td>
<td>20.00%</td>
<td>-0.90%</td>
</tr>
<tr>
<td>3rd Qtr (Jan-Mar)</td>
<td>25.40%</td>
<td>25.80%</td>
<td>0.40%</td>
</tr>
<tr>
<td>4th Qtr (Apr-Jun)</td>
<td>26.00%</td>
<td>27.8%</td>
<td>1.80%</td>
</tr>
</tbody>
</table>
TACTIC: Engagement 3
Reduce bounce rate on asme.org editorial pages to 76.5% by FYE

**Status: Did Not Achieve Goal for FY18**

<table>
<thead>
<tr>
<th></th>
<th>Q1</th>
<th>Q2</th>
<th>Q3</th>
<th>Q4</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Editorial Bounce Rate: 81.5% total Dec 2017-June 2018 (agreed upon reporting period)
See attached – cell highlighted in yellow is the number for reporting purposes.

**Editorial Bounce Rate Results**

**FY18 – July 17 – June 18**

New Content Produced & Viewed in Timeframe Listed

<table>
<thead>
<tr>
<th>Publish M-Y</th>
<th>Pageviews</th>
<th>Bounce %</th>
<th>Exit %</th>
<th>Avg time on pg</th>
</tr>
</thead>
<tbody>
<tr>
<td>July-Nov 17</td>
<td>79,644</td>
<td>88.3%</td>
<td>71.9%</td>
<td>0:03:55</td>
</tr>
<tr>
<td>Dec-June 18</td>
<td>155,710</td>
<td>81.5%</td>
<td>68.1%</td>
<td>0:03:26</td>
</tr>
<tr>
<td>Total</td>
<td>235,354</td>
<td>83.8%</td>
<td>69.4%</td>
<td>0:03:36</td>
</tr>
</tbody>
</table>
87% of project milestones were completed or substantially complete (90%+ complete) at FYE18.

- Enterprise infrastructure successfully completed all IOP Project Milestones within budget and in some cases exceeded expectations. Data Center Migration exceeded goal by 40%, migrating 27 servers to MS Azure. Server virtualization project completed 100% of servers surpassing milestone by 25%. SD-WAN Project was not an IOP Milestone, but was completed ahead of schedule in FY18.

- Several projects were delayed for further due diligence during the vendor selection and/or contract process, but the project teams accelerated efforts to complete key milestones before FYE18: CA Connect Replacement, Online Taxonomy, Online Strategy/Architecture Implementation (Site Search, Style Guide), and Calendar of Events Replacement.

- Implement Online Marketing Tools (Phase I) was not completely launched by FYE18 due to reallocation of resources to complete projects that fulfilled other (non-milestone) high-priority Marketing and Enterprise/Compliance needs: Group Mass Email Communication (used by volunteers), Enterprise Mass Email Request system, and Opt-in for GDPR.

- Key projects were deferred and missed milestones, specifically: CRM and BI Tools was deferred due to significant price changes from existing vendor and Standards Delivery / Subscription Mgt. Platform due to additional due diligence needed.

- The original goal was to complete 60% (average across all projects) of the total project work for all IOP projects in FY18. We achieved an average of 53% completion (88% of goal) of the total project work, despite the aforementioned delays.
### FY 2018* Major Projects (priority based on costs, mitigation of risk or significance to IOP initiatives)

#### 4Q 18 Status Report

#### PROJECT AREAS

<table>
<thead>
<tr>
<th>Project Area</th>
<th>Original Estimate</th>
<th>Update</th>
<th>Original Estimate</th>
<th>Update</th>
<th>% of Total Project Complete at End of EOY</th>
<th>% of Total Project Complete at End of FY</th>
<th>Project Area Budget in FY18</th>
<th>ITDT Expenditures at End of AO</th>
<th>Status at End of AO</th>
</tr>
</thead>
<tbody>
<tr>
<td>e-Tests Websites</td>
<td>50%</td>
<td>45%</td>
<td>$78,008</td>
<td>$79,555</td>
<td>50%</td>
<td>45%</td>
<td>$78,008</td>
<td>$79,555</td>
<td>1. E-Test Phase 1 - Requirements and design</td>
</tr>
<tr>
<td>Online Taxonomy</td>
<td>40%</td>
<td>40%</td>
<td>$70,001</td>
<td>$25,413</td>
<td>40%</td>
<td>40%</td>
<td>$70,001</td>
<td>$25,413</td>
<td>2. E-Test Phase 1 - Implementation</td>
</tr>
<tr>
<td>Disaster Recovery - Phase 1</td>
<td>40%</td>
<td>100%</td>
<td>$167,210</td>
<td>$172,440</td>
<td>40%</td>
<td>100%</td>
<td>$167,210</td>
<td>$172,440</td>
<td>3. E-Test Phase 2 - Requirements and design</td>
</tr>
<tr>
<td>&quot;Genius&quot; Q/L Application, Javoco Replacement / GP Upgrade or Replacement</td>
<td>95%</td>
<td>40%</td>
<td>$658,459</td>
<td>$275,726</td>
<td>95%</td>
<td>40%</td>
<td>$658,459</td>
<td>$275,726</td>
<td>4. Design Enterprise wide Taxonomy</td>
</tr>
<tr>
<td>CA Connect Replacement</td>
<td>60%</td>
<td>25%</td>
<td>$718,603</td>
<td>$239,231</td>
<td>60%</td>
<td>25%</td>
<td>$718,603</td>
<td>$239,231</td>
<td>5. Develop Complete Taxonomy Hierarchy</td>
</tr>
<tr>
<td>Document Retention and Backups</td>
<td>100%</td>
<td>100%</td>
<td>$335,118</td>
<td>$288,840</td>
<td>100%</td>
<td>100%</td>
<td>$335,118</td>
<td>$288,840</td>
<td>6. Complete requirements, management Software selection and purchase</td>
</tr>
<tr>
<td>R&amp;D Conference &amp; Events Website Implementation</td>
<td>80%</td>
<td>75%</td>
<td>$78,063</td>
<td>$64,942</td>
<td>80%</td>
<td>75%</td>
<td>$78,063</td>
<td>$64,942</td>
<td>7. Design and wireframe changes</td>
</tr>
<tr>
<td>IS Connect Replacement</td>
<td>20%</td>
<td>20%</td>
<td>$833,010</td>
<td>$59,403</td>
<td>20%</td>
<td>20%</td>
<td>$833,010</td>
<td>$59,403</td>
<td>8. Develop and implement improvements</td>
</tr>
<tr>
<td>Master Data Management Tool (Data Warehouse)</td>
<td>30%</td>
<td>30%</td>
<td>$831,084</td>
<td>$249,285</td>
<td>30%</td>
<td>30%</td>
<td>$831,084</td>
<td>$249,285</td>
<td>9. Create &quot;Staging&quot; data bases</td>
</tr>
<tr>
<td>New e-commerce Platform</td>
<td>50%</td>
<td>50%</td>
<td>$507,703</td>
<td>$62,790</td>
<td>50%</td>
<td>50%</td>
<td>$507,703</td>
<td>$62,790</td>
<td>10. Create and transform Customers’ data</td>
</tr>
</tbody>
</table>

*Target Goals would be to complete 100% of the above Milestones by the end of the year within a 10% margin, with lower threshold at 90% and higher threshold at 105%.
### 4Q 18 Status Report

<table>
<thead>
<tr>
<th>PROJECT AREAS</th>
<th>MILESTONES</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>% of Total Project Expected completed by FY17</strong></td>
<td><strong>Final Update</strong></td>
</tr>
<tr>
<td><strong>% of Total Project complete at end of FY18</strong></td>
<td><strong>Earned Value Deliverable (Milestones to be met in FY2018)</strong></td>
</tr>
<tr>
<td><strong>Project area budget in FY16</strong></td>
<td><strong>#</strong></td>
</tr>
<tr>
<td><strong>FYTD Expenditures at end of FY18</strong></td>
<td><strong>#</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Project (as defined in IOP Grant Chart)</th>
<th>Original Estimate</th>
<th>Update</th>
<th>Original Estimate</th>
<th>Update</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CRM and BI Tools</strong></td>
<td>60%</td>
<td>12%</td>
<td>$1,052,240</td>
<td>$0</td>
</tr>
<tr>
<td><strong>Standards Delivery / Subscription Mgt. Platform</strong></td>
<td>55%</td>
<td>15%</td>
<td>$2,099,935</td>
<td>$0</td>
</tr>
<tr>
<td><strong>Data Center Replacement and Systems Mgt.</strong></td>
<td>25%</td>
<td>40%</td>
<td>$2,279,643</td>
<td>$1,206,812</td>
</tr>
<tr>
<td><strong>Personify: Stabilize Existing Business</strong></td>
<td>100%</td>
<td>100%</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td><strong>Online Strategy/Architecture Implementation</strong></td>
<td>50%</td>
<td>10%</td>
<td>$634,795</td>
<td>$176,839</td>
</tr>
<tr>
<td><strong>Active Directory Redesign and Upgrade</strong></td>
<td>85%</td>
<td>75%</td>
<td>$567,973</td>
<td>$320,857</td>
</tr>
<tr>
<td><strong>Calendar of Events Replacement</strong></td>
<td>75%</td>
<td>75%</td>
<td>$282,307</td>
<td>$79,088</td>
</tr>
<tr>
<td><strong>Implementation Online Marketing Tools (Phase 1)</strong></td>
<td>75%</td>
<td>60%</td>
<td>$462,220</td>
<td>$25,061</td>
</tr>
</tbody>
</table>

**Total of 54 Milestones**

- **Completed**: 90%
- **In Process**: 6%
- **Substantially Complete (90%)**: 4%
- **Planned**: 7%
- **Starting**: 0%

**Target Goals**: To be complete 100% of the above Milestones by the end of the year within a 10% margin, with lower threshold at 90% and higher threshold at 105%.

---

**Notes**:
- Green - Achieved in FY18 within acceptable parameters
- Red - Offtrack and not met as of FY18
- Yellow - Stabilization and ongoing effort

Total Technical Services Capital Projects with milestones: 80% Average, 10% Average

---

**Appendix – FY18 Results**

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**ASME**

**Setting the Standard**
## Executive Summary Report - IOP Technical Projects

### 4Q 2018 Status as of August 8th, 2018

<table>
<thead>
<tr>
<th>Project Title/Description:</th>
<th>Project Status:</th>
<th>Original IOP Timeline Overall Status</th>
<th>Project Goals:</th>
</tr>
</thead>
</table>
| E-Fests Websites Phase I – Global website that will support the yearlong efforts around E-fests' University Student Competitions and Regional Events. The website will be built under new version of our online content management software and will make use of templates that can be leveraged for E-fests and other ASME sites in the future. | Phase 1 is complete. This includes launch of the global site, post launch enhancements and individual event pages. Work to collect business requirements for Phase 2 is also complete. In FY19 incremental enhancements will be delivered, with full implementation of Phase 2 (more comprehensive changes) occurring by December 2021 allowing for more advanced features to be delivered in a fully mature environment. | Completed | • The site will provide a better user experience for students involved in e-fests and our competitions  
• Operating under our new architecture will allow us to modernize our use of marketing tools.  
• Use of templates allows us to more quickly and efficiently build and maintain E-fest and other ASME sites in the future. |
| Online Taxonomy – Design and develop a new taxonomy and implement automated tagging through a taxonomy management tool. The implementation of this will improve the organization of the site and make it easier for users to find content/product information, which will result in increased use of the site and promote a better user experience. | Developed new ASME topic taxonomy, industry taxonomy and developed content labels to automatically assign and maintain topic and industry labels. Will continue to refine taxonomy and prepare for search index integration. Project will be completed in FY19 with a slightly elongated timeline to allow for further due diligence and reduced risk during implementation. | On Target | • Allow us to manage our content better  
• Provide relevant and personalized content  
• Improve our ability to cross sell and upsell to our users  
• Improved accuracy and consistency of meta-data  
• Automated document tagging will reduce the level of effort business departments expend to maintain taxonomy. |
| Disaster Recovery (DR) – Phase I Project Description: | Initial project discovery work and solution design were completed on October 25, 2017. Development of Phase 1 proposed solution was completed and deployed in March of 2018. Expenditures to date and projected project costs are within original budget. | Completed | • Design and implement a disaster recovery solution for one (1) mission critical application—Great Plains  
• Utilize this solution as the foundation for Disaster Recovery of other ASME applications  
• Make Disaster Recovery planning an integral part of new system strategy and include new designed best practices when architecting and planning the implementation of any technology |

*Project is On Target in relation to revised IOP project timeline.*
## Executive Summary Report - IOP Technical Projects
### 4Q 2018 Status as of August 8th, 2018

### Project Title/Description:
- Implement “Vanilla” G/L Application, Jcaca Replacement / GP Upgrade or Replacement - Implement a new financial systems structure in order to better serve new initiatives, enhance core current Accounting processes, and eliminate the current unsupported project account software (Jovaco).
- CA Connect Replacement - Create a best in class Conformity Assessment system to facilitate the continuing growth of ASME’s business that is fully integrated to ASME financial systems.
- Document Retention & Backup - Design and implement a comprehensive environment for backup and restoration of key foundational services and mission critical systems. Validate current backup tool will meet future requirements and upgrade as necessary. Includes internal effort to clean up current document according to retention policies and establish new procedures going forward.

### Project Status:
- On Target
- Delayed
- Completed

<table>
<thead>
<tr>
<th>Project</th>
<th>Original IOP Timeline Overall Status</th>
<th>Project Goals</th>
</tr>
</thead>
</table>
| Proof of Concept complete and led to a streamlined proposed solution based on a “vanilla” version of existing Dynamics GP to replace JACO. Requirements and scheduling development work based on agreed upon solution from Proof of Concept is complete. In addition a new COA structure has been developed by Accounting and implementation activities are in progress. Initial data migration and mapping have been substantially completed. The project has had delays due to resource constraints and unforeseen complications but overall is on track to be completed in FY19. | On Target | - Ability to serve new initiatives  
- Enhanced core current Accounting processes,  
- Implement flexible coding,  
- Reduce the time and complexity during closing,  
- Improve and implement flexible multi-dimensional reporting & analytics  
- Enhanced budgeting system  
- Move to a supported & flexible platform in order to accommodate future needs |
| Initial design Proof of Concept, detailed design including gap analysis and installation of full test environment is complete. The project is currently delayed against the original IOP timeline due to further due diligence during the vendor selection process and larger than anticipated gaps discovered during design. The project team is exploring a phasing approach to deploy minimum viable product inline with the revised timeline. | Delayed | - Deliver an enhanced user experience by creating self-serve functionality  
- Increased efficiency in serving the Conformity Assessment requests and provide additional functionality such as Auditing and Scheduling  
- Better analytical reporting and integration with FBA |
| Initial project discovery work and solution design were completed on October 19, 2017. Development of proposed solution has been completed and deployed as of March 31, 2018. Vendor expenditures to date and projected project costs are within original budget. Subsequent phases to clean up user personal folders is pending clarification on legal hold. Original scope of project is complete. | Completed | - Upgrade ASME current backup software, eVault to latest version  
- Validate application restore process for one (1) mission critical application in isolated environment. For three (3) remaining mission critical applications, only perform backups  
- The four (4) business critical applications in scope are:  
  a. Great Plains (backup and restore)  
  b. CA Connect (only backup)  
  c. CS Connect (only backup)  
  d. Personality (only backup) |
# Executive Summary Report - IOP Technical Projects

## 4Q 2018 Status as of August 8th, 2018

<table>
<thead>
<tr>
<th>Project Title/Description</th>
<th>Project Status</th>
<th>Original IOP Timeline Overall Status</th>
<th>Project Goals</th>
</tr>
</thead>
</table>
| R&D Conference & Events Website Implementation - Providing a facelift and improving overall functionality of the public pages on the R&D events. | Requirements and detailed wireframes are complete. New event site built in staging environment with updates. Target approval and launch in production August 14th. Remaining work is on target to be completed in FY 19. | On Target                           | • The event site will move to a mobile friendly design  
• Improve the overall user experience  
• Make it easier for staff to maintain the public content on the site |
| CS Connect Replacement - Design and implement a best-in-class system to more easily and efficiently develop standards of all kinds and integrate seamlessly with future Delivery and Subscription systems to better facilitate the continuing growth of ASME’s business. | Vendor selected to assist with system requirements phase of the project. Onsite engagement meetings are complete. Initial system requirements and draft high-level design specification is complete. Project elongated to allow for further due diligence and reduced risk during design and implementation. | On Target                           | • Deliver a system that is more fully integrated into to content delivery and sales process  
• Increased efficiency in creating Codes/Standards and provide additional functionality  
• Provide a system that is easier to use and can be more adaptable to many type of standard. |
| Master Data Management Tool for Standards Delivery / Subscriptions Platform - Create a flexible and functional enterprise data warehouse based on ASME’s data governance to support the IOP initiatives and best-in-class architecture. The initial focus will be with sales data. | The data governance software has been implemented. All customer data from all major ASME data sources have been successfully cleansed and extracted into the staging data platform in December 2017. Revenue and financial data consolidation tasks are being scheduled and actively worked on. Initial financial data model has been created and validated. Project is on track against overall project timeline. | On Target                           | • Implement a data warehouse platform to support IOP initiatives and best-in-class architecture  
• Consolidate, compliment and reconcile reporting of key data using best practices  
• Organize and automate management of detailed transaction data |
| New e-commerce Platform - Replace the existing home grown e-commerce platform with the Kentico e-commerce for current transactions | The initial design and architecture was completed last calendar year. Proof of Concept is complete. Due diligence into Single Sign-On options is underway. Project is delayed against original project timeline due to vendor selection process, but is on target against revised IOP project timeline to be completed in FY19. | Delayed*                            | • Provide a more secure and adaptable e-commerce platform  
• Easier to support and track e-commerce activities  
• Will improve or add online ordering, digital marketing, robust product catalog, online marketing, user self-service and multiple unique storefronts.  
• Remove custom developed platform and replace it with a standard platform |

*Project is On Target in relation to revised IOP project timeline.*
### Appendix – FY18 Results

**Executive Summary Report - IOP Technical Projects**

**4Q 2018 Status as of August 8th, 2018**

#### Project Title/Description:

<table>
<thead>
<tr>
<th>Project Title/Description</th>
<th>Project Status:</th>
<th>Project Goals:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Implement CRM and BI Tools - Optimize, enhance and expand ASME’s existing CRM system and implement best-in-class BI and analytical tools.</td>
<td>Due to unexpected pricing issues with Microsoft, our current vendor, the scope of this project was reviewed with the business users and has shifted from optimizing our current CRM solution to selecting a new CRM platform (Salesforce). As a result of this unforeseen circumstance, the project is off track against the original project timeline and at risk against the new project timeline. We formed a core project team to produce requirements. Formal project kick-off occurred in July 2018. Initial requirements sessions with business units are underway.</td>
<td>Delayed</td>
</tr>
<tr>
<td>Standards Delivery / Subscriptions Platform - Implement a new subscription management and content delivery solution to be initially used forstandards to support the subscription and content-based business model articulated in the IOP.</td>
<td>Consultant selected to assist with requirements and vendor selection. Per business request, RFP process has converted to an RFI process allowing for further due diligence and inclusion of additional business units and processes, however, this required elongation of timelines. RFI requirements are complete. Responses from potential vendors are under review by the project team.</td>
<td>Delayed*</td>
</tr>
<tr>
<td>Data Center Replacement and System Management - Systems Management - Phase I Implement Operations Management Suite (OMS) and System Center Operations Manager (SCOM) enterprise products to provide proactive monitoring, alerting, reporting and dashboard features. Phase I scope involves configuring solutions to capture server data, such as hardware, software, applications, utilization, integrated components, etc., which will be used for data center migration from Harris IT, NYC and NJ data centers.</td>
<td>Initial project discovery work including completion of assessment and solution design was completed on November 19, 2017. Development of proposed solution is complete. Implementation was completed in March 2018. Expenditures to date and projected project costs are within original budget.</td>
<td>Completed</td>
</tr>
</tbody>
</table>

*Project is On Target in relation to revised IOP project timeline.*
### Executive Summary Report - IOP Technical Projects

**4Q 2018 Status as of August 8th, 2018**

<table>
<thead>
<tr>
<th>Project Title/Description</th>
<th>Project Status:</th>
<th>Original IOP Timeline Overall Status</th>
<th>Project Goals:</th>
</tr>
</thead>
</table>
| Data Center Replacement and System Management - Move out of External Data Center – This project will migrate applications from the current colocation provider (HeartIT) to ensure mission critical applications are housed in a purpose-built Data Center with 24/7 hour coverage, in addition to assessing server placement for applications hosted in New York and New Jersey. Lastly, we will perform server consolidations thru virtualization in all Data Centers. | Increased Internal/external support level with new position. Worked with vendor to resolve top 3 priority issues with recurring weekly status and issue resolution meetings. Meetings to continue to address issues as part of a normal maintenance cycle. | Completed | • Ensure mission critical applications are housed in a purpose-built Data Center with 24/7 hour coverage (preferably cloud)  
• Achieve cost reductions  
• Risk avoidance (greater system availability, improved redundancy and resilience)  
• Server consolidation provides cost avoidance, flexibility and scalability |
| Personality: Stabilize Existing Business - Partner with vendor to resolve top priority issues and leverage internal expertise to mitigate challenges | | | Increase focus and Internal resources to mitigate exposure to Personality issues  
• Resolve top 3 issues and stabilize the platform to better serve our customers and users |
| Online Strategy Implementation - Implement the online strategy developed by the Marketing team. This includes developing a new homepage, upgrading our version of the online content management system, implementing a new search engine and designing & developing an on-line style guide. The objective is to Improve the overall digital experience for site users. The site will provide a unified look and feel, with common capabilities, functionality, shared branding and navigation. | Upgrade of Kentico is complete. Elasticsearch integrated as new search engine and vendor has been selected for implementation. New style guide shell has been developed, new web site business requirements and technical strategy documents have been reviewed and approved. Next steps: Include creation of full project plan and creation of desktop & mobile wireframes. Project is on target to deliver new web site in FY19. | On Target | • Improve the overall site experience and consistency across all sites  
• Improve our SEO (Search Engine Optimization)  
• Improve quality of our content and relevance to users visiting the website  
• Provide a unified look and feel, with common capabilities, functionality, shared branding and navigation  
• The new platform should improve platform stability and availability |
| Active Directory (AD) Redesign and Upgrade - this project will redesign and upgrade AD which is used organization-wide to control authentication and system access. This project is heavily dependent on the data center move project. | | On Target | • Upgrade software to reduce exposure to security risks  
• Consolidate and standardize AD deployment so that assigning authentication rights is more efficient  
• Re-architect AD design for new data center deployments so to improve supportability of future infrastructure |

*Project is On Target in relation to revised IOP project timeline.*
# Executive Summary Report - IOP Technical Projects

## 4Q 2018 Status as of August 8th, 2018

<table>
<thead>
<tr>
<th>Project Title/Description</th>
<th>Project Status</th>
<th>Project Goals</th>
</tr>
</thead>
<tbody>
<tr>
<td>Calendar of Events Replacement - The implementation of a new calendar tool to be used by our event and meeting group. It will provide a better user experience, integration with all ASME online content and make it easier for our users to find ASME events online.</td>
<td>Business requirements complete, desktop &amp; mobile wireframes developed and currently in development &amp; QA. Scheduled to deploy in staging environment by August 8th. Calendar tool launch in production in June 2019 with Website redesign project.</td>
<td>Delayed*</td>
</tr>
<tr>
<td>Implement Online Marketing Tools (Phase I) - Implement the online marketing tools on our Kentico Content Management System. This will improve ASME's marketing organizations ability to improve stakeholder digital experience through the use of personalization and online marketing and merchandising tools.</td>
<td>Kentico license upgrade from Enterprise to EMS is complete. Kentico install complete. Team is currently scheduling and being trained on Kentico online marketing tools. Project is on target against the revised IOP/P project timeline, but was delayed in FY18 due to competing priorities with other marketing/technical initiatives (specifically mass mailing and GDPR &quot;opt in&quot; systems).</td>
<td>Delayed*</td>
</tr>
<tr>
<td>Audio and Video Upgrades - Redesign and upgrade the audio and video capabilities of the board room to reduce operating errors and incompatibilities.</td>
<td>This project was completed and tested in November 2017 and the room has been successfully used for the ASME &quot;All Hands meeting&quot; and other events. Additionally, we upgraded equipment in the EMT conference room.</td>
<td>Completed</td>
</tr>
<tr>
<td>On-Line Redesign Journeys - Redesign aspects of the website that focus around key activities such as the purchase journey and student to member with the intent of making the process less cumbersome and more mobile friendly.</td>
<td>Designs (focusing on the Student to Member Journey) were completed in December and were incorporated into the E-commerce Proof of Concept project and new web site design final requirements.</td>
<td>Completed</td>
</tr>
</tbody>
</table>

*Project is On Target in relation to revised IOP project timeline.*
### Additional Key Technical Projects

<table>
<thead>
<tr>
<th>Project Title/Description</th>
<th>Project Status</th>
<th>Project Goals</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Enterprise Network Upgrade</strong> - Implemented a software-defined Wide Area Network that provides a flexible virtual network infrastructure that eliminates the need for expensive hardware. This network connects all ASME locations, providing increased bandwidth for interoffice and internet connectivity. It also provides seamless access to Cloud providers, all at a significantly reduced cost.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
| This project was successfully implemented the weekend of April 20-21, 2018, six months ahead of schedule to support several IOP projects that had project dependencies. | Completed | • Redundancy and automatic failover capabilities that will prevent us from encountering Internet outages.  
• Increased network bandwidth that will enhance connectivity between locations and the Internet and avoid situations, such as dropped calls, application time-outs, etc.  
• Improved Cloud service capabilities that includes access to cloud providers from all locations  
• Reduced costs and increased security |
| **EU Regulations Project (General Data Privacy Regulation)** - Ensures ASME systems are compliant with new EU regulations which requires customer consent for all mass communication, stronger compliance with third parties, and implementing additional policies and procedures regarding data privacy and auditing. |
| Deployment of opt-in widget and preference center occurred in May 2018. Opt-in emails campaign for all EU customers is complete. Revised policies and procedures and advised staff of changes to be made to business processes. Established new Help Desk procedures for handling requests. Provided volunteers with updated guidelines on GDPR policy. | Completed | • Obtain compliance with all constituents through appropriate opt-in communications  
• Create preference center site to allow customers to manage consent preferences  
• Update, communicate and obtain acknowledgement on revised internal policies and procedures regarding data security and privacy |

*Project is On Target in relation to revised IOP project timeline.*
Incentive Compensation Goals

Q4 Number of New Products and Programs launched in the 5 technologies

<table>
<thead>
<tr>
<th>Initiative</th>
<th>Manufacturing</th>
<th>Bioengineering</th>
<th>Clean Energy</th>
<th>Pressure Technology</th>
<th>Robotics</th>
<th>Products</th>
<th>FY17 Q4 Status</th>
<th>FY18 Launch</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cell Therapy Training</td>
<td>1</td>
<td>course</td>
<td>Approved</td>
<td>Yes</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Alliance of Advanced Biomedical Engineering</td>
<td>1</td>
<td>subscription service</td>
<td>Approved</td>
<td>Yes</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Journal of Biomedical Eng. And Biotechnology</td>
<td>1</td>
<td>journal</td>
<td>Approved</td>
<td>Yes</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Journal of NDE, Diagnostics and Prognostics</td>
<td>1</td>
<td>journal</td>
<td>Approved</td>
<td>Yes</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>eLearning - Design for Additive Manufacturing</td>
<td>1</td>
<td>courses, certificate program</td>
<td>Approved</td>
<td>Yes</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>B&amp;PV User Group Event</td>
<td>1</td>
<td>conference and expo</td>
<td>Approved</td>
<td>Yes</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>eLearning - Robotic Systems for Manufacturing</td>
<td>1</td>
<td>course, certificate program</td>
<td>Approved</td>
<td>No</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Offshore Wind Energy Conference</td>
<td>1</td>
<td>conference and expo</td>
<td>Approved</td>
<td>Yes</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nuclear Decontamination and Decommissioning</td>
<td>1</td>
<td>courses, certificate program</td>
<td>Approved</td>
<td>No</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>9 Business Plans Approved in Total</td>
<td>2</td>
<td>3</td>
<td>2</td>
<td>1</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Note: New Products and Programs launched will be from this list of Products/Programs approved in FY17, or from Products/Programs to be approved in FY18. The EDESC will be informed as the Business Review Team approves new Products/Programs in FY18.
Incentive Compensation Goals
Moving the Strategy Forward

<table>
<thead>
<tr>
<th>Incentive Compensation Goals</th>
<th>FY18 Year-end Results: Financial Sustainability</th>
</tr>
</thead>
<tbody>
<tr>
<td>OBJECTIVE: Financial Growth</td>
<td>YTD Q4 revenue of $117.3 was $2.6M better than budgeted revenue of $114.7M, lead mostly by better than expected Standards sales.</td>
</tr>
<tr>
<td>1. Achieve revenue targets</td>
<td></td>
</tr>
</tbody>
</table>

**Status: Achieved Goal**

<table>
<thead>
<tr>
<th>Q1</th>
<th>Q2</th>
<th>Q3</th>
<th>Q4</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
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</tbody>
</table>

*As of August 3, 2018*
Date Submitted: September 14, 2018
BOG Meeting Date: October 1-2, 2018

To: Board of Governors
From: Volunteer Orientation and Leadership Training (VOLT) Academy
Presented by: Todd R. Allen, Member-at-Large, VOLT Academy Executive Committee
Agenda Title: VOLT Academy Update

Agenda Item Executive Summary:

Todd Allen will provide an update on VOLT’s recent activities and plans for the year.

Proposed motion for BOG Action:
None.

Attachments:
- VOLT Academy Programs – August 2018
- Presentation is forthcoming by September 28, 2018
VOLT Academy

The Volunteer Orientation and Leadership Training (VOLT) Academy is devoted to the development of ASME’s volunteer leadership. VOLT’s programmatic offerings extend to volunteers serving throughout the Society at all levels.

**VOLT’s Vision** is that ASME will be highly valued for its culture of developing leaders to achieve the mission of the Society.

**VOLT’s Mission** is to develop forward-thinking leaders who are effective in technology management, critical thinking, communication, and business acumen to achieve the mission of the Society.

The VOLT Academy is led by an Executive Committee composed of a Chair, nine members-at-large, and four ex officio members. The VOLT Academy Executive Committee operates under ASME’s Sector Management Committee.

**Ongoing Programs**

**ECLIPSE (Early Career Leadership Internship Program to Serve Engineering)**
- ECLIPSE Intern Committee reviews applications, makes placement recommendations, and provides support to the interns through the program term
- Placement of early career engineers in highly visible and productive roles within ASME
- Mentoring by high-level ASME volunteers
- Significant contributions by early career engineers to business units
- Increase opportunities for early-career interns across the Society

**Cross-Sector Leadership Development Workshop**
- Offered annually in April to approximately 15 mid-level leaders from across the 4 sectors who demonstrate high leadership potential
- After participating, attendees will:
  - Gain insight and knowledge into ASME’s organizational structure, policies and procedures, and culture
  - Understand key strategic issues and how the ASME leadership is addressing them
  - Establish strong relationships with other leaders across ASME
  - Develop leadership capabilities and plan their personal leadership development in the context of ASME
  - Execute a collaboration project that will enable ASME to deliver on its strategy in an effective manner while growing their leadership profile in the Society

**Senior Leadership Training**
- Presidential Candidate Briefing – delivered annually in May
- Governor Candidate Briefing – delivered annually in May
- Officer and Governor-Elect Orientation – delivered annually at IMECE
- Orientation for BOG-nominees – delivered annually at the Annual Meeting
New Committee Chair Orientation & Training
- Delivered for the first time at the 2018 Annual Meeting
- Training for volunteers upon election to serve as Chair of a committee, segment, or other business unit
- Overview of ASME
- Training specific to needs of committee chairs, e.g., creating effective teams, running effective meetings, communications, etc.

Nominating Committee Training
- Nominating Committee Orientation – delivered annually in January
- PEDT Briefing – delivered annually in February
- Inclusive Approach to Nominating ASME Leadership – delivered annually in March

VOLT Leadership Workshops
- Offered twice each at the Annual Meeting and IMECE
- Topics vary and are relevant to the development needs of ASME’s volunteers
- Open to any ASME volunteers attending the meetings

ECLIPSE Alumni Group
- Led by an Executive Committee
- Fosters fellowship among alumni of the ECLIPSE, LDI and MLP programs as well as the current ECLIPSE interns
- Offers mentoring, networking, and volunteer opportunities
- Conducts outreach to promote the ECLIPSE program
- Serves as a pool of prospective Society volunteers

College of Leadership Communications
Senior Leadership Communications Training
- Offered twice annually at IMECE and the Annual Meeting to Governors, Governors-elect, SVPs, and SVPs-elect
- Enhances the knowledge and delivery of communicated messages to different audiences, to increase the effectiveness of the Board’s dissemination of the strategy, and to improve member and stakeholder buy-in
- Will result in more focused Board meetings through better communications
- Creates higher level of confidence of Board members and SVPs speaking at events
- Develops communication competency in order to improve ASME’s ability to effectively communicate across sectors, audiences and issues

Communications Training for Volunteers
- Train-the-Trainer Communications Training: piloted at IMECE 2017 for 3 trainers
- Communications Training delivered by volunteer trainers at various ASME events (section meetings, technical conferences, etc.): piloted at the ECLIPSE Leadership Workshop 2018 and Annual Meeting 2018, with 2 trainers at each session
Programs in Development

Online Resource Library
- Library of training resources organized by the key leadership development areas identified in the Volunteer Leadership Development Tool
- Created by ECLIPSE Intern class of 2015-2016
- Needs updates, maintenance, and a dissemination plan
- Includes the *Getting To Know ASME* training series will introduce participants to core elements of ASME’s organizational culture

Sector and Unit Training (as needed or requested)
- Supports business units’ alignment with ASME Strategy
- Helps foster high performance teams

Succession Planning
- A Succession Management plan template was created, piloted with the Standards and Certification Sector, and made available for use in the sectors
- The Volunteer Leadership Development Tool can be used to identify areas for development for succession candidates

Mentoring
- Developing a mentoring framework for developing volunteer leaders
- The Volunteer Leadership Development Tool was developed and is being disseminated for volunteers to be able to assess areas where they should bolster their skills in order to better prepare themselves for leadership positions

Programs Led by Other Units

Group Leadership Development Conference
- New event, first held in March 2018
- Developed in partnership with the Group Engagement Committee/GPS
- Sessions related to “Volunteer Orientation” (get to know ASME and GPS, etc.)
- Sessions related to rules of engagement
- Sessions related to how groups can support the ASME strategy?
- How can your group help ASME the “Go To” Organization? Crowdsourcing ASME “challenge”?  

Diversity and Inclusion Training
- Partnership with the Diversity and Inclusion Strategy Committee
- Inclusive Approach to Nominating ASME Leadership training for the Nominating Committee (ongoing)
- New trainings to be developed in unconscious bias and practicing inclusion

E-Fests
- VOLT is looking at how it can support leadership development training at E-Fests
VOLT Academy
Report to the ASME Board of Governors

Todd R. Allen
Member-at-Large, VOLT Academy Executive Committee
October 1, 2018
What to Expect from Presentation

• **Brief Description** – This will provide you with background and an update on the VOLT Academy and its programs

• **Desired Outcome** – This is for information only

• **Questions** – Please ask only clarifying questions during the presentation

• **Duration** – This presentation is scheduled for 15 minutes, with 15 minutes of discussion/Q&A to follow
• Howard Berkof, Chair  
• Todd Allen, Member at Large  
• Juan Bastardo, 2018-2019 ECLIPSE Intern  
• Ruander Cardenas, Member at Large  
• Allison Case, Member at Large  
• Mickey Clemon, Member at Large  
• Alma Martinez Fallon, Member at Large  
• Marc Goldsmith, Past Chair  
• Twish Mehta, Member at Large  
• Wolfgang Mueller-Leydig, Member at Large  
• Johné Parker, Member at Large  
• Marc Santos, Member at Large  
• Matt Schulte, Chair, ECLIPSE Internship Committee  
• Bob Simmons, Chair, Senior Leadership Training  
• Clare Bruff, Staff
VOLT Academy Programs

**Early Career Leadership Intern Program to Serve Engineering (ECLIPSE)**
- Leadership Workshops
- Online Resources

**Cross-Sector Leadership Development**
- Committee Chair Training
- Unit-Level Training

**Senior Leadership Orientation**
- NC Training
- College of Leadership Communications
- Succession Planning
2017-2018 VOLT Highlights

• Leadership Workshops:
  – Creating and Working in Effective Teams (IMECE)
  – Preparing the Next Generation Leaders of ASME 2050 (Annual Meeting)

• Cross-Sector Leadership Development Workshop (April)

• ECLIPSE Orientation & Leadership Workshop (April)

• New Chair Orientation and Training (Annual Meeting)

• College of Leadership Communications:
  – Communications Training for BOG and SVPs (IMECE & Annual)
  – Communications Train-the-Trainer Program (IMECE)

• Strategic planning training for the Gas Turbine Segment (October)
Programs for the Volunteer Lifecycle

- Engineering Students
- Early Career Engineers
- Mid-Level/Emerging Leaders
- Unit Leaders
- Senior Volunteer Leaders
Student & Early Career Volunteers

- ECLIPSE Program
- Support for the Student Leadership Training Conference
- Communications training by trained volunteer trainers
- Leadership Workshops at IMECE and the Annual Meeting
Emerging Volunteer Leaders & Unit Leaders

• Cross-Sector Leadership Development Workshop
• New Chair Orientation and Training
• Nominating Committee Training
• Support for Succession Planning
• Leadership Workshops at IMECE and the Annual Meeting
Senior Volunteer Leaders

- BOG Candidate Briefing
- Presidential Candidate Briefing
- Governor Nominee Briefing
- Officer and Governor Elect Orientation
- Senior Leadership Communications Training at IMECE and the Annual Meeting
- Leadership Workshops at IMECE and the Annual Meeting
LOOKING AHEAD
FY19 Programs & Opportunities

• VOLT Leadership Workshop at IMECE: “Fostering an Innovative Environment”
• Senior Leadership Communications Training at IMECE (November 12)
• Chair/Vice Chair Training for committees reporting to the Board on Conformity Assessment – at Boiler Code Week (November 2018)
• Cross-Sector Leadership Development Workshop 2019 – Venue TBD
• Expand Communications Training workshops
• Revise Nominating Committee and Senior Leadership Training – collaborate and align with PEDT and BOG Task Forces
• Establish Communications & Marketing sub-committee – increase engagement with society and training opportunities (ex. GLDC, SLTC, etc.)
Emerging Topic: Volunteer Pipeline

• How do we ensure that we are developing the volunteer leaders we need for the future?

• Identify where (multiple places) and why the pipeline is broken, why it was successful before, and recommendations to fix the pipeline
  – From Student Section Leader to society President

• Educate Staff and Volunteer leadership to look for candidates and be able to recommend placement opportunities
  – Re-establish and prioritize “VOBB-like” concept to match volunteers and their skill sets to units with committee openings or looking for specific project help

• Leverage digital solutions (ASME.org) to better stimulate and connect volunteers – Pathways, e-Mentoring, and Career Concierge
• Relay a better understanding of the time commitment and job descriptions to candidates
  – Spread the wealth, don’t overwhelm the same volunteers
• Innovate methods to keep volunteers engaged during life’s “busy periods”
  – Short term commitments, Micro-projects, Speaking engagements
  – Track all volunteer service in database, not just long-term committee assignments
• Keep unsuccessful candidates engaged
• Working in collaboration with Nominating Process Task Force
  – Once ideas and initiatives are implemented, VOLT will develop and promulgate communication products to educate staff and volunteers
How can you help?

• ECLIPSE Program
  – **Group Projects**: What projects could a talented, committed group of young engineers work on between now and June to benefit ASME?
  – **Intern Placements**: We receive more qualified candidates than we can place.
  – **Program Promotion**: Do you know an early career engineer who would be a good candidate for this program?

• VOLT’s support to Task Forces – Nominating Process & Membership

• Promotion across the society
  – VOLT is available to serve all sectors & units
  – Trainers & facilitators available to travel globally to conferences and meetings

• Be a Trainer: Is there a leadership topic you would like to speak on? Let us know!
Questions?
ASME Board of Governors
Agenda Item
Cover Memo

Date Submitted: September 17, 2018
BOG Meeting Date: October 1, 2018

To: Board of Governors
From: Reggie Vachon
Presented by: Reggie Vachon and John Delli Venneri
Agenda Title: WFEO Activities Update

Agenda Item Executive Summary:

At the request of the World Federation of Engineering Organizations (WFEO), Reggie Vachon represents the engineering community at the United Nations.

The United Nations convened two high-level events this past summer on the Sustainable Development Goals. A brief update will be provided of our participation during these two occasions.

Proposed motion for BOG Action:
Information only

Attachments:
PowerPoint Presentation
World Federation of Engineering Organizations Update

Dr. Reginald I. Vachon
ASME Board of Governors Meeting
October 2-3, 2018
New York City
What To Expect

From this Presentation

• Brief Description – WFEO Update
• Desired Outcome – Informational only
• Questions – Please hold till conclusion
  • Duration – 10 mins

Minutes Appendix 2.6. 
Page 3 of 11
World Federation of Engineering Organizations (WFEO)

Background/Points of Information

- Founded 1968 under auspices of UNESCO
- International NGO convenes engineering organizations of >100 nations
- Represents >40M engineers worldwide
- Consultative status to United Nations
- UN Science & Technology Major Group Member
- Dr. R. Vachon elected Exec Board Member & Exec VP in Spring 2018 (2018-22 term)
AAES IntAC Member Societies...

- ASME
- ASCE
- AIChE
- ANS
- ASEE
- NSPE
- SWE

...work together under an MOU to represent US engineering perspectives & interests at global (WFEO) level
Global Engineering: Essential to Achieving UN SDGs

WFEO represented @ STI Forum by:
• GONG Ke, President-elect (China)
• Reggie VACHON, Exec VP (USA)
• Bill KELLY (USA)
June 6 STI Side Event:
“Systems Analysis & Capacity Building for Transformative Change toward Achieving the SDGs and long-term sustainability”

Objective:
Review how systems analysis can support decision makers in holistic policy making, considering all aspects of sustainability: societies, economy and environment and how they are interrelated. Introduce "The World in 2050" (TWI 2050). Review progress and challenges in engineering capacity building.

Organizers & Presenters:
World Federation of Engineering Organizations (WFEO)
International Institute for Applied Systems Analysis (IIASA)
International Council for Science (ICSU)
American Association for the Advancement of Science (AAAS)
UN Children and Youth Major Group
WFEO representatives at UN HLPF ‘18:
- GONG Ke, President-elect (China)
- Reggie VACHON, Exec VP (USA)
- Bill KELLY (USA)

The establishment of the United Nations High-level Political Forum on Sustainable Development (HLPF) was mandated in 2012 by the outcome document of the United Nations Conference on Sustainable Development (Rio+20), “The Future We Want”. The format and organizational aspects of the Forum are outlined in General Assembly resolution 67/250.
UN High-Level Political Forum 2018

2018 theme: “Transformation towards sustainable and resilient societies”

"The 2030 Agenda is our roadmap and its goals and targets are tools to get there."
- Secretary-General António Guterres
## Next WFEO Meeting

### October 2018 in London (UK) – Agenda Items

1. WFEO national members will take note of countries set to make VNRs [voluntary national reviews of progress] in 2019 and prepare to provide input based on STC activities with SDGs.

2. WFEO to consider producing possible “side events” on Education and Capacity Building (Goal 4), Climate Change (Goal 13), and Anti-Corruption (Goal 16) for next STI Forum & HLPF.

3. WFEO will consider possible joint side events with ISC, Children & Youth and UN major groups.

4. WFEO will consider preparing intervention statements for thematic reviews and for VNRs.

5. WFEO will provide an update on activities to support implementation of SDGs.

6. WFEO will seek to coordinate sectoral paper with ISC.

7. WFEO will consider possible education event and side event next year on engineering education and capacity building.
Thank You

Questions?
ASME Board of Governors
Agenda Item
Cover Memo

Date Submitted: September 6, 2018
BOG Meeting Date: October 1-2, 2018

To: Board of Governors
From: Strategy Advisory Committee (SAC)
Presented by: Bill Wepfer, Chair, Strategy Advisory Committee
Agenda Title: ASME Vision and Mission Statements

Agenda Item Executive Summary:

President Jahanmir asked SAC to review the current ASME mission and vision statements. The intent of these changes/edits is to shorten them to facilitate their communication thereby making them easier to convey and easier to remember. The current mission and vision statements are as follows:

Mission
ASME’s mission is to serve diverse global communities by advancing, disseminating, and applying engineering knowledge for improving the quality of life; and communicating the excitement of engineering.

Vision
ASME aims to be the essential resource for mechanical engineers and other technical professionals throughout the world for solutions that benefit mankind.

SAC would like to make the following recommendation to the Board for discussion and approval.

Proposed motion for BOG Action:

To approve the change of the ASME Mission and Vision Statements to the following:

Mission
ASME’s mission is to promote and advance engineering knowledge to improve the quality of life.

Vision
ASME’s vision is to be the essential engineering resource for solutions to global grand challenges.

Attachments:
PowerPoint presentation
Strategic Advisory Committee: ASME’s Mission and Vision Statements

Bill Wepfer

October 2, 2018
What to expect from this presentation

• Brief Description – To provide an overview of the discussion within SAC on the ASME Mission and Vision statements.
• Desired Outcome – To solicit BOG’s view and approval related to the proposed ASME Mission and Vision statements.
• Questions – Please hold questions until after the presentation.
• Duration – Presentation: 10 minutes; 20 minutes for discussion and approval.
Mission

Current

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

Proposed

ASME’s mission is to promote and advance engineering knowledge to improve the quality of life.
Vision

Current

ASME aims to be the essential resource for mechanical engineers and other technical professionals throughout the world for solutions that benefit mankind.

Proposed

ASME’s vision is to be the essential engineering resource for solutions to global grand challenges.
Proposed Motion for BOG Action

To approve the change of the ASME Mission and Vision Statements to the following:

Mission
ASME’s mission is to promote and advance engineering knowledge to improve the quality of life.

Vision
ASME’s vision is to be the essential engineering resource for solutions to global grand challenges.
ASME Board of Governors
Agenda Item
Cover Memo

Date Submitted: September 17, 2018
BOG Meeting Date: October 1-2, 2018

To: Board of Governors
From: Mike Molnar, Chair, Presidential Task Force on Core Technologies
Presented by: Mike Molnar
Agenda Title: Presidential Task Force on Core Technologies Update

Agenda Item Executive Summary:

The Presidential Task Force on Core Technologies was created to review the current strategy, status of work, and implementation plans for the ASME Core Technologies.

A brief update will be provided.

Proposed motion for BOG Action:
Information only

Attachments:
PowerPoint Presentation forthcoming.
CORE TECHNOLOGIES Task Force

BOG Update
October 2018

Mike Molnar          Joe Fowler          Karen Thole
Said Jahanmir       Charla Wise         Rich Laudenat
Tom Costabile       Jeff Patterson       John Delli Venneri
What to Expect from Presentation

• **Brief Description** - The Core Technologies Task Force was created to review the current strategy, status of work and implementation plans for the ASME Strategy for Core Technologies, then to develop recommendations for improving the strategy to accelerate growth in the core technologies, including but not limited to provisions for collaborations and M&A.

• **Desired Outcome** - Make the BOG aware of task force progress to date, get BOG concurrence (by show of hands) that the plan and status presented meets the Charge and scope of work needed.

• **Questions** – Please ask clarifying questions during the presentation.

• **Duration** – 10 mins + 20 min Q/A
Task Team Intro / Actions

Introduction

- ASME has defined Five Core Technologies that we believe will be increasingly important in the future. The Five Core Technologies are bioengineering, clean energy, manufacturing, pressure technology, and robotics.

- The task force is charged with reviewing the individual strategies on achieving the “go to” state and future plans to achieve this state. The focus is how do we advance this strategic plan and integrate it with all sectors of ASME.

Actions to date

- ASME staff asked for time to “synthesize” the extensive materials and research developed for the Strategic Plan, put all relevant materials on a Sharepoint site, then the core and extended team had a webinar/call in July to review.

- The core team members then studied these materials, and met in August and September to develop consensus on our assessment and thoughts on preliminary recommendations.

- The core and extended team met to review this work
Task Team Preliminary Assessment

- The ASME strategic plan is well planned and detailed. This task force is not looking to change the plan or the five priority areas.

- Staff had done extensive research into many of these and has produced very good “state of the industry” research on a number of them.

- Some ASME divisions cannot “find themselves in the Five Core Technologies”. This confusion is a barrier to buy-in and in gaining volunteer participation to advance.

- More definition is needed of what each “go to” state really means. With general (or aspirational) goals there is insufficient competitive analysis and business development plans to achieve that state.

- There are tremendous opportunities for synergy with other ASME units, especially technical divisions, in the five technologies.

- For each area there needs to be additional planning on how to best engage with external organizations (for partnerships, alliances, joint ventures, or M&A). As example should ASME partner or compete with SME in manufacturing and AWEA in wind energy?
Task Team Preliminary Recommendations

• Integrate Five Core Technologies into existing organizational structure
• Combine volunteers from Divisions and staff activities
• Leverage Division strength and expertise
• Move TAPs into the technical division structure or sunset
• Working together, better define each “go to” state and short/long term actions to achieve
• Develop competitive analysis and plan for each area – IE do we compete, collaborate, or explore M&A with major incumbents
• Develop a five year plan and budget for incorporating Five Core Technologies into the current structure
Upcoming Task Force Activities

• **Present Update to BOG (Oct)**

• Staff and Division leads collaborate to develop consensus definitions of “go to organization” state for each Core Technology

• Present definitions to BOG and incorporate feedback from BOG and staff

• Develop recommendations for plans to achieve each respective state

• **Present Update and Plan to BOG (April)**

• **Present Final Recommendations and Plan to BOG (June)**
Discussion
Is current work responsive to Charge?
Is the scope appropriate?
Input on the next steps?
ASME Board of Governors
Agenda Item
Cover Memo

Date Submitted: September 13, 2018
BOG Meeting Date: Tuesday October 2, 2018

To: Board of Governors
From: Nomination Process Task Force
Presented by: Howard Berkof
Agenda Title: Nomination Process Task Force

Agenda Item Executive Summary:

The Nomination Process Task Force has been charged to review the current process of the nomination of candidates for the Board of Governors and President.

Proposed motion for BOG Action:

None

Attachments:

PowerPoint Presentation
Nomination Process Task Force

Howard Berkof
What to Expect from Presentation

• **Brief Description** – To Enhance the nominating process to ensure a larger qualified pool of candidates for the BoG and President.

• ** Desired Outcome** – Information only. In the future, we will ask the BoG to evaluate our findings and recommendations.

• **Questions** – Please feel free to ask questions during the presentation.

• **Duration** – 10 minutes
Nomination Process Task Force

Chair: Howard Berkof
Members: Marc Goldsmith
         Twishansh Mehta
         Alma Martinez Fallon
         Laura Hitchcock
         Charla Wise (w/o vote)
         Thomas Costabile (w/o vote)
         Richard Laudenat (w/o vote)
         Said Jahanmir (w/o vote)
         John Delli Venneri (w/o vote)

Staff: RuthAnn Bigley (w/o vote)
Identified Items

• Uncertain path for Volunteers – Need to fix the Volunteer Pipeline
  • Identify volunteers ready to take on enhanced leadership positions.
  • Identify path for them to take on increasing roles and responsibilities.

• Educate Volunteers and Staff
  • How do we identify our future leaders?
  • What are the requirements to be an effective Board Member and President?

• Barriers to Serving on the Board and running for President
  • Time commitment: Has being on the board become another full time job?

• Evaluate the Board structure and process for selection
ASME Board of Governors
Agenda Item
Cover Memo

Date Submitted: September 10, 2018
BOG Meeting Date: October 2, 2018

To: Board of Governors
From: Andy Bicos, Chair, Membership Task Force
Presented by: Andy Bicos
Agenda Title: Membership Task Force Update

Agenda Item Executive Summary:

The Membership Task Force was created to develop a plan of action, with both staff and volunteer viewpoints, to revamp the value proposition for ASME membership – a New 21stCentury Membership Model – to address a declining and aging membership roll.

A brief update will be provided.

Proposed motion for BOG Action:

ACTION: Request BOG members to complete Membership Task Force online questionnaire, via the link provided, by October 19, 2018.

ACTION: Concurrence from BOG (by a show of hands) that current work is responsive to Charge and that the scope of the work is appropriate.

Attachments: PowerPoint Presentation
Membership Task Force Update
October 2018

Chair: Andy Bicos*

Members: Stuart Cameron*, Josh Heitsenrether*, Mahantesh Hiremath*, Julie Kulik*, Tom Costabile, Julia Goodrich, Said Jahanmir, Jeff Patterson, Khosro Shirvani, Charla Wise
What to Expect from Presentation

• **Brief Description** - The Membership Task Force was created to develop a plan of action, with both staff and volunteer viewpoints, to revamp the value proposition for ASME membership – a New 21\textsuperscript{st} Century Membership Model – to address a declining and aging membership roll.

• **Desired Outcome** - Make the BOG aware of task force progress to date, get BOG concurrence (by show of hands) that the plan and status presented meets the Charge and scope of work, and to request BOG members to complete Membership Task Force online questionnaire by October 19, 2018.

• **Questions** – Please ask questions during the presentation.

• **Duration** – 30 mins
Charge and Scope

- ASME is a membership organization and our membership has been shrinking AND aging.
- Much thought, research and study has taken place over more than a decade by ASME, now is time for action.
- What concrete actions are needed to not just recruit new members but to retain members?
- What is the value proposition for ASME membership – The New 21st Century Membership Model?
- Develop plan of action with both staff and volunteer viewpoints, and in coordination with other task forces and outside consultant.
- Present preliminary recommendations and plan at April 2019 BOG meeting followed by final recommendations and plan for implementation at June 2019 BOG meeting.
Task Force Recent Activities

✓ Deep Dive into Membership Data & KPIs

✓ Audit of available ASME research: 2017-2018 Member Segmentation Study, 2017 Lapsed Member Study

✓ Overview of staff-driven New Member Model Initiative and consultant engagement; agreement with approach; recurring updates and input

✓ Completion of Membership Task Force ideation questionnaire & generative discussion; input provided to consultant for inclusion in research & benchmarking

✓ Welcoming Julia Goodrich, new Director of Membership, to the Task Force
Top 5 Takeaways
A Data Driven Approach to Better Serving Members’ Needs

1. Perceived value of ASME membership is low and declining – especially within key student and early career segments. Satisfaction and Net Promoter Score lowest among ECEs.

2. Needs and relevance of membership offerings varies by age/career stage (Segmentation research) and requires a different way of servicing members – new offerings tailored to each segment.

3. The items people used to value with membership are now obtained elsewhere (e.g., networking via LinkedIn) or expected for free (e.g., content & resources).

4. Professional development, education, career development, and experience at local level/local activities emerge as the highest priority items to address.

5. ASME leadership desires to increase membership, but expanded targets and types of members beyond core ME’s needs to be identified – and how to best service each of these with a relevant offering needs to be further explored.
“New Membership Model” Staff Initiative

**Objective:** Build and test a new membership model for ASME, including...
- New membership model framework (e.g. tiered access, freemium model)
- New offerings & member benefits based on segment needs (evaluate portfolio)
- Updated value proposition and go-to-market strategy

**Methodology:** Engage a full-service external firm with specialized expertise in membership and associations for a 24-month engagement - from current situation assessment to new membership model pilot implementation and evaluation. Selected Vendor: McKinley Associates

**Outcomes:**
- Improve the relevance and perceived value of ASME membership; reinforce the ASME brand as the leading resource for future generations of members
- Key Metrics: Increased membership enrollment and retention (especially among students and early career professionals), increased member satisfaction and NPS
High-level Project Phases

**Phase 1:** Developing the Foundation for the New Model – Immersion, Discovery & Recommendations (see next slide)  
July 2018 - April 2019

- Main Deliverables – Ph. 1: Situation Analysis Report with Full Research Findings and Short-list of Model Tests; Final Model Option for Pilot Test

**Phase 2:** Build Pilot Membership Model & Prepare for Launch – Business Plan, Marketing Plan, Testing  
May - August 2019

**Phase 3:** Execution of Soft & Hard Launches of Pilot Model – Performance Monitoring & Feedback  
September 2019 - July 2020
# Phase 1 Project Status (as of 9/13/18)

<table>
<thead>
<tr>
<th>PROJECT ELEMENTS</th>
<th>2018</th>
<th>2019</th>
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<tr>
<td><strong>Project Steps</strong></td>
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<td>Project Immersion and Planning</td>
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<td>Internal Review of ASME Membership Model &amp; Existing Research Data. Includes Staff/Stakeholder Interviews (10-12)</td>
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<td>Qualitative Interviews (25)</td>
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<td>Electronic Survey</td>
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<td>Research Synthesis and Analysis from All Phases to Date</td>
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<td>Create and Deliver Product Dashboards</td>
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<td>Facilitate a Working Session with ASME Staff</td>
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<td>Benchmarking Interviews (5)</td>
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<td>Synthesize Data and Deliver a Situation Analysis Report</td>
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<td>Develop Membership Model Options and Scenarios Including Market Testing and Recommendations</td>
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<tr>
<td>Begin Phase II: Build ASME's Pilot Membership Model; Prepare for Launch and Testing</td>
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Examples of Task Force Survey Responses

Expanding Composition / New Membership Types
- “High school students and STEM teachers”
- “Technicians & engineering technology with competency indication”
- “Associate Member, those who volunteer time, do not have to pay dues, limited access”
- “Competency-based membership with levels set by years of experience and achievements in the profession.”

Benefits/Products to Add
- “Access to read-only ASME Codes, Standards & Journals – all part of membership”
- “Competency indicator - have ASME accredited training”
- “Mentorship - provided by existing Fellows, especially for those in small, medium companies”

Organizations to Evaluate for Benchmarking
- IEEE
- IMechE
- Society of Manufacturing Engineers
- American Society of Civil Engineers
- HKIE
- SME
- SPE
Upcoming Task Force Activities

• Review of Preliminary Research Findings (Oct/Nov)
• Present Update to BOG (Nov)
• Review of Preliminary Situation Analysis Report (Jan)
• Review of Preliminary Membership Model Options & Scenario (Feb)
• Discussion of New Membership Targets (March)
• Results of Market Test of Model Pilot Soft Launch (April)
• Present Preliminary Recommendations and Plan to BOG (April)
• Phase II Overview & Continuity into FY20 (May/June)
• Present Final Recommendations and Plan to BOG (June)
Consensus from BOG (by a show of hands) that current work is responsive to Charge and that the scope of the work is appropriate.
NEXT STEPS: Request BOG members to complete Membership Task Force online questionnaire, via the link provided, by October 19, 2018.*

11 questions / takes ~15-20 minutes


Link will be sent out following the meeting.

*SMC, Committees and EMT will also be invited to complete the questionnaire.
Description of Previous Membership Research

**ASME Lapsed Member Survey of Students and Early Career Engineers (2017)**
Brief survey of Undergraduate Students, Graduate Students and Early Career Engineers who lapsed their membership in the last three years. Goal of understanding the reasons for cancelling ASME membership, initial reasons for joining, best/worst experiences with ASME, and membership in other societies. Base of 1,204 respondents.

**ASME Segmentation Study (2017-2018)**
A comprehensive, multi-phase study of engineers who have engagement with ASME and for whom ASME has records in its database. Respondents included members, lapsed members, non-member transactional, and non-member non-transactional contacts. Primary goal was to identify key segments among current and prospective customers—and type the current database to the identified segments, allowing future customers to also be typed to a segment – and identify the needs, drivers and attitudes of each segment. Full data includes needs statements, role and relationship to ASME, and a detailed segmentation model. Conducted by YouGov. Base of 1,599 respondents.

Source: ASME Segmentation Study 2017-2018
ASME Board of Governors
Agenda Item
Cover Memo

Date Submitted: 9/4/2018
BOG Meeting Date: 10/1/2018

To: Board of Governors
From: Committee on Organization and Rules
Presented by: Fredrick Stong
Agenda Title: Committee on Organization and Rules Annual Report

Agenda Item Executive Summary:

The Committee on Organization and Rules Annual Report for the Fiscal Year 2018.

Proposed motion for BOG Action:

None.

Attachments:

Report.
The Committee on Organization and Rules (COR) provided support to the Board of Governors, the Committees reporting to the Board of Governors and the Sectors. For FY18, the committee held ten meetings via web conference.

COR reviewed proposed changes to 37 By-Laws and recommended changes that the Board of Governors adopted.

COR reviewed proposed changes to 14 Society Policies and recommended changes that the Board of Governors adopted.

The Committee reviewed 17 appointments or reappointments and made recommendations that the Board of Governors approved. COR continued to strictly enforce the examination process of appointments and re-appointments to make sure they were in compliance with Society Policies.

COR approved a new Operation Guide for the Sector Management Committee and approved changes to three Operation Guides. Moving forward, COR will no longer approve its own Operation Guide. The Audit Committee will assume responsibility for approving the COR Operation Guide.

The Committee selected Fred Stong as its chair for 2018-19. Julie Bachmann Kulik will be its vice chair for 2018-19.

As ASME continues to evolve, the importance of being agile to make necessary changes to its governance documents quickly and efficiently is important. COR is responsive to these needs and brings a corporate history and continuity to the process.
Date Submitted: September 7, 2018  
BOG Meeting Date: October 1, 2018  
To: Board of Governors  
From: Committee on Honors  
Presented by: Yildiz Y. Bayazitoglu  
Agenda Title: Committee on Honors Annual Report

Agenda Item Executive Summary:

Committee on Honors Annual Report for Fiscal Year 2017

Proposed motion for BOG Action: None

Attachment: Report
Committee on Honors Annual Report to the Board of Governors
2017-2018

The Committee on Honors (COH) held two face-to-face meetings, and conducted several electronic discussions during the 2017-2018 year. Major activities were in the following areas:

a. Diversity.

COH continues to promote ASME’s goal of leadership and diversity within the COH Membership by striving to create a balance between academia and industry, and seeking more women to serve on the committee.

b. Rules of Award Review.

COH conducted its triennial review. Fifteen Rules of Award were reviewed to ensure the procedures outlined in the documents corresponded to those of the award committees. This ongoing activity helps to identify areas of concern that must be addressed, as well as to provide the Committee and Special Award Committees the opportunity to make suggestions relative to procedures while ensuring that the awards are still relevant.

c. Selection of Award Recipients.

During the year, the General Awards Committee and the Committee on Honors reviewed and acted favorably upon nominations for sixty-eight of the Society's seventy-four awards. There were thirteen international recipients. Twenty-three recipients were from Industry.

COH considered seven nominations for Honorary Membership. Four nominees for Honorary Membership were recommended to the Board of Governors for approval. The Committee also considered four nominations for the 2018 ASME Medal, and recommended one nominee for approval by the Board of Governors.

COH continues to uphold the integrity of the Honors Program by carefully evaluating all awardees to ensure that they meet the requirements of the award they receive and that the committee remains true to the purpose and intent of each and every award.

c. Membership Promotion.

To attract and retain ASME membership, COH continues to offer award recipients who are non-members, a free year of membership, and young engineers, three years of free membership. Fifteen honorees were invited to join ASME. To date four have joined.

d. Honors Program.

COH is committed to ensuring that the Honors & Awards Program continues to represent ASME’s high standard by honoring outstanding individuals.
ASME Board of Governors
Agenda Item
Cover Memo

Date Submitted: August 29, 2018
BOG Meeting Date: October 1-2, 2018

To: Board of Governors
From: Committee of Past Presidents
Presented by: Marc Goldsmith
Agenda Title: 2017-2018 Committee of Past Presidents Annual Report to the BOG

Agenda Item Executive Summary:

A report of the activities of the Committee of Past Presidents during 2017-2018 follows for information for the BOG as a Consent Item for Receipt.

Proposed motion for BOG Action:
Receipt

Attachments:
Report
During the past year, individual members of the Committee of Past Presidents (CPP) continued to play a vital role as ASME volunteer leaders. Service included participating in ASME activities in the various sections, VOLT, Fellows, History and Heritage, the Nominating Committee, the ASME Foundation, the Ethics Committee, Task Forces at the Board request, Ceremonial duties in support of the ASME and BOG Standing Committees including: Pension Plan Trustees, Committee on Finance and Investment, Committee on Honors, and Committee on Organization and Rules.

The CPP held two meetings during fiscal year 2018, on November 6, 2017 in Tampa, FL. and June 4, 2018 in Vancouver, BC.

**Congress**

**Closed Session**
The following information was discussed:

The CPP discussed a number of issues related to the ED transition and the need to participate in more outside awards.

**Diversity and Inclusion**

Past Presidents were encouraged to mingle more during meeting meals in order to get to know some new ASME members and discuss engineering and the benefits of being an ASME member and how to help them get involved.

**NIEE Update**

NIEE (National Institute for Engineering Ethics) is located at Texas Tech University. Unfortunately, the champion at Texas Tech passed away several years ago and Texas Tech has decided not to appoint another professor to that position. ASME members have been very involved in NIEE (Andy Taylor, Nael Barakat, etc.) and are identifying other universities. Currently, according to ASME’s NIEE Representative Sara Wilson, the lead candidate is Purdue University, but the university has still not committed.

**ECLIPSE Interns**

There are currently 7 Eclipse Interns (one more than last year). However, there are many more qualified young engineers who could not be placed. We need to ensure that all units understand that these engineers who are our future need to be placed. VOLT and CPP can assist in that effort.

The Committee of Past President’s Operations Guide was approved.

The Committee hosted a private dinner for its members in Tampa Florida. Everyone enjoyed catching up with one another.
Annual Meeting

Closed Session
The following topics were discussed:

1. CPP discussed the work of this year’s Nominating Committee. Subsequent to the CPP meeting, a Presidential Task Force was appointed to review the officer nomination process.

2. The content of open vs. closed sessions of the BOG and the seating arrangements for BOG meetings were discussed.

3. ASME activities as part of the requirements for elevation to Fellow.

4. Need for CPP members to mentor ASME leaders and to reach out to more members at ASME events.

Open Session

ECLIPSE Interns
The 2017-18 class of ASME ECLIPSE Program interns presented its written report called “Early Career Programming at Existing Events.” The Committee thanked the interns for their presentation and urged them to continue to pursue its implementation. ASME Governor Stuart Cameron noted he is on the Membership Task Force and will share the report with the other members of the task force.

Ethics
It appears that NIEE will be moving to Purdue from Texas Tech.

Report on International Activities

Reginald Vachon made a presentation on his international activities, on behalf of ASME, at the ASME Board meeting on June 6, 2018.

Appointments for Fellows Review Committee
Marc Goldsmith has appointed the following Past Presidents as members of the Fellows Review Committee;

Appointments for the 2019 Nominating Committee Advisors
The 2018 Nominating Committee has appointed the following Past Presidents as advisors to the 2019 Nominating Committee:

Madiha Kotb, Bob Sims, and Keith Roe

ASME Activities - Elevation to Fellow

Proposed Motion - ASME activities should be a part of the requirements for the elevation to Fellow.

The CPP members continue to nominate members for Dedicated Service Awards and Fellow recognitions.

The CPP again hosted the Leadership Recognition Event to acknowledge service by outgoing officers. This year, the event took place at Museum of Vancouver.

CPP Officers

Madiha Kotb will be Chair and Bob Sims will be the Vice Chair of the CPP for 2018-2019.
Date Submitted: August 29, 2018  
BOG Meeting Date: October 1 & 2, 2018

To: Board of Governors  
From: The ASME Auxiliary  
Presented by: Kay Simmons  
Agenda Title: 2017-2018 ASME Auxiliary Annual Report to the BOG

Agenda Item Executive Summary:

A report of the activities of the ASME Auxiliary during 2017-2018 follows for information for the BOG as a Consent Item for Receipt.

Proposed motion for BOG Action:  
Receipt

Attachments:  
Report
During the past year, individual members of the Auxiliary continued to play a vital role as ASME volunteer leaders. Service includes volunteering with FIRST Robotics teams and competitions, Future City competitions, readers for several scholarships and administering the Auxiliary’s Scholarship and Loan Program.

The ASME Auxiliary held three meetings, the first on November 7, 2017 in Tampa, FL and then June 4 & 5, 2018 in Vancouver, BC.

Congress

The Board Meeting
The Treasurer’s Report showed a balance of $1,235,719.78 on July 1, 2016 and a balance of $1,195,132.93 on June 30, 2017. The Student Loan fund has a balance of $248,988.50 as of September 30, 2017 less $59,474.00 in outstanding loans. The Auxiliary received final payments for two (2) loans that have been paid in full. There are five (5) new loans as of September 30, 2017.

For the 2016/2017 academic year, the Auxiliary awarded eight (8) Undergraduate Scholarships, two (2) Rothermel Scholarship (Master’s degree), one (1) Parsons Scholarship (Doctoral), two (2) Rice Cullimore Scholarships (Foreign Graduate) and ten (10) Lucy and Charles W. E. Clarke Scholarships to graduating High School Seniors on a FIRST Robotics Team.

The following motion was approved; to estimate $117,000 for use of approximately 29 scholarships for the 2018-2019 Fiscal Year.

The Canton-Alliance-Massillon (C-A-M), Ohio, Section held two meetings and raised $865.00 for the Educational Funds.

A 95th Anniversary Celebration Committee was formed to discuss events to promote their Anniversary at the IMECE in November 2018.
The Board and Annual Meeting

The Treasurer’s Report showed a balance of $1,195,132.93 on July 1, 2017 and a balance of $1,217,883.02 on March 31, 2018. The Student Loan fund has a balance of $264,558.93 as of March 31, 2018 less $49,474.00 in outstanding loans. The Auxiliary received final payments for three (3) loans that have been paid in full. There are three (3) new loans as of March 31, 2018.

The Auxiliary awarded 29 Scholarship totaling $111,000.00 for the Fiscal Year 2018 – 2019.

The following officers were installed for the Fiscal Year 2018 – 2019:

- President (2 year term) Saraswati Sahay
- Executive Vice President Ella Baldwin-Viereck
- Recording Secretary Vatsala Menon
- Corresponding Secretary Ada Ezekoye
- Treasurer Stella Seiders
- Student Loan Fund Treasurer Ed Seiders