



**INSTITUTE OF INDUSTRIAL AND SYSTEMS
ENGINEERS, INC. AND SUBSIDIARY
AUDITED CONSOLIDATED
FINANCIAL STATEMENTS
FOR THE YEARS ENDED
MARCH 31, 2019 AND 2018**

INSTITUTE OF INDUSTRIAL AND SYSTEMS ENGINEERS, INC. AND SUBSIDIARY
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MARCH 31, 2019 AND 2018

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Jones and Kolb
Certified Public Accountants
Atlanta, Georgia

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Institute of Industrial and Systems Engineers, Inc. and Subsidiary
Norcross, Georgia

We have audited the accompanying consolidated financial statements of Institute of Industrial and Systems Engineers, Inc. and Subsidiary (collectively, the "Institute"), which comprise the consolidated statements of financial position as of March 31, 2019 and 2018, the related consolidated statements of activities and net assets and cash flows for the years then ended and the related consolidated statement of functional expenses for the year ended March 31, 2019, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's 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 audits 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 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 Institute of Industrial and Systems Engineers, Inc. and Subsidiary as of March 31, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Adjustment

As discussed in Note 10 to the financial statements, the Institute has restated its financial statements for the year ended March 31, 2018 to properly report the liability for deferred member dues and the related adjustment to member services and dues revenue. Our opinion is not modified with respect to that matter.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplemental consolidating schedules on pages 16-19 are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Jones and Kell

September 12, 2019

INSTITUTE OF INDUSTRIAL AND SYSTEMS ENGINEERS, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
MARCH 31, 2019 AND 2018

ASSETS

	2019	2018
CURRENT ASSETS		
Cash and cash equivalents		
Unrestricted cash	\$ 2,124,167	\$ 2,441,451
Restricted cash - scholarships	64,411	32,568
	2,188,578	2,474,019
Total cash and cash equivalents		
Investments	3,722,474	3,851,090
Accounts receivable	96,766	200,249
Inventory	5,708	5,186
Prepaid expenses	175,188	139,037
	6,188,714	6,669,581
Total current assets		
PROPERTY AND EQUIPMENT		
Equipment	1,265,139	1,004,043
Website	257,712	257,712
Leasehold improvements	78,161	78,161
	1,601,012	1,339,916
Total		
Less accumulated depreciation and amortization	(1,283,409)	(1,207,334)
	317,603	132,582
Property and equipment, net		
OTHER ASSETS		
Deferred compensation plan	59,550	37,851
Endowment fund	191,200	191,200
	250,750	229,051
Total other assets		
Total assets	\$ 6,757,067	\$ 7,031,214

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

INSTITUTE OF INDUSTRIAL AND SYSTEMS ENGINEERS, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
MARCH 31, 2019 AND 2018

LIABILITIES AND NET ASSETS

	2019	2018
CURRENT LIABILITIES		
Accounts payable	\$ 668,933	\$ 667,072
Scholarships payable	96,500	100,003
Accrued liabilities	574,873	528,678
Deferred lease liability - short term	35,027	29,683
Deferred income	1,309,915	1,602,384
Total current liabilities	2,685,248	2,927,820
 LONG-TERM LIABILITIES		
Deferred compensation plan liability	59,550	37,851
Deferred lease liability	65,991	101,018
Total long-term liabilities	125,541	138,869
Total liabilities	2,810,789	3,066,689
 NET ASSETS		
Without donor restrictions		
Undesignated	1,681,959	1,573,440
Designated	915,664	983,533
Subsidiary's equity	397,188	503,633
Total without donor restrictions	2,994,811	3,060,606
With donor restrictions		
Purpose restrictions - scholarships	760,267	712,719
Perpetual in nature	191,200	191,200
Total with donor restrictions	951,467	903,919
Total net assets	3,946,278	3,964,525
Total liabilities and net assets	\$ 6,757,067	\$ 7,031,214

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

INSTITUTE OF INDUSTRIAL AND SYSTEMS ENGINEERS, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF ACTIVITIES AND NET ASSETS
FOR THE YEARS ENDED MARCH 31, 2019 AND 2018

	2019	2018
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS		
REVENUES		
Conferences and seminars	\$ 4,042,377	\$ 3,840,852
Societies, divisions and interest groups	50,517	45,235
Publications		
Engineering and Management Press	9,966	16,353
Magazines and journals	253,189	316,321
Member services and dues (net of chapters' portions - \$51,240 and \$56,507 in 2019 and 2018, respectively)	812,415	845,390
Investment income	106,420	28,672
Consulting	71,750	539,575
Other income	106,484	189,749
	5,453,118	5,822,147
NET ASSETS RELEASED FROM RESTRICTIONS	71,284	80,500
EXPENSES		
Program services	3,757,146	3,520,280
Management and general	1,770,256	1,872,908
IISE Solutions, Inc.	62,795	451,890
	5,590,197	5,845,078
Change in net assets without donor restrictions	(65,795)	57,569
CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS		
Contributions and grants	50,128	92,464
Investment income	68,704	10,549
Net assets released from restrictions	(71,284)	(80,500)
	47,548	22,513

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

INSTITUTE OF INDUSTRIAL AND SYSTEMS ENGINEERS, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF ACTIVITIES AND NET ASSETS
FOR THE YEARS ENDED MARCH 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
CHANGE IN NET ASSETS	<u>(18,247)</u>	<u>80,082</u>
NET ASSETS , Beginning of year as previously stated	3,964,525	4,431,059
PRIOR PERIOD ADJUSTMENT	<u>-</u>	<u>(546,616)</u>
NET ASSETS , Beginning of year, as restated	<u>3,964,525</u>	<u>3,884,443</u>
NET ASSETS , End of year	<u><u>\$ 3,946,278</u></u>	<u><u>\$ 3,964,525</u></u>

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

INSTITUTE OF INDUSTRIAL AND SYSTEMS ENGINEERS, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED MARCH 31, 2019

	<u>Continuing Education</u>	<u>Member Services</u>	<u>Other Program Services</u>	<u>Total Program Services</u>	<u>General and Administrative</u>	<u>Total Expenses</u>
Salaries and benefits	\$ 605,080	\$ 403,423	\$ 197,779	\$ 1,206,282	\$ 1,337,375	\$ 2,543,657
Conferences - direct expenses	1,060,774	-	-	1,060,774	-	1,060,774
Seminars - direct expenses	625,025	83,128	-	708,153	-	708,153
Professional fees	86,671	130,007	2,708	219,386	51,461	270,847
Occupancy	48,121	33,041	16,141	97,303	106,238	203,541
Publications	-	120,000	12,860	132,860	56,841	189,701
Office expense	14,250	35,025	5,007	54,282	35,668	89,950
Image improvement	-	-	-	-	83,672	83,672
Depreciation and amortization	8,485	5,826	43,031	57,342	18,732	76,074
Scholarships	-	-	71,090	71,090	-	71,090
Meetings	2,429	9,820	172	12,421	38,106	50,527
Miscellaneous	-	14,787	16,323	31,110	9,649	40,759
Repairs and maintenance	8,253	5,667	2,768	16,688	18,220	34,908
Projects	-	-	30,629	30,629	-	30,629
Information technology	2,009	18,145	674	20,828	4,435	25,263
Member promotions	-	24,202	-	24,202	-	24,202
Travel	1,233	847	9,099	11,179	2,722	13,901
Insurance	1,294	889	434	2,617	7,137	9,754
Total	\$ 2,463,624	\$ 884,807	\$ 408,715	\$ 3,757,146	\$ 1,770,256	\$ 5,527,402

The accompanying notes to consolidated financial statements
are an integral part of this statement.

INSTITUTE OF INDUSTRIAL AND SYSTEMS ENGINEERS, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED MARCH 31, 2019 AND 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (18,247)	\$ 80,082
ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH AND CASH EQUIVALENTS PROVIDED BY (USED IN) OPERATING ACTIVITIES:		
Depreciation and amortization	76,074	76,049
Net unrealized and realized (gain) loss on investments	(84,689)	39,579
Change in accounts receivable	103,483	127,876
Change in inventory and prepaid expenses	(36,673)	27,771
Change in accounts payable	1,861	23,678
Change in scholarships payable	(3,503)	(1,997)
Change in accrued liabilities	46,195	51,394
Change in deferred lease liability	(29,683)	(24,455)
Change in deferred income	(292,469)	131,132
Change in executive deferred compensation plan liability	21,699	19,037
Total adjustments	(197,705)	470,064
Net cash and cash equivalents provided by (used in) operating activities	(215,952)	550,146
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(2,126,174)	(2,019,038)
Purchases of property and equipment	(261,095)	(34,552)
Proceeds from sales of investments	2,317,780	2,074,128
Net cash and cash equivalents provided by investing activities	(69,489)	20,538
CHANGE IN CASH AND CASH EQUIVALENTS	(285,441)	570,684
CASH AND CASH EQUIVALENTS, Beginning of year	2,474,019	1,903,335
CASH AND CASH EQUIVALENTS, End of year	\$ 2,188,578	\$ 2,474,019
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Income taxes paid	\$ -	\$ 21,086

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

INSTITUTE OF INDUSTRIAL AND SYSTEMS ENGINEERS, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MARCH 31, 2019 AND 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. The Institute of Industrial and Systems Engineers, Inc. and Subsidiary (collectively, the "Institute") includes the accounts of Institute of Industrial and Systems Engineers, Inc. and IISE Solutions, Inc. The Institute of Industrial and Systems Engineers, Inc. ("IISE") is an international organization that provides educational services to industrial and systems engineers. IISE Solutions, Inc. ("Solutions") was formed in August 2013 to provide consulting services on behalf of IISE. All material intercompany transactions and balances have been eliminated in these consolidated financial statements.

B. The Institute prepares its consolidated financial statements on the accrual basis of accounting. The consolidated financial statements do not include the accounts of the Institute's chapters.

C. The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

D. The Institute classifies net assets, revenues, expenses, gains and losses based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Institute and changes therein are classified and reported as follows:

Net assets without donor restrictions - Net assets available for use in general operations and not subject to donor or grantor restrictions. Net assets without restrictions that are designated by the governing board for specific purposes are classified as designated net assets.

Net assets with donor restrictions - Net assets that are subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature; for example, restrictions that may or will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature; for example, stipulating that resources be maintained in perpetuity. The donors of these assets permit the Institute to use all of the income earned on related investments for general or specific purposes. More specifically, items included in net assets with donor restrictions are contributions for which restrictions have not been met.

INSTITUTE OF INDUSTRIAL AND SYSTEMS ENGINEERS, INC. AND SUBSIDIARY
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When restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Consolidated Statements of Activities and Net Assets as "net assets released from restrictions."

E. The Institute considers all highly liquid investments with a maturity of three months or less, when purchased, to be cash equivalents.

F. Investments are carried at fair value. Unrealized and realized gains and losses on investments are included in change in net assets.

G. Accounts receivable are recorded at the amount of cash estimated as realizable. The Institute provides an allowance for doubtful accounts when specific accounts are deemed uncollectible based on the aging of the accounts receivable. Accounts receivable balances are considered delinquent after thirty days from the invoice date. As of March 31, 2019 and 2018, there was no allowance for doubtful accounts.

H. Inventory consists primarily of publications held for resale and is stated at the lower of cost (first-in, first-out) or market.

I. Property and equipment are stated at cost or fair market value, if contributed. Equipment, website and leasehold improvements are depreciated using the straight-line method over estimated useful lives of three to seven years. Depreciation and amortization expense for the years ended March 31, 2019 and 2018 totaled \$76,074 and \$76,049, respectively. The Institute capitalizes items greater than \$600.

J. The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries and benefits, professional fees, travel costs, occupancy and other office related expenses which are allocated based on estimates of time and effort.

K. In August 2016, the Financial Accounting Standards Board issued Accounting Standards Update ("ASU") 2016-14, Not-for-Profit Entities (Topic 958). This ASU improves the prior net asset classification requirements and the information presented in the financial statements and notes about a not-for-profit entity's liquidity, financial performance and cash flows. The ASU is effective for fiscal years beginning after December 15, 2017. The Institute has adopted this standard for the year ended March 31, 2019 and retroactively applied the applicable provisions of this standard to the year ended March 31, 2018. As permitted by the ASU, the Institute has omitted the statement of functional expenses for the year ended March 31, 2018.

INSTITUTE OF INDUSTRIAL AND SYSTEMS ENGINEERS, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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L. Certain prior year amounts have been reclassified to conform to the current year presentation.

M. Subsequent events have been evaluated by management through September 12, 2019, the date these consolidated financial statements were available to be issued.

2. LIQUIDITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of March 31, 2019 are composed of the following:

Cash	\$	2,124,167
Accounts receivable		96,766
Investments		<u>2,771,007</u>
	\$	<u><u>4,991,940</u></u>

The Institute has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due.

3. CONCENTRATION OF CREDIT RISK

The Institute had cash deposits in a single financial institution that exceeded the federal deposit insurance limit of \$250,000 at March 31, 2019 and 2018. Management periodically reviews the financial viability of the institution and does not anticipate any credit risk related losses.

4. FAIR VALUE OF INVESTMENTS

U.S. generally accepted accounting principles establish a framework for measuring fair value. That framework provides for a fair value hierarchy that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Level 1 within the hierarchy states that valuations are based on unadjusted quoted market prices for identical assets or liabilities in active markets. Level 2 within the hierarchy states that valuations are based on observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in inactive markets and other inputs that may be corroborated by observable market data.

As of March 31, 2019 and 2018, the only assets or liabilities that are measured at fair value on a recurring basis in periods subsequent to initial recognition are investments. Common

INSTITUTE OF INDUSTRIAL AND SYSTEMS ENGINEERS, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MARCH 31, 2019 AND 2018

stocks, U.S. Treasuries, certificates of deposit and mutual funds are valued at the closing price reported on the active market on which the individual securities are traded. Corporate obligations and government related securities are valued based on quoted market prices for similar assets. Such investments are classified within Level 1 or Level 2 of the valuation hierarchy.

The following is a summary of investments, stated at fair value, held at March 31:

	2019			2018		
	Level 1	Level 2	Total	Level 1	Level 2	Total
Common stocks	\$1,664,848	\$ -	\$1,664,848	\$1,555,064	\$ -	\$1,555,064
U.S. Treasuries	170,119	-	170,119	195,423	-	195,423
Certificates of deposit	1,678,859	-	1,678,859	1,921,181	-	1,921,181
Mutual funds	59,550	-	59,550	37,851	-	37,851
U.S. corporate obligations	-	315,934	315,934	-	261,877	261,877
Government related securities	-	63,755	63,755	-	102,828	102,828
Foreign corporate obligations	-	20,159	20,159	-	5,917	5,917
Total investments	\$3,573,376	\$ 399,848	\$3,973,224	\$3,709,519	\$ 370,622	\$4,080,141

INSTITUTE OF INDUSTRIAL AND SYSTEMS ENGINEERS, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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Restricted investments were \$1,047,967 and \$1,003,922 at March 31, 2019 and 2018, respectively, and are included in investments, scholarships payable and net assets with donor restrictions in the accompanying Consolidated Statements of Financial Position.

Investment income consisted of the following for the years ended March 31:

	<u>2019</u>	<u>2018</u>
Interest and dividends	\$ 116,293	\$ 104,852
Realized and unrealized gains and (losses)	84,689	(39,579)
Investment fees	<u>(25,858)</u>	<u>(26,052)</u>
Total investment income	<u>\$ 175,124</u>	<u>\$ 39,221</u>

5. INCOME TAXES

IISE is exempt from federal and state income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code (the "IRC") as a publicly supported organization. However, IISE is subject to income taxes under IRC Section 511(a) on unrelated business income. IISE had no unrelated business income tax liability for the years ended March 31, 2019 and 2018.

At March 31, 2019, IISE has approximately \$1,927,000 of net operating loss carryforwards which could result in a tax benefit of up to \$520,000. This potential benefit has been fully offset by a valuation reserve. The loss carryforwards will expire between 2021 and 2039.

Solutions, a for-profit C-corporation, is subject to income tax. Solutions' results of operations for financial and income tax reporting purposes differ primarily due to timing differences related to depreciation methods and amortization of start-up costs. Solutions had a net loss for the year ended March 31, 2019 and income before provision for income taxes of approximately \$81,000 for the year ended March 31, 2018. Solutions' income tax provision for the years ended March 31, 2019 and 2018 consists of the following:

	<u>2019</u>	<u>2018</u>
Income tax provision		
Federal income tax provision	\$ -	\$ 14,187
State income tax provision	<u>-</u>	<u>4,577</u>
Total income tax provision	<u>\$ -</u>	<u>\$ 18,764</u>

INSTITUTE OF INDUSTRIAL AND SYSTEMS ENGINEERS, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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6. EMPLOYEE BENEFIT PLANS

IISE participates in a 401(k) plan and matches one half of an employee's contributions to the 401(k) plan up to three percent of compensation. IISE contributed \$26,997 and \$27,892 to the 401(k) plan for the years ended March 31, 2019 and 2018, respectively.

In February 2016, IISE established a nonqualified deferred compensation plan (the "Plan") under Section 457(b) of the Internal Revenue Code to provide certain key employees with supplemental retirement benefits. Contributions to the Plan are deposited into an account that is owned by IISE until the assets are distributed to the employee in accordance with the Plan document.

IISE's asset and liability under the Plan were \$59,550 and \$37,851 at March 31, 2019 and 2018, respectively.

7. NET ASSETS

Changes to net assets with donor restrictions are as follows:

	<u>March 31, 2018</u>	<u>Additions</u>	<u>Released from Restrictions</u>	<u>March 31, 2019</u>
Subject to expenditure for specified purpose - Scholarships	\$ 712,719	\$ 104,330	\$ (56,782)	\$ 760,267
Subject to the Institute's endowment spending policy and appropriation - Endowment	<u>191,200</u>	<u>14,502</u>	<u>(14,502)</u>	<u>191,200</u>
	<u>\$ 903,919</u>	<u>\$ 118,832</u>	<u>\$ (71,284)</u>	<u>\$ 951,467</u>

INSTITUTE OF INDUSTRIAL AND SYSTEMS ENGINEERS, INC. AND SUBSIDIARY
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	March 31, 2017	Additions	Released from Restrictions	March 31, 2018
Subject to expenditure for specified purpose - Scholarships	\$ 755,206	\$ 36,392	\$ (78,879)	\$ 712,719
Subject to the Institute's endowment spending policy and appropriation - Endowment	126,200	66,621	(1,621)	191,200
	\$ 881,406	\$ 103,013	\$ (80,500)	\$ 903,919

8. COMMITMENTS

The Institute is obligated under operating leases for office space through 2021 and for equipment through 2023. Future minimum lease payments under these operating lease agreements are as follows:

Year Ending March 31,	Office and Equipment Leases
2020	\$ 247,181
2021	239,394
2022	144,748
2023	8,577
Total	\$ 639,900

Rent expense related to the office space and equipment leases was approximately \$220,000 for the years ended March 31, 2019 and 2018.

9. ENDOWMENT

The Institute's endowment consists of three individual funds established to provide scholarships. Endowment assets include those assets of donor-restricted funds that the Institute must hold in perpetuity for a donor-specified purpose. The classification of the net assets of these funds is based on the existence or absence of donor-imposed restrictions.

INSTITUTE OF INDUSTRIAL AND SYSTEMS ENGINEERS, INC. AND SUBSIDIARY
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The Board of Trustees of the Institute has interpreted the Georgia Uniform Prudent Management of Institutional Funds Act of 2006 ("UPMIFA") as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Institute classifies the original value of gifts donated to the permanent endowment, the original value of subsequent gifts to the permanent endowment and accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund as permanently restricted net assets. The Board of Trustees will appropriate funds from the endowment funds based on specific needs and budgeting requirements from year to year. In accordance with UPMIFA, the Institute considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund;
- (2) The purposes of the Institute and the donor-restricted endowment fund;
- (3) General economic conditions;
- (4) The possible effect of inflation and deflation;
- (5) The expected total return from income and appreciation of investments;
- (6) Other resources of the Institute; and,
- (7) The investment policies of the Institute.

The changes in endowment net assets for the year ended March 31, 2019 are as follows:

	<u>Available for Expenditure</u>	<u>Perpetual in Nature</u>	<u>Total</u>
Beginning of year endowment	\$ -	\$ 191,200	\$ 191,200
Investment earnings	14,502	-	14,502
Appropriation for expenditure	<u>(14,502)</u>	<u>-</u>	<u>(14,502)</u>
End of year endowment	<u>\$ -</u>	<u>\$ 191,200</u>	<u>\$ 191,200</u>

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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The changes in endowment net assets for the year ended March 31, 2018 are as follows:

	<u>Available for Expenditure</u>	<u>Perpetual in Nature</u>	<u>Total</u>
Beginning of year endowment	\$ -	\$ 126,200	\$ 126,200
Contributions	-	65,000	65,000
Investment earnings	1,621	-	1,621
Appropriation for expenditure	<u>(1,621)</u>	<u>-</u>	<u>(1,621)</u>
End of year endowment	<u><u>\$ -</u></u>	<u><u>\$ 191,200</u></u>	<u><u>\$ 191,200</u></u>

The Institute has adopted investment and spending policies that attempt to preserve endowment assets and provide funding for scholarships. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce results that meet or exceed common benchmarks for a balanced portfolio, while assuming a low level of risk.

To satisfy its long-term rate-of-return objectives, the Institute relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Institute targets a diversified asset allocation that places a greater emphasis on certificates of deposits and equity-based investments to achieve its long-term return objectives within prudent risk constraints.

10. PRIOR PERIOD ADJUSTMENT

Previously reported amounts have been restated to properly report deferred member dues and member services and dues revenue. The effect of this restatement decreased undesignated net assets by \$546,616 as of May 31, 2017. In addition, the restatement increased deferred member dues by \$528,899 as of May 31, 2018 and increased member services and dues revenue by \$17,717 for the year then ended.

11. CONTINGENCIES

IISE reserves hotel space for its conferences several years in advance. The contracts stipulate the number of rooms to be reserved and the time period for which they are to be reserved. As of the date of this report, contracts for hotel space had been entered into through May 2021. While the rooms will ultimately be paid for by members of IISE and related participants, IISE has guaranteed the rooms in advance to ensure availability. In the event the conferences are cancelled, or over 80% of the rooms are not used by members or minimum food and beverage charges are not incurred, IISE may be liable for a cancellation fee. Due to the numerous variables involved, IISE's ultimate liability under these contracts, if any, cannot be determined.

INSTITUTE OF INDUSTRIAL AND SYSTEMS ENGINEERS, INC. AND SUBSIDIARY
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
MARCH 31, 2019

	<u>ASSETS</u>			
	<u>IISE</u>	<u>Solutions</u>	<u>Eliminations</u>	<u>Consolidated</u>
CURRENT ASSETS				
Cash and cash equivalents				
Unrestricted cash	\$ 1,760,822	\$ 363,345	\$ -	\$ 2,124,167
Restricted cash - scholarships	64,411	-	-	64,411
Total cash and cash equivalents	1,825,233	363,345	-	2,188,578
Investments	3,722,474	-	-	3,722,474
Accounts receivable	96,766	-	-	96,766
Due from subsidiary	11,411	-	(11,411)	-
Inventory	5,708	-	-	5,708
Prepaid expenses	169,934	5,254	-	175,188
Total current assets	5,831,526	368,599	(11,411)	6,188,714
PROPERTY AND EQUIPMENT				
Equipment	1,259,639	5,500	-	1,265,139
Website	257,712	-	-	257,712
Leasehold improvements	77,201	960	-	78,161
Total	1,594,552	6,460	-	1,601,012
Less accumulated depreciation and amortization	(1,276,949)	(6,460)	-	(1,283,409)
Property and equipment, net	317,603	-	-	317,603
OTHER ASSETS				
Investment in subsidiary	10,000	-	(10,000)	-
Deferred compensation plan	59,550	-	-	59,550
Endowment fund	191,200	-	-	191,200
Total other assets	260,750	-	(10,000)	250,750
Total assets	\$ 6,409,879	\$ 368,599	\$ (21,411)	\$ 6,757,067

See Independent Auditor's Report.

INSTITUTE OF INDUSTRIAL AND SYSTEMS ENGINEERS, INC. AND SUBSIDIARY
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
MARCH 31, 2019

LIABILITIES AND NET ASSETS

	<u>IISE</u>	<u>Solutions</u>	<u>Eliminations</u>	<u>Consolidated</u>
CURRENT LIABILITIES				
Accounts payable	\$ 668,933	\$ -	\$ -	\$ 668,933
Due to IISE	-	11,411	(11,411)	-
Scholarships payable	96,500	-	-	96,500
Accrued liabilities	574,873	-	-	574,873
Deferred lease liability - short term	35,027	-	-	35,027
Deferred income	1,309,915	-	-	1,309,915
Total current liabilities	<u>2,685,248</u>	<u>11,411</u>	<u>(11,411)</u>	<u>2,685,248</u>
LONG-TERM LIABILITIES				
Deferred compensation plan liability	59,550	-	-	59,550
Deferred lease liability	65,991	-	-	65,991
Total long-term liabilities	<u>125,541</u>	<u>-</u>	<u>-</u>	<u>125,541</u>
Total liabilities	<u>2,810,789</u>	<u>11,411</u>	<u>(11,411)</u>	<u>2,810,789</u>
NET ASSETS				
Without donor restrictions				
Undesignated	1,731,959	-	(50,000)	1,681,959
Designated	915,664	-	-	915,664
Common stock	-	10	(10)	-
Paid-in-capital	-	9,990	(9,990)	-
Subsidiary's equity	-	397,188	-	397,188
Dividend	-	(50,000)	50,000	-
Total without donor restrictions	<u>2,647,623</u>	<u>357,188</u>	<u>(10,000)</u>	<u>2,994,811</u>
With donor restrictions	<u>951,467</u>	<u>-</u>	<u>-</u>	<u>951,467</u>
Total net assets	<u>3,599,090</u>	<u>357,188</u>	<u>(10,000)</u>	<u>3,946,278</u>
Total liabilities and net assets	<u>\$ 6,409,879</u>	<u>\$ 368,599</u>	<u>\$ (21,411)</u>	<u>\$ 6,757,067</u>

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INSTITUTE OF INDUSTRIAL AND SYSTEMS ENGINEERS, INC. AND SUBSIDIARY
CONSOLIDATING STATEMENT OF ACTIVITIES AND NET ASSETS
FOR THE YEAR ENDED MARCH 31, 2019

	<u>IISE</u>	<u>Solutions</u>	<u>Eliminations</u>	<u>Consolidated</u>
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS				
REVENUES				
Conferences and seminars	\$ 4,042,377	\$ -	\$ -	\$ 4,042,377
Societies, divisions and interest groups	50,517	-	-	50,517
Publications				
Engineering and Management Press	9,966	-	-	9,966
Magazines and journals	253,189	-	-	253,189
Member services and dues (net of chapters' portions - \$51,240 in 2019)	812,415	-	-	812,415
Investment income	156,420	-	(50,000)	106,420
Consulting	-	71,750	-	71,750
Other income	121,884	-	(15,400)	106,484
	<u>5,446,768</u>	<u>71,750</u>	<u>(65,400)</u>	<u>5,453,118</u>
NET ASSETS RELEASED FROM RESTRICTIONS	<u>71,284</u>	<u>-</u>	<u>-</u>	<u>71,284</u>
EXPENSES				
Program services	3,757,146	-	-	3,757,146
Management and general	1,770,256	-	-	1,770,256
IISE Solutions, Inc.	-	78,195	(15,400)	62,795
	<u>5,527,402</u>	<u>78,195</u>	<u>(15,400)</u>	<u>5,590,197</u>
Change in net assets without donor restrictions	<u>(9,350)</u>	<u>(6,445)</u>	<u>(50,000)</u>	<u>(65,795)</u>

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INSTITUTE OF INDUSTRIAL AND SYSTEMS ENGINEERS, INC. AND SUBSIDIARY
CONSOLIDATING STATEMENT OF ACTIVITIES AND NET ASSETS
FOR THE YEAR ENDED MARCH 31, 2019

	<u>IISE</u>	<u>Solutions</u>	<u>Eliminations</u>	<u>Consolidated</u>
CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS				
Contributions and grants	50,128	-	-	50,128
Investment income	68,704	-	-	68,704
Net assets released from restrictions	<u>(71,284)</u>	<u>-</u>	<u>-</u>	<u>(71,284)</u>
Change in net assets with donor restrictions	<u>47,548</u>	<u>-</u>	<u>-</u>	<u>47,548</u>
CHANGE IN NET ASSETS	38,198	(6,445)	(50,000)	(18,247)
NET ASSETS, Beginning of year	3,560,892	413,633	(10,000)	3,964,525
DIVIDEND	<u>-</u>	<u>(50,000)</u>	<u>50,000</u>	<u>-</u>
NET ASSETS, End of year	<u>\$ 3,599,090</u>	<u>\$ 357,188</u>	<u>\$ (10,000)</u>	<u>\$ 3,946,278</u>

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