

8. Better test procedures incorporating axial loading, bending, fatigue, and internal pressure.

10. Accelerated test scheme development – time-temperature parametric studies.

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American Welding Society, Inc.

Report on Financial Statements
And Supplemental Material
Year Ended May 31, 1981

Seidman & Seidman

444 Brickell Avenue, Suite 900, Miami, Florida 33131

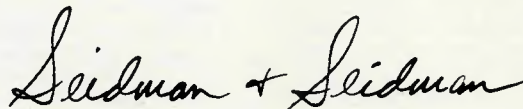
• (305) 371-6363

CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
American Welding Society, Inc.

We have examined the balance sheet of American Welding Society, Inc., as of May 31, 1981 and the related statements of revenue and expense, changes in fund balances and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements mentioned present fairly the financial position of American Welding Society, Inc. at May 31, 1981 and the results of its operations, changes in its fund balances and changes in financial position for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the prior year.



Certified Public Accountants

Miami, Florida
October 30, 1981

AMERICAN WELDING SOCIETY, INC. BALANCE SHEET — May 31, 1981

ASSETS					
CURRENT:					
	Operating Fund	Reserve Fund	Awards Fund	Safety and Health Fund	Interfund Eliminations
Cash, including certificate of deposit of \$66,000		\$ 100	\$73 410	\$ 150	
Short-term investments		291 875		33 000	
Accounts receivable, less allowance of \$100,000	\$ 273 977		1 358		
Inventories	278 474				
Due from operating fund		77 561		103 343	\$(180 904)
Other (Note 1)	162 959				
					<u>162 959</u>
TOTAL CURRENT ASSETS					
PROPERTY AND EQUIPMENT (Notes 2, 3 and 4) less accumulated depreciation	715 410	369 536	74 768	136 493	(180 904)
OTHER:	2 610 482				
Investment in bonds		38 340			
Refundable deposits	12 149				
Due from operating fund		150 362			(150 362)
					<u>38 340</u>
					<u>12 149</u>
					<u>(150 362)</u>
	<u>\$3 338 041</u>	<u>\$558 238</u>	<u>\$74 768</u>	<u>\$136 493</u>	<u>\$3 776 274</u>
LIABILITIES AND FUND BALANCE					
CURRENT LIABILITIES:					
Checks issued against future deposits	\$ 36 122				\$ 36 122
Accounts payable and accrued expenses	430 877				430 877
Current maturities of long-term debt (Notes 3 & 4)	533 107				533 107
Deferred revenue	331 159				331 159
Due to other funds	331 166		\$ 100		\$(331 266)
					<u>\$ 100</u>
			100		<u>(331 266)</u>
TOTAL CURRENT LIABILITIES	1 662 431				1 331 265
OTHER:					
Long-term debt, less current maturities (Note 4)	1 504 648				1 504 648
Obligation under capital lease (Note 3)	45 708				45 708
Customer deposits	19 057				19 057
					<u>2 900 678</u>
TOTAL LIABILITIES	3 231 844		100		(331 266)
					<u>211 161</u>
DEFERRED REVENUE (Note 5)	106 197	558 238	74 668	\$136 493	664 435
FUND BALANCE	<u>\$3 338 041</u>	<u>\$558 238</u>	<u>\$74 768</u>	<u>\$136 493</u>	<u>\$3 776 274</u>

See accompanying summary of accounting policies and notes to financial statements.

AMERICAN WELDING SOCIETY, INC.
STATEMENT OF REVENUE AND EXPENSE
for the year ended May 31, 1981

	Revenues	Direct Expenses	Excess (Deficiency) of Revenues Over Expenses
OPERATING FUND			
ACTIVITIES:			
Membership	\$1 109 781	\$ 518 197	\$ 591 584
Convention	1 045 734	648 274	397 460
Technical	936 681	766 703	169 978
Qualification and certification	246 479	190 745	55 734
Education	485 642	467 442	18 200
IIW	37 993	27 795	10 198
Communication	200	94 966	(94 766)
Welding Journal	650 043	757 196	(107 153)
Building operations	137 928	295 803	(157 875)
Administrative		1 248 454	(1 248 454)
	<u>\$4 650 481</u>	<u>\$5 015 575</u>	(365 094)
RESERVE FUND			
INTEREST INCOME	\$ 50 551		50 551
SAFETY AND HEALTH FUND			
DONATIONS (Note 5)	\$ 61 217		
INTEREST (Note 5)	8 053	\$ 69 270	
RESEARCH PROGRAM EXPENSES (Note 5)			
	<u>\$ 69 270</u>	<u>\$ 69 270</u>	
(DEFICIENCY) OF REVENUES OVER EXPENSES			<u><u>\$ (314 543)</u></u>

See accompanying summary of accounting policies and notes to financial statements.

AMERICAN WELDING SOCIETY, INC.
STATEMENT OF CHANGES IN FUND BALANCES
for the year ended May 31, 1981

	Operating Fund	Reserve Fund	Awards Fund	Safety and Health Fund	Total
BALANCES, at beginning of year, as previously reported	\$471 291	\$512 740	\$68 052	\$155 352	\$1 207 435
Adjustments to opening balances (Note 5)			(68 052)	(155 352)	(223 404)
Balance, as restated	471 291	512 740			984 031
ADD—(Deficiency) ex- cess of revenue over expenses	(365 094)	50 551			(314 543)
DEDUCT—Adjustments to reflect non-current investments at mar- ket		(5 053)			(5 053)
BALANCES, at end of year	\$106 197	\$558 238			\$ 664 435

AMERICAN WELDING SOCIETY, INC.
STATEMENT OF CHANGES IN FINANCIAL POSITION
for the year ended May 31, 1981

	Operating Fund	Reserve Fund	Awards Fund	Safety and Health Fund	Interfund Eliminations	Total
USE OF WORKING CAPITAL:						
Deficiency (excess) of revenues over expenses	\$ 365 094	\$(50 551)				\$ 314 543
Add (deduct) items not (requiring) providing working capital:						
Depreciation	(138 814)			\$ 18 859		(138 814)
Change in deferred revenue						18 859
Total absorbed by (provided from) operations	226 280	(50 551)		18 859		194 588
Additions to property and equipment	2 147 071					2 147 071
Reduction of long-term debt	587 435					587 435
Decrease in due to, increase in due from other funds	135 385	14 977			(150 362)	
(non-current portion)		5 053				5 053
Unrealized loss on long-term investments						
Total	3 096 171	(30 521)		18 859	(150 362)	2 934 147
SOURCE OF WORKING CAPITAL:						
Additions to long-term debt	2 137 791					2 137 791
Decrease in long-term investments		29 928				29 928
Increase in customer deposits and other liabilities	19 784					19 784
Increase in deferred revenues			6 616			6 616
Total	2 157 575	29 928	6 616			2 194 119
(DECREASE) INCREASE IN WORKING CAPITAL	\$(938 596)	\$ 60 449	\$6 616	\$(18 859)	\$ 150 362	\$(740 028)

See accompanying summary of accounting policies and notes to financial statements.

AMERICAN WELDING SOCIETY, INC.
STATEMENT OF CHANGES IN FINANCIAL POSITION
(continued)
for the year ended May 31, 1981

	Operating Fund	Reserve Fund	Awards Fund	Safety and Health Fund	Interfund Eliminations	Total
CHANGES IN WORKING CAPITAL ITEMS:						
Increase (decrease) in current assets:						
Cash		\$ 100	\$ 5 358	\$ 150		\$ 5 608
Short-term investments		71 875		(47 000)		24 875
Accounts receivable			1 358			(65 333)
Inventories	\$ (66 691)					(44 752)
Other	(44 752)					110 145
Due from other funds	110 145	(11 526)		27 991	\$ (16 465)	
Total	(1 298)	60 449	6 716	(18 859)	(16 465)	30 543
Decrease (increase) in current liabilities:						
Checks issued against future deposits	5 400					5 400
Current maturities of long-term debt	(533 107)					(533 107)
Accounts payable and accrued expenses	(221 387)					(221 387)
Deferred revenue	(21 477)					(21 477)
Due to other funds	(166 727)		(100)		166 827	
Total	(937 298)		(100)		166 827	(770 571)
(DECREASE) INCREASE IN WORKING CAPITAL	\$ (938 596)	\$ 60 449	\$ 6 616	\$ (18 859)	\$ 150 362	\$ (740 028)

See accompanying summary of accounting policies and notes to financial statements.

AMERICAN WELDING SOCIETY, INC. SUMMARY OF ACCOUNTING POLICIES

Description of Business

The American Welding Society, Inc. is a not-for-profit, technical society, exempt from income tax under Section 501 (c)(3) of the Internal Revenue Code. However, certain publications advertising revenue and rental income, considered unrelated business income, are taxable to the Society for income tax purposes.

FUND ACCOUNTING

The Society has four funds, which are described as follows:

Operating Fund—This fund is used to account for all resources over which the Society has discretionary control, except for those unrestricted resources accounted for in the Reserve Fund.

Reserve Fund—This fund is used to account for Board designated reserve funds which are to be used to supplement the cash needs of the operating fund.

Awards Fund—This restricted fund is used to account for cash donated to the Society to finance awards for contributions to welding technology.

Safety and Health Fund—This restricted fund is used to account for cash donated to the Society to fund research programs for the study of various environments to which welders may be exposed.

INVENTORIES

Inventories are valued at the lower of cost or market. Cost is determined by the first-in, first-out (FIFO) method.

PROPERTY, EQUIPMENT AND DEPRECIATION

Property and equipment are stated at cost. Expenditures for additions, renewals and betterments are capitalized; expenditures for maintenance and repairs are charged to expenses as incurred. Upon retirement or disposal of assets, the cost and accumulated depreciation are eliminated from the accounts and the resulting gain or loss is included in income. Depreciation is computed using the straight line method over the following estimated useful lives:

	<u>Years</u>
Buildings and improvements	14-20
Office furniture and equipment	5-7
Transportation equipment	3

REVENUE RECOGNITION

Welding show revenues and expenses are recognized in the year that the show to which they relate is held.

Membership and subscription revenues in the Operating Fund are deferred when received and recognized as revenue when earned, substantially in the subsequent year.

Donations, restricted as to use, and related investment income are deferred when received, and recognized as revenue when specific restrictions are met.

AMERICAN WELDING SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 1—OTHER CURRENT ASSETS

Included in other current assets is \$100,000 due on a fidelity bond resulting from a defalcation of accounts receivable. The amount of the loss has not been finally determined but may exceed \$135,000. Under certain circumstances additional amounts may be recoverable which will be recorded at the time such recoverability becomes known.

NOTE 2—PROPERTY AND EQUIPMENT

Major classes of property and equipment consist of the following:

Land	\$ 878 740
Buildings and improvements	1 591 523
Office furniture and equipment	487 975
Transportation equipment	<u>9 154</u>
	2 967 392
Less accumulated depreciation and amortization	<u>356 910</u>
Net property and equipment	<u>\$2 610 482</u>

Land, buildings and building improvements with a net carrying amount of \$2,329,096 are pledged as collateral on certain long-term debt.

NOTE 3—CAPITALIZED LEASE

The Society leases its data processing equipment under terms requiring the classification as a capital lease. The amount capitalized and related amortization at May 31, 1981 are \$75,971 and \$5,426 respectively.

The following is a schedule by years of future minimum lease payments:

1982	\$ 33 582
1983	33 582
1984	<u>16 790</u>
Total minimum lease payments	83 954
Less amount representing interest, calculated at the Society's incremental borrowing rate	<u>17 002</u>
Present value of minimum lease payments	66 952
Less current maturities	<u>21 244</u>
	<u>\$ 45 708</u>

NOTE 4—LONG-TERM DEBT

Long-term debt at May 31, 1981 consists of the following:

Note payable, bank, payable in monthly installments of \$50,000 plus interest at 1% over prime (a)	\$ 628 000
8½%, first mortgage, payable in monthly installments of \$7,690, including principal and interest, with a final balloon payment of \$78,315 due in August, 1988	918 262
8½%, second mortgage, payable in monthly installments of \$3,116, including principal and interest	199 054
11%, purchase money mortgage, payable in monthly installments of \$4,540, including principal and interest	<u>271 195</u>
Totals	\$2 016 511
Less current maturities	<u>511 863</u>
Total long-term debt	<u>\$1 504 648</u>

(a) Subsequent to year end, the bank agreed to extend a short-term borrowing of \$628,000 to a note payable in monthly installments of \$50,000 commencing September 15, 1981 with a final payment of \$28,000 due on September 15, 1982. The Society has pledged as collateral to the bank a mortgage receivable in the amount of \$1,000,000. (See Note 6)

NOTE 5—DEFERRED REVENUE

In accordance with the provisions of the *Statement of Position 78-10, Accounting Principles and Reporting Practices for Certain Nonprofit Organizations* issued by the American Institute of Certified Public Accountants, the Society has restated its opening Awards and Safety and Health Fund balances so as to exclude from balances, revenues that have not as yet been expended for the purposes intended. These amounts are now accounted for as deferred revenues. The following schedule summarizes the activity in the individual deferred revenue accounts from June 1, 1980 to May 31, 1981:

	<u>Awards Fund</u>	<u>Safety and Health Fund</u>
Deferred revenue June 1, 1980	\$68 052	\$155 352
Contributions received for the year ended May 31, 1981		42 358
Interest earned on restricted funds	6 616	8 053
Disbursements in accordance with donor restrictions, amortized to income		<u>(69 270)</u>
Deferred revenue, May 31, 1981	<u>\$74 668</u>	<u>\$136 493</u>

NOTE 6—SUBSEQUENT EVENTS

Subsequent to May 31, 1981, the Society sold certain land and buildings for approximately \$1,100,000. The Society received approximately \$13,000 in cash (net of \$87,000 expenses of sale) and a purchase money mortgage in the amount of \$1,000,000.

The purchase money mortgage bears interest at a rate of 12% per annum and is payable in twelve monthly installments of \$50,000 plus interest commencing September 1981. Thereafter, commencing in August 1982, eight annual interest only payments are payable with the balance of \$400,000 together with any unpaid interest due in August 1991. This mortgage receivable has been pledged as collateral for the note payable, bank. (See Note 4)