SOCIETY OF PLASTICS ENGINEERS, INC.

FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2017 AND 2016
AND INDEPENDENT AUDITOR'S REPORT

SOCIETY OF PLASTICS ENGINEERS, INC.

INDEX TO FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

VISCONTI AND ASSOCIATES, P.C.
Certified Public Accountants

John J. Visconti, MS, CPA

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Society of Plastics Engineers, Inc.
6 Berkshire Boulevard, Suite 306
Bethel, Connecticut

Report on Financial Statements

We have audited the accompanying financial statements of Society of Plastics Engineers, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2017 and 2016, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 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 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

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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 financial statements referred to above present fairly, in all material respects, the financial position of Society of Plastics Engineers, Inc. as of December 31, 2017 and 2016, 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.

Visconti & Associates, P.C.

April 30, 2018
East Haven, CT

SOCIETY OF PLASTICS ENGINEERS, INC.

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2017 AND 2016

ASSETS

	Total 2017	Total 2016
ASSETS		
Cash	$ 538,431	$ 543,511
Cash equivalents, restricted	124,331	56,795
Investments	5,241,257	3,711,660
Accounts receivable	205,955	342,941
Inventory		7,507
Prepaid expenses and other assets	132,605	184,115
Property and equipment, net	14,593	19,346
Total Assets	$ 6,257,172	$ 4,865,875

LIABILITIES AND NET ASSETS

	Total 2017	Total 2016
LIABILITIES		
Accounts payable and other liabilities	$ 169,605	$ 295,397
Line of credit	610,368	372,772
Due to related parties	302,881	319,237
Deferred revenue	2,262,529	802,472
Total Liabilities	3,345,383	1,789,878
NET ASSETS		
Unrestricted:		
Undesignated	999,279	936,136
Designated for future activities	33,510	33,510
	1,032,789	969,646
Temporarily restricted	1,879,000	2,106,351
Total Net Assets	2,911,789	3,075,997
Total Liabilities and Net Assets	$ 6,257,172	$ 4,865,875

See Notes to Financial Statements.

SOCIETY OF PLASTICS ENGINEERS, INC.

STATEMENT OF ACTIVITIES
AND CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2017

	Unrestricted	Temporarily Restricted	Total
OPERATING SUPPORT AND REVENUE			
Membership	$ 891,211		$ 891,211
Events	1,179,709		1,179,709
Publications	814,330		814,330
PlastiVan program	194,475		194,475
Contributions	65,220	$ 115,516	180,736
Advertising	36,100		36,100
Other	98,124		98,124
SPE store	2,303		2,303
Amounts released from restrictions	342,867	(342,867)	
Total operating support and revenue	3,624,339	(227,351)	3,396,988
EXPENSES			
Operating	2,655,391		2,655,391
Conferences	700,017		700,017
Rebates to Sections and Divisions	157,303		157,303
Publications	181,257		181,257
Plastivan	132,055		132,055
Scholarships	172,046		172,046
Membership	75,051		75,051
Education grants	66,827		66,827
Total expenses	4,139,947		4,139,947
Changes in net assets from operations	(515,608)	(227,351)	(742,959)
OTHER CHANGES			
Interest and dividends	269,268		269,268
Net appreciation on investments	309,483		309,483
CHANGES IN NET ASSETS	63,143	(227,351)	(164,208)
NET ASSETS, beginning of year	969,646	2,106,351	3,075,997
NET ASSETS, end of year	$ 1,032,789	$ 1,879,000	$ 2,911,789

See Notes to Financial Statements.

SOCIETY OF PLASTICS ENGINEERS, INC.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS YEAR ENDED DECEMBER 31, 2016

	Unrestricted	Temporarily Restricted	Total
OPERATING SUPPORT AND REVENUE			
Membership	$ 989,847		$ 989,847
Events	1,498,455		1,498,455
Publications	824,628		824,628
PlastiVan program	195,550		195,550
Contributions	20,861	$ 145,546	166,407
Advertising	10,000		10,000
Other	3,260		3,260
SPE store	4,233		4,233
Amounts released from restrictions	385,688	(385,688)	
Total operating support and revenue	3,932,522	(240,142)	3,692,380
EXPENSES			
Operating	2,715,413		2,715,413
Conferences	640,081		640,081
Rebates to Sections and Divisions	59,372		59,372
Publications	173,847		173,847
Plastivan	180,718		180,718
Scholarships	168,275		168,275
Membership	94,233		94,233
Education grants	37,758		37,758
Total expenses	4,069,697		4,069,697
Changes in net assets from operations	(137,175)	(240,142)	(377,317)
OTHER CHANGES			
Interest and dividends	116,286		116,286
Net appreciation on investments	133,974		133,974
CHANGES IN NET ASSETS	113,085	(240,142)	(127,057)
NET ASSETS, beginning of year	856,561	2,346,493	3,203,054
NET ASSETS, end of year	$ 969,646	$ 2,106,351	$ 3,075,997

See Notes to Financial Statements.

SOCIETY OF PLASTICS ENGINEERS, INC.

STATEMENTS OF CASH FLOWS

DECEMBER 31, 2017 AND 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	$ (164,208)	$ (127,057)
Adjustments to reconcile changes in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	39,535	71,167
Net (appreciation) on investments	(309,483)	(133,974)
(Increase) decrease in:		
Accounts receivable	136,986	(90,602)
Inventory	7,507	5,400
Prepaid expenses	51,510	(14,739)
Increase (decrease) in:		
Accounts payable and other liabilities	(78,348)	131,506
Deferred revenue	1,460,057	6,897
Net cash provided by (used in) operating activities	1,143,556	(151,402)
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to property and equipment		(12,454)
Website costs		(76,358)
Investments purchased	(1,340,651)	(1,253,616)
Investments sold	85,755	1,350,627
Net cash (used in) provided by investing activities	(1,254,896)	8,199
CASH FLOWS FROM FINANCING ACTIVITIES		
Related party transactions	(63,800)	9,672
Net line of credit advances	237,596	109,925
Net cash provided by financing activities	173,796	119,597
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	62,456	(23,606)
CASH AND CASH EQUIVALENTS, beginning of year	600,306	623,912
CASH AND CASH EQUIVALENTS end of year	$ 662,762	$ 600,306
SUPPLEMENTAL DISCLOSURE OF CASH INFORMATION		
Cash paid during the year for:		
Interest expense	$ 12,596	$ 9,925

See Notes to Financial Statements.

1. Nature of Organization and Significant Accounting Policies

Nature of Organization

The Society of Plastics Engineers, Inc. (the "Organization") is a non-profit organization located in Bethel, Connecticut.

The Organization is engaged in national and international continuing educational activities in the field of plastics. These activities include publishing state-of-the-art technical journals, producing technical conferences, seminars, webinars and other online learning. The Organization also provides books, CDs, DVDs and professional development to plastics professionals.

At the beginning of 2009, the Organization merged with the SPE Foundation (the "Foundation") and continues to conduct the activities of the Foundation. The Foundation was formed to promote knowledge and education of plastics and polymers worldwide through improved educational tools and programs. In addition, scholarships and fellowships are granted to persons interested in expanding their knowledge of plastics engineering and performing research in related areas.

The Organization has a number of Sections and Divisions that operate as affiliates of the Organization in either geographical regions or technical areas of expertise. Sections and Divisions are separate legally incorporated entities with their own independent Boards of Directors.

Basis of Presentation

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP).

Under FASB ASC 958, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted net assets.

Net Asset Categories

To ensure the observance of limitations and restrictions on the use of resources available to the Organization, the accounts of the Organization are maintained in the following net asset categories:

Unrestricted Net Assets

Unrestricted net assets represent available resources other than donor-restricted contributions.

Temporarily Restricted Net Assets

Temporarily restricted net assets represent contributions that are restricted by the donor either as to purpose or as to time of expenditure.

Permanently Restricted Net Assets

Permanently restricted net assets represent contributions that are received with the donor restriction that the principal be invested in perpetuity and only the income earned thereon is available for operations. The Organization has no permanently restricted net assets.

Expenses

In accordance with FASB ASC 958-205, expenses by functional classification are as follows:

	2017	2016
Program	$3,209,993	$3,147,243
Management and general	855,558	848,658
Fundraising	74,396	73,796
Total expenses	$4,139,947	$4,069,697

Cash and Cash Equivalents

For the purpose of the statement of cash flows, the Organization considers its liquid investments with an original maturity of ninety days or less to be cash equivalents.

Inventory

Inventory, consisting primarily of t-shirts, books, CDs and DVDs, are stated at the lower of cost, determined by the first-in, first-out method, or market.

Recognition of Support and Revenue

Grants and Contracts

Grants and contracts are generally considered to be exchange transactions in which the grantor or contractor requires the performance of specified activities. Accordingly, revenue is recognized at the time grant expenditures are incurred.

Contributions

Contributions are defined as voluntary, nonreciprocal transfers.

Unrestricted and unconditional contributions are recognized as support when received or pledged, if applicable. Contributions are reported as temporarily restricted support if they are received with donor stipulations that limit the use of such assets.

When a restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of changes in net assets as net assets released from restrictions. The Organization's policy is to present temporarily restricted net assets received during the year whose restrictions are also met during the current year as unrestricted net assets. Contributions received with donor-imposed conditions are presented as deferred support until such conditions are substantially met, at which time they are recognized as support.

The Organization's policy is to recognize the expiration of donor restrictions for contributions of property and equipment or the use of contributions restricted for property and equipment in the year the property and equipment is placed in service. Contributions made for construction activities are recognized in the year construction activities are performed. An exception to this policy is when a grantor places a lien on property or equipment purchased or constructed with grant funds. In this situation, grant revenue is recognized utilizing the straight-line method over the life of the asset.

Royalty Revenue

The Organization has agreements with a publisher whereby the publisher has an exclusive, worldwide license to use the name, logo and seal of the Organization in connection with the publication, sale and marketing of specific journals. The publisher pays the Organization a royalty for the license which is recognized during the period in which the royalties are earned.

Other Revenue

Revenue from publications, memberships, seminars, registration fees, conferences and advertising are recognized in the periods to which they apply. Amounts received in advance of being earned are recorded as deferred revenue.

Accounts Receivable and Allowance for Doubtful Accounts

The Organization's accounts receivable (unsecured) were due from various customers (principally in the U.S.). Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to an allowance for doubtful accounts based on its assessment of the current status of accounts receivable. Balances still outstanding after management has used reasonable collection efforts are written off through a charge to the allowance for doubtful accounts and a credit to accounts receivable. Changes in the allowance for doubtful accounts have not been material to the financial statements. Management determined that a 2017 and 2016 provision for bad debts and an allowance for doubtful accounts at December 31, 2017 and 2016, respectively were unnecessary.

Deferred Income and Prepaid Expense

Advanced billings for registration and exhibition space and related prepaid expenses for annual conferences are deferred and recognized upon completion of the trade shows.

Use of Estimates

Management uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

Property, Plant and Equipment

Property, plant and equipment are recorded at cost. Property and equipment with an acquisition cost in excess of $1,500 with a useful life of more than two years are capitalized. Depreciation is provided utilizing straight-line and accelerated methods over the estimated useful lives of the property as follows:

Building and additions	3 to 50 years
Furniture and equipment	3 to 5 years

Maintenance and repair costs are charged to operations as incurred; major renewals and betterments are capitalized. The costs relating to assets sold or retired are removed from the account balance at the time of disposition and the related gains and losses are included in the change in net assets.

The Organization performs a test for impairment whenever events or changes in circumstances indicate that the carrying amount of an individual asset or asset group may not be recoverable. Should projected undiscounted future cash flows be less than the carrying amount of the asset or asset group, an impairment charge reducing the carrying amount to fair value is required. Fair value is determined based on the most appropriate valuation technique, including discounted cash flows.

Depreciation expense for the years ended December 31, 2017 and 2016 amounted to $4,753 and $27,093, respectively.

Other Assets

Website development costs are capitalized as Other Assets and amortized over three years. Amortization of website development costs amounted to $34,782 and $44,074 for the years ended December 31, 2017 and 2016, respectively.

Income Taxes

The Organization is exempt from income taxes as a charitable organization under Section 501(c)(3) of the Internal Revenue Code.

The Organization files tax returns in the United States and has not taken any tax positions that management believes would result in additional tax liabilities upon examination of the tax returns by a tax jurisdiction. The Organization has no open tax years prior to 2014.

Advertising

The Organization's policy is to expense all advertising costs as incurred.

Concentrations of Credit Risk Due to Temporary Cash Investments and Accounts Receivable

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash, investments and accounts receivable. The Organization places its cash investments with substantial financial institutions to limit the amount of credit exposure. At times cash may exceed federally insured limits. Concentrations of credit risk with respect to accounts receivable are limited due to the financial stability of the customers and members comprising the Organization's revenue base.

The Organization maintains money market account balances at various U.S. financial institutions, which are insured by the Federal Deposit Insurance Corporation up to $250,000. The Organization also maintains non-interest bearing checking accounts which are fully insured. At December 31, 2017 and 2016 balances in excess of FDIC insurance in U.S. accounts approximated $343,000 and $397,000.

Subsequent Events

FASB ASC 855, *Subsequent Events*, establishes general standards of reporting and disclosure requirements for subsequent events, which are events that occur after the balance sheet date but before the financial statements are issued. The Organization evaluated subsequent events through April 30, 2018, the date at which the financial statements were available to be issued and has determined that no events have occurred that would require adjustment to or disclosure in the financial statements.

Adoption of New Accounting Standards

In August 2016, the FASB, issued ASU 2016-14, Not-For-Profit Entities. The update amends Topic 958, Not-for-Profit Entities and requires the presentation of two classes of net assets rather than three, requires certain changes to the statement of cash flows and provides enhanced disclosures regarding board designations, appropriations, composition of net assets with donor restrictions, certain qualitative information and other disclosures. The update is effective for annual financial statements issued for fiscal years beginning after December 31, 2017. Early application is permitted and should be applied on a retrospective basis. Management has elected not to early adopt this new standard.

Reclassifications

Certain amounts in the prior-year financial statements have been reclassified for comparative purposes to conform to the presentation in the current-year financial statements with no effect on net assets.

2. Investments

The Organization records investments using the fair value provisions of Financial Accounting Standards Board (FASB) ASC 820. These provisions establish a fair value hierarchy organized into three levels based upon the input assumptions used in pricing assets. Realized and unrealized investment gains and losses are reported in the statement of activities as increases or decreases in unrestricted net assets unless their use is temporarily or permanently restricted by explicit donor stipulations or by law.

Investments are managed by independent fund managers under guidelines established by the Organization's Executive and Finance Committees. The intent of the Organization's investment policy is to achieve diversification across capital markets and risk adjusted long term returns consistent with an emphasis on preservation of principal.

Investment securities are exposed to various risks, such as interest rate, market and credit. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in value of investment securities, it is at least reasonably possible that changes in risks in the near term would materially affect amounts reported in the statement of financial position and statement of activities and changes in net assets.

Fair Value Measurements

FASB ASC 820 prioritizes the inputs to valuation techniques used to measure fair value. A financial instrument's categorization within the fair value hierarchy is based upon the lowest level of input that is available and significant to the fair value measurement.

Level 1 – Quoted prices in active markets for identical assets or liabilities. The fair market value of marketable securities is based upon quoted prices in active markets.

Level 2 - Observable inputs other than quoted prices in active markets for identical assets and liabilities, quoted prices for identical or similar assets or liabilities in inactive markets, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. The Organization has no Level 2 fair value measurements.

Level 3 – Inputs that are generally unobservable and typically reflect management's estimates of assumptions that market participants would use in pricing the asset or liability. The Organization has no Level 3 fair value measurements.

Investments at December 31, 2017 consisted of:

Marketable Securities	(Level 1) Fair Market Value	Cost	Unrealized Appreciation
Mutual funds and ETF's	$5,241,257	$4,850,585	$390,672

Investment income in 2017 is summarized as follows:

Interest and dividend income	$ 269,268
Realized gain on sales of investments	6,600
Unrealized gain on investment holdings	302,883
	$ 578,751

Investments at December 31, 2016 consisted of:

Marketable Securities	(Level 1) Fair Market Value	Cost	Unrealized Appreciation
Mutual funds	$3,711,660	$3,639,086	$72,574

Investment income in 2016 is summarized as follows:

Interest and dividend income	$ 116,286
Realized loss on sales of investments	(152,880)
Unrealized loss on investment holdings	286,854
	$ 250,260

3. Property, Plant and Equipment

Property, plant and equipment at December 31, 2017 and 2016 consisted of:

	2017	**2016**
Furniture, equipment and software	$ 240,912	$ 240,912
Accumulated depreciation	(226,319)	(221,566)
Net property, plant and equipment	$ 14,593	$ 19,346

4. Line of Credit

The Organization has a line of credit secured by certain investments, the availability of which depends on the market value of such investments. The interest rate is the brokerage's base rate plus or minus a percentage dependent on the total assets invested with the broker. At December 31, 2017 and 2016, the rate amounted to 4.00% and the outstanding balance was $610,368 and $372,772, respectively. Interest expense for the years ended December 31, 2017 and 2016 was $12,596 and $9,925, respectively.

5. Retirement Plan

The Society of Plastics Engineers, Inc. Employee Savings Plan for all eligible employees provides for a discretionary annual employer contribution of 5% of eligible compensation plus a 3% matching of employee contributions. At December 31, 2017 and 2016 employer contributions to the plan were $10,137 and $51,816, respectively.

6. Temporarily Restricted Net Assets

The Organization maintains funds for the following purposes:

Plastivan Fund: for transporting educational programs to various schools regarding the dissemination of plastics related information.

Educational Grants Fund: for general Foundation related purposes which includes funding for programs such as exhibits at museums, attendance at educational training courses, books and equipment for classroom use, and the development of classroom-relevant educational programs.

Scholarship Fund: to provide college scholarships to students who have shown a career interest in plastics.

At December 31, 2017 net assets consisted of the following:

Unrestricted	
Undesignated	$ 999,279
Designated for future activities	33,510
Total	1,032,789
Temporarily Restricted	
Plastivan	160,000
Educational Grants Fund	479,328
Scholarship Fund	1,239,672
	1,879,000
Total	$2,911,789

At December 31, 2016 net assets consisted of the following:

Unrestricted	
Undesignated	$ 936,136
Designated for future activities	33,510
Total	969,646
Temporarily Restricted	
Plastivan	200,000
Educational Grants Fund	572,930
Scholarship Fund	1,333,421
	2,106,351
Total	$3,075,997

7. Due to Related Parties and Section and Division Rebates

The Organization handles transactions for related Special Interest Groups ("SIG") which have yet to attain Section and Division status. Like Sections and Divisions, SIG are separate organizations with independent directors. The Organization held $61,768 and $63,609 for SIG at December 31, 2017 and 2016, respectively.

In addition, at December 31, 2017 and 2016, the Organization held $58,486 and $95,170 respectively on behalf of several Sections and Divisions that were on provisional status as well as a small amount of other miscellaneous funds.

The Organization also maintained investments for one Section amounting to $182,627 and $159,458 at December 31, 2017 and 2016, respectively.

Transactions for conferences and similar events held by certain Sections and Divisions are administered by the Organization in exchange for an administrative fee. Amounts due the Sections and Divisions, net of the administrative fee, are remitted to those organizations. At December 31, 2017 and 2016 the Organization held $0 and $1,000, respectively, from such events on behalf of these affiliates.

Rebates of a portion of member's dues are paid to Sections and Divisions based on an agreed upon formula and are subject to the Sections and Divisions meeting certain requirements each year. Rebates paid to Sections and Divisions during 2017 and 2016 were $157,303 and $59,372, respectively.

8. Deferred Revenue

Deferred revenue consisted of the following at December 31, 2017 and 2016:

	2017	2016
Membership fees	$673,610	$673,643
Exhibit, conference and sponsorship	88,919	128,829
Advance from Publisher	1,500,000	
	2,262,529	802,472
Less current portion	(567,182)	(608,665)
Long term portion of membership fees	$1,695,347	$193,807

During 2017, the Organization entered into an agreement and received a payment of $1,500,000 from its publisher in consideration for maintaining the publishing relationship for a period of ten years. The agreement is effective January 1, 2018 and expires December 31, 2027. The Organization and the publisher have collaborated since 2003 to produce print and digital products owned by the Organization. The provisions of the agreement, among other terms and conditions, grants the publisher the exclusive right to publish, manufacture, promote, rent, license and sell the Organization's products in all forms and in all languages throughout the world. The Organization maintains sole ownership of the products, however.

Accordingly, revenue is being recognized on a straight-line basis over the 10 year term of the agreement. No revenue has been recognized from this agreement in 2017.

9. Operating Lease

The Organization has a five year lease for office space which expires in July 2020 for which it is responsible for its pro-rata share of common area maintenance, taxes and utilities. The lease is subject to annual CPI increases. Rent expense was $78,010 and $72,537 years ended December 31, 2017 and 2016, respectively.

The following is a schedule of future minimum lease payments under the non-cancelable operating lease (including common area maintenance, taxes and utilities) at December 31, 2017:

2018	$73,752
2019	73,752
2020	43,022
	$190,526

The Organization leases certain office equipment under non-cancelable operating lease agreements expiring through January, 2019. Equipment lease expense under those agreements was $4,289 and $4,166 for the year ended December 31, 2017 and 2016, respectively.

The following is a schedule of future minimum lease payments for equipment at December 31, 2017:

2018	$3,206
2019	80
	$3,286