

**American National Standards Institute, Incorporated
and Related Entities**



**Consolidated Financial Statements
(Together with Independent Auditors' Report)**

**For the Years Ended December 31, 2022 and 2021
and**

**Single Audit Reports and Schedule as Required by the
Office of Management and Budget Uniform Guidance**

For the Year Ended December 31, 2022

**AMERICAN NATIONAL STANDARDS INSTITUTE, INCORPORATED
AND RELATED ENTITIES**

**CONSOLIDATED FINANCIAL STATEMENTS
(Together with Independent Auditors' Report)**

**FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
AND
SINGLE AUDIT REPORTS AND SCHEDULE AS REQUIRED BY THE OFFICE OF
MANAGEMENT AND BUDGET UNIFORM GUIDANCE**

FOR THE YEAR ENDED DECEMBER 31, 2022

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
American National Standards Institute, Incorporated and Related Entities
New York, New York

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of American National Standards Institute, Incorporated and Related Entities (the "Institute"), which comprise the consolidated statement of financial position as of December 31, 2022, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Institute as of December 31, 2022, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are required to be independent of the Institute and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Report on 2021 Consolidated Financial Statements

The consolidated financial statements of the Institute as of and for the year ended December 31, 2021, were audited by another auditor whose report dated April 29, 2022, expressed an unmodified opinion on those statements.

Change in Accounting Principle

As discussed in Note 2P to the consolidated financial statements, the Institute changed its method of accounting for leases as a result of the adoption of Accounting Standards Codification Topic 842, *Leases*, effective January 1, 2022, under the modified retrospective transition method. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America and for 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Institute's ability to continue as a going concern for one year after the date the consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is

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higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with the GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Institute's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Institutes' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards ("SEFA") (shown on page 20), as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance") is presented for purposes of additional analysis and is 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 GAAS. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 16, 2023, on our consideration of the Institute's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Institute's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Institute's internal control over financial reporting and compliance.

Mayer Hoffman McCann CPAs

New York, NY

May 16, 2023, except for the SEFA, as to which the date is September 20, 2023

AMERICAN NATIONAL STANDARDS INSTITUTE, INCORPORATED AND RELATED ENTITIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2022 AND 2021

	2022	2021
ASSETS		
Cash and cash equivalents (Notes 2D and 11)	\$ 17,201,745	\$ 19,793,890
Investments (Notes 2D, 2E, 2L, 4 and 12)	13,765,746	15,990,902
Accounts receivable, net (Note 2I)		
Publications and royalties	7,609,870	6,468,055
Program support, accreditation, dues and other	8,841,583	7,271,590
Prepaid expenses and other assets	5,200,090	3,065,652
Prepaid pension costs (Note 6)	1,638,259	-
Goodwill, net (Note 2N)	7,993,508	8,276,168
Property and equipment, net (Notes 2F and 5)	1,142,162	828,632
Operating lease assets (Notes 2P and 9)	9,066,053	-
 TOTAL ASSETS	 \$ 72,459,016	 \$ 61,694,889
 LIABILITIES		
Accounts payable and accrued expenses (Note 6)	\$ 18,645,107	\$ 16,909,731
Deferred dues and fee income (Notes 2G, 2H and 8)	10,102,405	9,177,071
Pension liability (Note 6)	-	1,699,684
Deferred rent (Notes 2J and 2P)	-	999,380
Lease obligations (Notes 2P and 9)	10,241,229	-
 TOTAL LIABILITIES	 38,988,741	 28,785,866
 COMMITMENTS AND CONTINGENCIES (Note 10)		
 NET ASSETS (Notes 2C, 7 and 12)		
Without donor restrictions	33,280,558	32,800,005
With donor restrictions	189,717	109,018
 TOTAL NET ASSETS	 33,470,275	 32,909,023
 TOTAL LIABILITIES AND NET ASSETS	 \$ 72,459,016	 \$ 61,694,889

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

AMERICAN NATIONAL STANDARDS INSTITUTE, INCORPORATED AND RELATED ENTITIES
CONSOLIDATED STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	For the Year Ended December 31, 2022			For the Year Ended December 31, 2021		
	Without Donor Restrictions	With Donor Restrictions	Total 2022	Without Donor Restrictions	With Donor Restrictions	Total 2021
OPERATING ACTIVITIES:						
OPERATING REVENUE AND SUPPORT (Notes 2G, 2H and 2M):						
Member services and policy development	\$ 3,872,123	\$ -	\$ 3,872,123	\$ 3,719,775	\$ -	\$ 3,719,775
International standards facilitation	36,804,919	-	36,804,919	33,735,719	-	33,735,719
Domestic standards facilitation	10,570,131	-	10,570,131	9,533,694	-	9,533,694
Accreditation services	31,726,662	-	31,726,662	28,063,377	-	28,063,377
Fee-based programs	5,936,173	-	5,936,173	6,124,238	-	6,124,238
Contributed services (Notes 2M and 2Q)	830,422	-	830,422	833,074	-	833,074
Contribution revenue (Note 14)	-	-	-	6,546,467	-	6,546,467
Loss on disposal of property and equipment (Note 5)	-	-	-	(602,636)	-	(602,636)
TOTAL OPERATING REVENUE AND SUPPORT	89,740,430	-	89,740,430	87,953,708	-	87,953,708
OPERATING EXPENSES (Note 2K):						
Program Related Services:						
Member services and policy development	4,625,293	-	4,625,293	4,026,185	-	4,026,185
International standards facilitation	23,985,092	-	23,985,092	21,153,964	-	21,153,964
Domestic standards facilitation	8,918,917	-	8,918,917	8,222,012	-	8,222,012
Accreditation services	21,093,881	-	21,093,881	17,694,498	-	17,694,498
Fee-based services	6,603,072	-	6,603,072	6,077,077	-	6,077,077
Total Program Related Services	65,226,255	-	65,226,255	57,173,736	-	57,173,736
Supporting Services:						
Membership development and administration	948,655	-	948,655	953,331	-	953,331
Management and general	21,303,509	-	21,303,509	26,596,908	-	26,596,908
Total Supporting Services	22,252,164	-	22,252,164	27,550,239	-	27,550,239
TOTAL OPERATING EXPENSES	87,478,419	-	87,478,419	84,723,975	-	84,723,975
Change In Net Assets From Operations	2,262,011	-	2,262,011	3,229,733	-	3,229,733
NONOPERATING ACTIVITIES:						
Investment return, net (Note 4)	(2,268,628)	80,699	(2,187,929)	1,294,793	34,692	1,329,485
Other components of net periodic pension cost (Note 6)	(755,453)	-	(755,453)	(130,174)	-	(130,174)
Pension related changes other than net periodic pension cost (Note 6)	1,242,623	-	1,242,623	(339,323)	-	(339,323)
TOTAL NONOPERATING ACTIVITIES	(1,781,458)	80,699	(1,700,759)	825,296	34,692	859,988
CHANGE IN NET ASSETS	480,553	80,699	561,252	4,055,029	34,692	4,089,721
Net assets - beginning of year	32,800,005	109,018	32,909,023	28,744,976	74,326	28,819,302
NET ASSETS - END OF YEAR	\$ 33,280,558	\$ 189,717	\$ 33,470,275	\$ 32,800,005	\$ 109,018	\$ 32,909,023

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

AMERICAN NATIONAL STANDARDS INSTITUTE, INCORPORATED AND RELATED ENTITIES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2022
(With Comparative Totals for 2021)

	Program Related Services					Supporting Services						Total 2022	Total 2021
	Member Services & Policy Development	International Standards Facilitation	Domestic Standards Facilitation	Accreditation Services	Fee-Based Services	Total Program Related Services	Membership Development	Membership Admin/Relations	Total Development & Administration	Management & General	Total Supporting Services		
Salaries	\$ 3,126,943	\$ 5,583,684	\$ 1,772,791	\$ 6,015,669	\$ 3,042,891	\$ 19,541,978	\$ 20,843	\$ 696,938	\$ 717,781	\$ 8,415,189	\$ 9,132,970	\$ 28,674,948	\$ 26,978,158
Payroll Taxes and Benefits (Note 6)	752,034	1,662,914	559,087	1,946,810	791,901	5,712,746	4,661	213,005	217,666	3,171,758	3,389,424	9,102,170	8,906,203
Total Personnel Costs	3,878,977	7,246,598	2,331,878	7,962,479	3,834,792	25,254,724	25,504	909,943	935,447	11,586,947	12,522,394	37,777,118	35,884,361
Outside Services	231,673	3,001,707	177,802	654,748	2,373,253	6,439,183	-	1,645	1,645	5,282,451	5,284,096	11,723,279	11,288,106
Legal Fees	-	-	-	-	-	-	-	-	-	140,686	140,686	140,686	254,032
Accounting Fees	-	-	-	-	-	-	-	-	-	111,000	111,000	111,000	104,000
Commissions	-	403,633	113,313	-	-	516,946	-	5,032	5,032	257,551	262,583	779,529	755,309
Subcontract Auditor Fees and Expenses	-	-	197,588	11,683,795	-	11,881,383	-	-	-	213	213	11,881,596	9,260,861
Advertising and Promotion (Note 2D)	-	1,070,714	301,996	-	-	1,372,710	-	-	-	-	-	1,372,710	1,375,382
Office Expenses	52,103	608,234	173,082	17,006	49,952	900,377	147	5,559	5,706	475,100	480,806	1,381,183	1,409,206
Information Technology	-	-	-	-	-	-	-	-	-	2,127,365	2,127,365	2,127,365	5,084,653
Cost of Sales	-	7,896,658	5,386,370	-	-	13,283,028	-	-	-	-	-	13,283,028	12,363,150
Occupancy (Note 9)	175,575	990,618	290,607	27,211	196,580	1,680,591	581	20,951	21,532	866,339	887,871	2,568,462	2,791,534
Travel	82,010	142,911	7,755	388,851	176,322	797,849	-	4,460	4,460	258,314	262,774	1,060,623	151,402
Meetings	287,373	136,664	2,332	71,327	25,424	523,120	-	44	44	67,127	67,171	590,291	205,065
Depreciation and Amortization (Note 5)	12,093	68,233	20,017	-	13,540	113,883	40	1,443	1,483	137,298	138,781	252,664	909,121
Amortization of Goodwill (Note 2N)	-	-	-	282,660	-	282,660	-	-	-	-	-	282,660	282,660
Insurance	-	-	-	-	-	-	-	-	-	262,245	262,245	262,245	-
Bad Debt Expense	-	-	-	5,804	-	5,804	-	-	-	-	-	5,804	39,942
Foreign Dues	-	2,633,629	-	-	-	2,633,629	-	-	-	-	-	2,633,629	2,695,355
Subtotal	4,719,804	24,199,599	9,002,740	21,093,881	6,669,863	65,685,887	26,272	949,077	975,349	21,572,636	22,547,985	88,233,872	84,854,149
Less: Other components of net periodic pension cost (Note 6)	(94,511)	(214,507)	(83,823)	-	(66,791)	(459,632)	(450)	(26,244)	(26,694)	(269,127)	(295,821)	(755,453)	(130,174)
TOTAL EXPENSES	\$ 4,625,293	\$ 23,985,092	\$ 8,918,917	\$ 21,093,881	\$ 6,603,072	\$ 65,226,255	\$ 25,822	\$ 922,833	\$ 948,655	\$ 21,303,509	\$ 22,252,164	\$ 87,478,419	\$ 84,723,975

AMERICAN NATIONAL STANDARDS INSTITUTE, INCORPORATED AND RELATED ENTITIES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021

	Program Related Services						Supporting Services					Total 2021
	Member Services & Policy Development	International Standards Facilitation	Domestic Standards Facilitation	Accreditation Services	Fee-Based Services	Total Program Related Services	Membership Development	Membership Admin/Relations	Total Development & Administration	Management & General	Total Supporting Services	
Salaries	\$ 2,750,203	\$ 5,202,358	\$ 1,746,530	\$ 5,542,750	\$ 2,640,766	\$ 17,882,607	\$ 13,001	\$ 672,787	\$ 685,788	\$ 8,409,763	\$ 9,095,551	\$ 26,978,158
Payroll Taxes and Benefits (Note 6)	804,449	1,768,045	594,466	2,015,485	755,513	5,937,958	5,092	228,092	233,184	2,735,061	2,968,245	8,906,203
Total Personnel Costs	3,554,652	6,970,403	2,340,996	7,558,235	3,396,279	23,820,565	18,093	900,879	918,972	11,144,824	12,063,796	35,884,361
Outside Services	169,786	819,999	168,474	507,612	2,337,095	4,002,966	-	5,189	5,189	7,279,951	7,285,140	11,288,106
Legal Fees	-	-	-	-	-	-	-	-	-	254,032	254,032	254,032
Accounting Fees	-	-	-	-	-	-	-	-	-	104,000	104,000	104,000
Commissions	-	403,168	106,801	-	-	509,969	-	5,851	5,851	239,489	245,340	755,309
Subcontract Auditor Fees and Expenses	-	-	150,013	9,098,290	-	9,248,303	-	-	-	12,558	12,558	9,260,861
Advertising and Promotion (Note 2O)	-	1,140,971	234,421	-	-	1,375,392	-	-	-	-	-	1,375,392
Office Expenses	47,984	559,005	154,963	97,836	56,311	916,099	117	5,828	5,945	487,162	493,107	1,409,206
Information Technology	-	-	-	300	-	300	-	-	-	5,084,353	5,084,353	5,084,653
Cost of Sales	-	7,572,866	4,790,284	-	-	12,363,150	-	-	-	-	-	12,363,150
Occupancy (Note 9)	165,924	930,112	271,293	16,254	196,814	1,580,397	412	20,495	20,907	1,190,230	1,211,137	2,791,534
Travel	6,426	11,958	11	76,578	26,210	121,183	-	-	-	30,219	30,219	151,402
Meetings	90,536	29,516	354	15,792	64,851	201,049	-	-	-	4,016	4,016	205,065
Depreciation and Amortization (Note 5)	10,196	57,156	16,671	999	12,094	97,116	25	1,259	1,284	810,721	812,005	909,121
Amortization of Goodwill (Note 2N)	-	-	-	282,660	-	282,660	-	-	-	-	-	282,660
Bad Debt Expense	-	-	-	39,942	-	39,942	-	-	-	-	-	39,942
Foreign Dues	-	2,695,355	-	-	-	2,695,355	-	-	-	-	-	2,695,355
Subtotal	4,045,504	21,190,509	8,234,281	17,694,498	6,089,654	57,254,446	18,647	939,501	958,148	26,641,555	27,599,703	84,854,149
Less: Other components of net periodic pension cost (Note 6)	(19,319)	(36,545)	(12,269)	-	(12,577)	(80,710)	(91)	(4,726)	(4,817)	(44,647)	(49,464)	(130,174)
TOTAL EXPENSES	\$ 4,026,185	\$ 21,153,964	\$ 8,222,012	\$ 17,694,498	\$ 6,077,077	\$ 57,173,736	\$ 18,556	\$ 934,775	\$ 953,331	\$ 26,596,908	\$ 27,550,239	\$ 84,723,975

AMERICAN NATIONAL STANDARDS INSTITUTE, INCORPORATED AND RELATED ENTITIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 561,252	\$ 4,089,721
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Bad debt expense	5,804	39,942
Realized and unrealized loss (gain) on investments	2,777,529	(713,145)
Change in value of charitable remainder trust	(80,699)	(34,692)
Loss on disposal of fixed assets	-	602,636
Depreciation and amortization	252,664	909,121
Amortization of goodwill	282,660	282,660
Forgiveness of refundable advance	-	(3,827,000)
Subtotal	3,799,210	1,349,243
Changes in operating assets and liabilities:		
(Increase) or decrease in assets:		
Accounts receivable	(2,717,612)	1,415,188
Prepaid expenses and other assets	(2,134,438)	(653,872)
Prepaid pension costs	(1,638,259)	-
Increase or (decrease) in liabilities:		
Accounts payable and accrued expenses	1,735,376	2,242,587
Deferred dues and fee income	925,334	554,515
Pension liability	(1,699,684)	(4,124,375)
Deferred rent and lease obligations	175,796	403,874
Net Cash (Used in) Provided by Operating Activities	(1,554,277)	1,187,160
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(3,073,962)	(2,617,370)
Proceeds from sales of investments	2,602,288	1,478,271
Additions to property and equipment	(566,194)	(597,465)
Net Cash Used in Investing Activities	(1,037,868)	(1,736,564)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(2,592,145)	(549,404)
Cash and cash equivalents, beginning of year	19,793,890	20,343,294
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 17,201,745	\$ 19,793,890
Supplemental Disclosure of Cash Flow Information:		
Operating lease assets obtained in exchange for lease obligations	\$ 9,066,053	\$ -

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

AMERICAN NATIONAL STANDARDS INSTITUTE, INCORPORATED AND RELATED ENTITIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES

Founded in 1918, the American National Standards Institute, Incorporated (“ANSI”) is a not-for-profit organization that administers and coordinates the U.S. voluntary standardization and conformity assessment system. It is exempt from federal income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code, and from state and local taxes under comparable laws.

In July 2014, ANSI formed WorkCred, Inc. and is its sole member. WorkCred, Inc. is a not-for-profit organization incorporated in the State of Delaware, the purpose of which is to provide research, consultative and educational services in the area of workplace credentials. The two organizations have interrelated directors and share common personnel. Therefore, the financial results and operations of WorkCred, Inc. are consolidated with ANSI and all significant inter-company transactions and balances have been eliminated.

On December 28, 2018, ANSI became the sole owner of the newly named ANSI National Accreditation Board LLC, (“ANAB”). Upon this transaction, ANAB is now a disregarded entity for tax purposes and is included in the consolidated financial statements of ANSI.

The consolidated financial statements are referred to as those of the “Institute.”

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- A. The Institute’s consolidated financial statements have been prepared on the accrual basis of accounting. The Institute adheres to accounting principles generally accepted in the United States of America (“U.S. GAAP”).
- B. The preparation of consolidated financial statements in conformity with 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. Actual results could differ from those estimates.
- C. The Institute maintains its net assets under the following classes:
- Without Donor Restrictions – represent those resources that have no donor restrictions as to their use. In 1969, the Institute’s Board of Directors designated a reserve fund for the establishment of new standards programs and to fund future operating deficits. The reserve is funded by the operating fund and invested subject to approval by the Board’s finance committee. In 1973, the Board established a specific-purpose, international fund to assist the Institute in its international standardization and related activities. Expenditures from the income of the fund must be authorized by the governing board of the international fund.

In 2002, the Board established four additional specific-purpose funds to facilitate international-related meetings, consumer-interest participation in standards-related activities, and special research projects and/or educational initiatives. Expenditures from each of these specific-purpose funds must be authorized by the governing board of each respective fund.

- With Donor Restrictions – consists of resources, the use of which has been restricted by donors to specific purposes. Net assets released from restrictions represent the satisfaction of the restricted purposes specified by the donor, of which there were none during 2022 or 2021.

The Peralta Charitable Remainder Unitrust was established in 1993 and is reported within the net asset category with donor restrictions. Upon the death of the Unitrust beneficiaries, the principal and income of the trust will be distributed to the Institute for educational purposes.

AMERICAN NATIONAL STANDARDS INSTITUTE, INCORPORATED AND RELATED ENTITIES
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NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- D. The Institute considers all highly liquid instruments acquired with an original maturity of three months or less to be cash equivalents, with the exception of certain cash deposits and certificates of deposit that are managed as part of the Institute's long-term investment strategy. The carrying amount approximates the fair value because of the short maturity of these instruments.
- E. Investments in equity securities with readily determinable fair values and all debt securities are reported at their fair values, with realized and unrealized gains and losses included in the accompanying consolidated statements of activities. Net investment income is recorded as either with or without donor restriction, in accordance with donor intent.
- F. Property and equipment are stated at their costs at the dates of acquisition. Leasehold improvements are also capitalized as assets, whereas the costs of repairs and maintenance are expensed as incurred. The Institute capitalizes property and equipment with a cost basis of \$10,000 or higher and a useful life of at least one year.

Depreciation of furniture and equipment is provided using the straight-line method, over the estimated useful lives of the respective assets, ranging from three to ten years. Amortization of leased assets is computed using the straight-line method over the estimated useful lives of the assets. Leasehold improvements are amortized over the lesser of the estimated useful life of the specific asset or the remaining term of the applicable lease.

- G. The Institute recognizes revenue through the five-step model described by the Financial Accounting Standards Board ("FASB") in the Accounting Standards Codification ("ASC") Topic 606, *Revenue from Contracts with Customers*: (1) identification of the contract with a customer; (2) identification of the performance obligations in the contracts; (3) determination of the transaction price; (4) allocation of the transaction price to the performance obligations in the contracts; and (5) recognition of revenue when a performance obligation is met.

Revenue from publication sales is recognized when the customer purchases an electronic copy of the publication through the Institute's E-commerce website or when the order is fulfilled by third-party resellers. Direct network revenue, membership dues, assessment fees and fee-based programs are recognized over the period to which they apply. Included in fee-based programs are government grants which are recognized as the services for which the awards have been issued are provided. Recognition of revenue from membership dues, site license contracts and assessment fees relating to a future year is deferred until that year.

Membership dues pertain to contracts with an organization or individual to provide access to online "member only" information and educational content. Site license contracts pertain to contracts providing intra-company use of customized collections of standards. Assessment fees pertain to contracts with organizations to provide assessments in conformity with international guidelines and verified by government and peer review assessments. Fees are received under agreements to provide specified services over the course of one to three years. Accordingly, these fees are recognized ratably over this period. Fees paid in advance of the service being performed and the portion of fees considered unearned is considered a contract liability at year-end, which is deferred to the next year and recognized once the service is completed. The Institute evaluated the contracts and determined there to be one performance obligation, because the services being provided are significantly integrated within the context of the contract.

The timing of billings, cash collections and revenue recognition results in accounts receivable and deferred revenue on the accompanying consolidated statements of financial position. Deferred revenue amounted to approximately \$2,965,000, \$2,457,000 as of December 31, 2022, 2021 and \$1,269,000 as of January 1, 2021, respectively. There were no receivables for any of the year ends.

- H. Included in fee-based programs are government grants which are recognized as the services for which the awards have been issued are provided in accordance with FASB Accounting Standards Update ("ASU") 2018-08, *Clarifying the Scope and Accounting Guide for Contributions Received and Contributions Made* (Topic 958). As of December 31, 2022 and 2021, the Institute has various government grants with periods ending through July 2024 amounting to approximately \$3,600,000 and \$4,700,000, respectively, which are conditioned upon the terms within the agreements, and have not been recognized in the accompanying consolidated financial statements, as well as a foundation grant amounting to approximately \$1,200,000 and \$4,550,000, of which \$407,000 and \$200,000 have been received and included in deferred dues and fee income in the statement of financial position as of December 31, 2022 and 2021, respectively.

AMERICAN NATIONAL STANDARDS INSTITUTE, INCORPORATED AND RELATED ENTITIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- I. As of both December 31, 2022 and 2021, the Institute has determined that an allowance for doubtful accounts of \$580,988 is necessary for accounts receivable. Such an estimate is based on historical loss experience of the aging of receivables. Accounts receivable are written off when all reasonable collection efforts have been exhausted.
- J. Prior to the adoption of FASB ASU 2016-02, *Leases*, as of January 1, 2022, rent expense was recognized using the straight-line method over the terms of the leases. The difference between rent expense incurred and the amount paid, which is attributable to scheduled rent increases, is reported as deferred rent liability in the accompanying consolidated statements of financial position as of December 31, 2021. As explained in Note 2O, the Institute adopted FASB ASU 2016-02, *Leases* (Topic 842) as of January 1, 2022.
- K. The costs of providing the various programs and supporting services have been summarized on a functional basis in the accompanying consolidated statements of activities. The Institute has not incurred any fundraising costs. The consolidated financial statements include categories of expenses that are attributable to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Salary and benefits are allocated on the basis of time and effort. Rent and utilities are allocated per employee based on their individual salary and benefits as a percentage of the Institute's total salaries and benefits. Operating costs such as postage, printing and supplies are charged to the specific activity code for which services are provided. For expenses which benefit more than one activity code, costs are allocated based on the percentage of use.
- L. 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 below.

The fair value hierarchy defines three levels as follows:

Level 1: Valuations based on quoted prices (unadjusted) in an active market that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.

Level 2: Valuations based on observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in inactive markets; or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated with observable market data.

Level 3: Valuations based on unobservable inputs are used when little or no market data is available. The fair value hierarchy gives the lowest priority to Level 3 inputs. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities.

In determining fair value, the Institute 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. Investments in securities classified as Level 1 are valued using market prices in active markets (Level 1).

- M. Contributed services meeting criteria established under U.S. GAAP are reflected as both contribution revenue and expenses in the accompanying consolidated statements of activities at their estimated fair value on the date of receipt for each contributor, the majority of which are staff time and are calculated based up the number of hours worked and their hourly rate. The contributions of services are recognized if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided. In-kind contributions amounted to \$830,422 and \$833,074 for the years ended December 31, 2022 and 2021, respectively, and were professional services for program-related activities to support the international standards facilitation.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. As of December 31, 2022 and 2021, goodwill amounted to \$7,993,508 and \$8,276,168, respectively. Accumulated amortization as of December 31, 2022 and 2021 amounted to \$1,130,640 and \$847,980, respectively. This amount resulted from a 2015 ANAB purchase accounted for using private company accounting and determined that amortization over ten years of the goodwill initially recorded of \$2,826,660 was appropriate. Annual amortization amounted to \$282,660 and the remaining unamortized goodwill associated with the 2015 purchase amounted to \$834,041 and \$1,116,701 as of December 31, 2022 and 2021, respectively.

This policy continued as part of ANSI's acquisition of ANAB in December 2018. Additionally, as part of the acquisition of ANAB, goodwill in the amount of \$7,159,467, representing the excess of the purchase price over the fair value of the net assets of ANAB acquired were recorded. The Institute will maintain this balance relating to the acquisition of ANAB and will review annually for a triggering event which would give cause to a reevaluation of the goodwill. At present, management believes there has been no diminution in value and as such, no impairment charges were recorded during the years ended December 31, 2022 and 2021.

O. The cost of advertising is expensed as incurred and amounted to \$1,372,710 and \$1,375,392 for the years ended December 31, 2022 and 2021, respectively.

P. FASB ASU 2016-02, *Leases* (Topic 842) was adopted by the Institute for the year ended December 31, 2022. This ASU requires organizations that lease assets to recognize the present value of the assets and liabilities for the rights and obligations created by those leases. The Institute adopted this ASU as of January 1, 2022. The adoption of this ASU required the Institute to record amounts as of January 1, 2022, and the prior year financial statements have not been adjusted as the new standard permits adoption prospectively. As of January 1, 2022, the right-of-use assets ("ROU") amounted to \$10,881,570 and lease obligations amounted to \$11,880,950. As the deferred rent as of January 1, 2022 of \$999,380 was netted against the right-of-use assets, the adoption of ASU 2016-02 did not affect the change in net assets as previously reported.

Q. FASB ASU 2020-07, *Presentation and Disclosures by Not-For-Profit Entities for Contributed Nonfinancial Assets* ("Gifts-in-Kind") was adopted by the Institute for the year ended December 31, 2022. The core guidance in ASU 2020-07 is to increase transparency around contributed nonfinancial assets (also known as "gifts-in-kind") received by not-for-profit ("NFP") organizations, including transparency on how those assets are used and how they are valued. ASU 2020-07 improves financial reporting by providing new presentation and disclosure requirements about contributed nonfinancial assets for NFPs. The amendments did not change existing recognition and measurement requirements for those assets.

R. Reclassification – Certain line items on the December 31, 2021 consolidated statement of activities have been reclassified to conform to the December 31, 2022 presentation.

NOTE 3 – LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the consolidated statements of financial position date are comprised of the following as of December 31:

	<u>2022</u>	<u>2021</u>
Financial assets at year-end:		
Cash and cash equivalents	\$ 17,201,745	\$ 19,793,890
Investments	13,765,746	15,990,902
Accounts receivable	<u>16,451,453</u>	<u>13,739,645</u>
Total financial assets	47,418,944	49,524,437
Less:		
Assets subject to donor-imposed restrictions	(189,717)	(109,018)
Investments held for deferred compensation plan	(2,431,846)	(2,455,899)
Board-designated operating reserve fund	(10,735,765)	(12,963,108)
Board-designated specific purpose fund	<u>(522,797)</u>	<u>(712,362)</u>
Net financial assets available to meet cash needs for general expenditures within one year	<u>\$ 33,538,819</u>	<u>\$ 33,284,050</u>

AMERICAN NATIONAL STANDARDS INSTITUTE, INCORPORATED AND RELATED ENTITIES
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NOTE 3 – LIQUIDITY AND AVAILABILITY (Continued)

Investment funds consist of a donor-restricted fund disclosed in Notes 2C and 7, and funds designated by the Board. Although the Institute does not intend to spend from the board-designated reserve fund, these amounts could be made available if necessary.

As part of the Institute’s liquidity management plan, the Institute’s Board designated a portion of the operating surplus to its operating reserve with a target of 33.3% of its operating expenses to net assets by 2023. As of December 31, 2022 and 2021, the Institute was reserved at 38.0% and 38.7%, respectively. The Board can un-designate funds to use for general expenditures. Additionally, as noted in Note 13, the Institute has a line of credit of \$1,000,000 available for general operating needs.

NOTE 4 – INVESTMENTS AT FAIR VALUE

Financial assets carried at December 31, 2022 are classified in the table as follows:

	<u>Level 1</u>	<u>Total</u>
Assets Carried at Fair Value:		
Investments:		
Equity securities:		
Mutual funds	\$ 11,090,408	\$ 11,090,408
Cash held with investments	-	243,492
Investments held for deferred compensation plan	<u>2,431,846</u>	<u>2,431,846</u>
Total investments	<u>\$ 13,522,254</u>	<u>\$ 13,765,746</u>

Financial assets carried at December 31, 2021 are classified in the table as follows:

	<u>Level 1</u>	<u>Total</u>
Assets Carried at Fair Value:		
Investments:		
Equity securities:		
Mutual funds	\$ 13,374,027	\$ 13,374,027
Domestic equity securities	<u>108,979</u>	<u>108,979</u>
Cash held with investments	-	51,997
Investments held for deferred compensation plan	<u>2,455,899</u>	<u>2,455,899</u>
Total investments	<u>\$ 15,938,905</u>	<u>\$ 15,990,902</u>

Investments are subject to market volatility that could change their carrying value in the near term.

Investment return consists of the following for the years ended December 31:

	<u>2022</u>	<u>2021</u>
Interest and dividends	\$ 556,709	\$ 628,576
Realized and unrealized (loss) gain	(2,696,830)	747,837
Investment fees	<u>(47,808)</u>	<u>(46,928)</u>
	<u>\$ (2,187,929)</u>	<u>\$ 1,329,485</u>

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NOTE 5 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of December 31:

	2022	2021
Furniture, fixtures and equipment	\$ 4,026,657	\$ 4,026,657
Leasehold improvements	1,124,206	1,124,206
Construction in progress	566,194	-
Total cost	5,717,057	5,150,863
Less: accumulated depreciation/amortization	4,574,895	4,322,231
Net book value	\$ 1,142,162	\$ 828,632

Depreciation and amortization expense amounted to \$252,664 and \$909,121 for the years ended December 31, 2022 and 2021, respectively. During 2021, the Institute wrote off property and equipment with a cost of \$1,811,313 and accumulated depreciation and amortization of \$1,208,677, resulting in a loss on disposal of \$602,636. There were no write-offs in 2022. The estimated cost to complete is approximately \$1,500,000 and it is expected to be completed in 2024.

NOTE 6 – PENSION AND OTHER BENEFIT PLANS

The Institute sponsors a defined-benefit pension plan for its eligible employees (the “Plan”). The Plan’s assets are invested in a diversified menu of collective trust portfolios, professionally managed by institutional portfolio managers. Changes in value attributable to differences between actual and assumed returns on pension plan assets are deferred as unrecognized gains or losses and are included in the determination of net pension expense over time.

The funded status of the Plan was as follows as of December 31:

	2022	2021
Projected benefit obligation	\$ (34,177,333)	\$ (41,049,860)
Fair value of Plan assets	35,815,592	39,350,176
Funded status	\$ 1,638,259	\$ (1,699,684)
Amount recognized in the consolidated statements of financial position as:		
Pension asset (liability)	\$ 1,638,259	\$ (1,699,684)

The components of net periodic pension cost, including the service cost included in payroll taxes and benefits, for the pension plan are as follows for the years ended December 31:

	2022	2021
Service cost	\$ 2,260,133	\$ 2,136,303
Interest	1,432,667	1,405,723
Return on plan assets	6,352,965	(2,834,046)
Deferred asset change	(9,281,261)	589,727
Amortization of unrecognized gain or loss	620,031	577,616
Amortization of unrecognized prior service cost	44,953	76,382
Administrative expenses paid	75,192	54,423
	\$1,504,680	\$2,006,128

As of December 31, 2022 and 2021, the accumulated benefits obligation for the Plan was \$30,503,696 and \$32,207,763, respectively.

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NOTE 6 – PENSION AND OTHER BENEFIT PLANS (Continued)

Pension related changes other than net periodic pension costs and other components of net periodic pension costs recognized in the change in net assets without donor restrictions were as follows for the years ended December 31:

	<u>2022</u>	<u>2021</u>
Net (loss) gain	\$ (9,281,261)	\$ 589,727
Amortization of prior service cost	44,953	76,382
Amortization of gain (loss)	<u>10,478,931</u>	<u>(1,005,432)</u>
Net pension related changes other than net periodic pension costs	<u>\$ 1,242,623</u>	<u>\$ (339,323)</u>
Interest cost	\$ 1,432,667	\$ 1,405,723
Actual return on Plan assets	(2,853,104)	(2,189,895)
Net amortization and deferral of net gain	<u>664,984</u>	<u>653,998</u>
Net other components of net periodic pension cost	<u>\$ (755,453)</u>	<u>\$ (130,174)</u>

Maximum Plan compensation was \$290,000 and \$285,000 for the years ended December 31, 2022 and 2021, respectively.

The net periodic pension costs include reclassifications of amounts previously recognized as changes in net assets without donor restrictions as follows for the years ended December 31:

	<u>2022</u>	<u>2021</u>
Prior service costs	\$ 44,953	\$ 76,382
Net loss	620,031	577,616

Amounts that had not been recognized as components of net periodic benefit costs, but included as change in net assets without donor restrictions to date are as follows as of December 31:

	<u>2022</u>	<u>2021</u>
Net actuarial loss	\$ (11,341,948)	\$ (12,539,618)
Prior service cost	<u>(119,707)</u>	<u>(164,660)</u>
	<u>\$ (11,461,655)</u>	<u>\$ (12,704,278)</u>

Amounts in net assets without donor restrictions and expected to be recognized as components of net periodic benefit costs over 2023 are as follows:

Net gain	\$ 8,661,230
Prior service costs	44,953

The weighted-average assumptions used to determine the benefit obligation and net periodic benefit cost for the pension plan are as follows as of and for the years ended December 31:

	<u>2022</u>	<u>2021</u>
Discount rate used for net periodic benefit cost	5.29%	3.50%
Rate of compensation increase	3.15%	3.15%
Expected return on Plan assets	7.0%	7.0%
Mortality table	2021-RP	2021-RP
Crediting interest rate	7.00%	7.00%

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NOTE 6 – PENSION AND OTHER BENEFIT PLANS (Continued)

The defined benefit plan's expected rate of return on Plan assets is determined by the Plan assets' historical long-term investment performance, current asset allocation and estimates of future long-term returns by asset class.

The following schedule of benefit payments for the pension plan, which reflects expected future services, as appropriate, are expected to be paid:

2023	\$ 1,246,000
2024	927,000
2025	1,076,000
2026	1,380,000
2027	1,562,000
5 years thereafter	10,426,000

The Institute expects to make a contribution to the Plan during 2023 in the amount of approximately \$3,600,000. The Plan is intended to provide an effective vehicle for the investment and administration of Plan assets. The number and types of investments utilized within the Plan and the investment managers retained to manage the alternatives are subject to change.

The primary purpose of the investments is to generate rates of return that will provide for the long-term funding of the obligations of the Institute incurred under the Plan. The goal of the Plan is to earn a rate of return that meets or exceeds appropriate market indices consistent with the asset allocation target of 60% in equity securities and 40% in fixed-income securities.

The permitted range by investment category as a percentage of total value is as follows:

	<u>Minimum Percentage</u>	<u>Maximum Percentage</u>
Domestic equity securities	20%	55%
International equity funds	0%	25%
Domestic fixed-income funds	30%	70%
Short-term fixed income funds	0%	10%

At each year-end, the percentage of the fair value of total Plan assets held were as follows:

	<u>2022</u>	<u>2021</u>
Domestic equity securities	45%	43%
International equity funds	6%	9%
Fixed-income funds	41%	39%
Other funds	7%	6%
Cash	1%	3%
	<u>100%</u>	<u>100%</u>

Assets carried at December 31, 2022 are classified in the table as follows:

	<u>Level 1</u>	<u>Total</u>
Mutual Funds	\$ 34,039,281	\$ 34,039,281
Investments at Fair Value	<u>\$ 34,039,281</u>	34,039,281
Collective Standard Stable Asset 2 Fund - NAV		<u>1,776,311</u>
Total Investments		<u>\$ 35,815,592</u>

AMERICAN NATIONAL STANDARDS INSTITUTE, INCORPORATED AND RELATED ENTITIES
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NOTE 6 – PENSION AND OTHER BENEFIT PLANS (Continued)

Assets carried at December 31, 2021 are classified in the table as follows:

	<u>Level 1</u>	<u>Total</u>
Mutual Funds	\$ 37,766,777	\$ 37,766,777
Investments at Fair Value	<u>\$ 37,766,777</u>	37,766,777
Collective Standard Stable Asset 2 Fund - NAV		<u>1,583,399</u>
Total Investments		<u>\$ 39,350,176</u>

These investments are held in a mutual fund and insurance contract with the Plan's investment custodian.

Investments in the Standard Stable Asset 2 Fund uses a portfolio rate structure in which a single interest-crediting rate is applied to all fund assets regardless of when contributions are made and are valued at the daily Net Asset Value ("NAV") as a practical expedient.

On November 30, 2017, the ANSI Board of Directors approved a soft freeze of the defined benefit pension plan as of year-end 2017.

The Institute also maintains a defined-contribution retirement plan covering the same employee group as the pension plan. The Institute's annual contribution is an amount equal to 100% of the first 6% of employee compensation of those employees who choose to participate and who contribute the maximum.

Total employer contributions were \$3,600,000 in 2022 and \$6,600,000 in 2021. Effective January 1, 2018, all new hires will be provided a cash balance plan in lieu of the defined benefit plan. The cash balance plan is based upon a point system where a contribution credit percent is calculated on annual salary based upon age groups.

In 2006, the Institute entered into a supplemental retirement benefit agreement with the current president, retroactive to his January 2006 date of employment. The supplemental retirement benefit agreement was reviewed and approved by the Institute's compensation committee, which, in accordance with the Institute's bylaws, has the responsibility of determining the president's compensation. The compensation committee is composed of certain members of the Board of Directors. Expenses of \$770,028 and \$318,279 were recorded under the agreement for each of the years ended December 31, 2022 and 2021, respectively. The accumulated supplemental retirement benefit of \$3,206,196 and \$2,436,168 for the years ended December 31, 2022 and 2021, respectively are included in accounts payable and accrued expenses.

NOTE 7 – NET ASSETS WITH DONOR RESTRICTIONS

The Institute's net assets with donor restrictions of \$189,717 and \$109,018 at December 31, 2022 and 2021, respectively, consisted of the Peralta Charitable Remainder Unitrust. Upon the death of the Unitrust beneficiaries, the principal and income of the trust will be distributed to the Institute for educational purposes. The increase of \$80,699 is attributable to the change in value of the trust assets and distribution of trust assets. In 2022, the beneficiary passed away and the principal and income of the trust was distributed to the Institute for educational purposes.

NOTE 8 – DEFERRED INCOME

Deferred income consisted of the following as of December 31:

	<u>2022</u>	<u>2021</u>
Membership dues received in advance	\$ 2,965,204	\$ 2,457,039
Fee-based program revenue received in advance	<u>7,137,201</u>	<u>6,720,032</u>
	<u>\$ 10,102,405</u>	<u>\$ 9,177,071</u>

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NOTE 9 – LEASES

The Institute leases office space under six operating leases, with varying end dates between 2021 and 2034. In addition to base rent, the Institute is obligated to pay an additional amount based upon increases in real estate taxes, maintenance and utility costs. The Institute assesses whether an arrangement qualifies as a lease at inception and only reassesses its determination if the terms and conditions of the arrangement are changed. As a result, adopting FASB ASC Topic 842 had no impact on the prior year consolidated statement of financial position information, and because these leases are operating leases, the adoption of the standard has no impact on the Institute's change in net assets. Comparative information provided in the following paragraphs was determined using the accounting principles in effect as of and for the year ended December 31, 2021 (i.e. ASC Topic 840). No comparative information is provided for the amounts reported on the consolidated statements of financial position as of December 31, 2021 since the Institute used the modified retrospective method of transition that does not require restating the prior period.

During the years ended December 31, 2022 and 2021, the Institute sub-leased office space resulting in approximately \$0 and \$8,100 of income. These amounts have been netted against the rent expense in the consolidated statements of activities for the years ended December 31, 2022 and 2021, respectively.

As of December 31, 2022, the ROU asset had a balance of \$9,066,053, as shown in the consolidated statements of financial position; the lease liability totaled \$10,241,229, as shown in the consolidated statements of financial position. The lease liabilities were calculated utilizing the risk-free Treasury rates in effect as of the date of adoption, January 1, 2022, ranging from 0.78% - 1.72%, depending on the remaining life of the leases. The weighted average of the remaining leases are 144 months, and the weighted average interest rate of the remaining leases is 1.01%. Cash paid for amounts in lease liabilities amounted to \$1,863,549 and \$1,754,502 for the years ended December 31, 2022 and 2021, respectively.

Future minimum payments for non-cancelable operating leases for the next five years ending after December 31, 2022 and thereafter are as follows:

2023	\$	2,069,940
2024		1,499,889
2025		606,029
2026		788,364
2027		783,906
Thereafter		<u>5,360,305</u>
Total lease payments		11,108,433
Less: Present value discount		<u>(867,204)</u>
Present value of lease liabilities	\$	<u>10,241,229</u>

Rent expense under the operating leases amounted to approximately \$1,800,000 and \$2,442,000 for the years ended December 31, 2022 and 2021, respectively.

NOTE 10 – COMMITMENTS AND CONTINGENCIES

- A. From time to time the Institute may be a defendant in legal actions arising out of the normal course of its operations. Eventual liability, if any, would likely be covered by insurance, except where the applicable insurance policies expressly exclude certain coverage which arguably relates to the claims.
- B. The Institute believes it has no uncertain tax positions as of December 31, 2022 and 2021 in accordance with FASB ASC Topic 740, "Income Taxes," which provides standards for establishing and classifying any tax provisions for uncertain tax positions.

NOTE 11 – CONCENTRATIONS

Cash and cash equivalents that potentially subject the Institute to a concentration of credit risk include cash accounts with banks that exceed the Federal Deposit Insurance Corporation ("FDIC") insurance limits. Accounts are insured up to \$250,000 per depositor. As of December 31, 2022 and 2021, there was approximately \$17,341,000 and \$14,845,000, respectively, of cash and cash equivalents held by three banks that exceeded FDIC limits. Such excess includes outstanding checks.

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NOTE 12 – ENDOWMENT NET ASSETS

The Institute adheres to the New York Prudent Management of Institutional Funds Act (“NYPMIFA”), which creates a rebuttable presumption of imprudence if an organization appropriates more than 7% of a donor-restricted perpetual endowment fund’s fair value (averaged over a period of not less than the preceding five years) in any year. In addition, in accordance with NYPMIFA, any unappropriated earnings on endowment funds that would otherwise be considered in perpetuity without donor restrictions are reflected as with donor restrictions until appropriated by the Board of Directors. As of December 31, 2022 and 2021, the Institute had no donor-restricted endowment funds.

The Institute maintains an endowment fund, as further described in Note 2C. However, such Board designated endowment funds are not subject to the appropriation provisions of NYPMIFA.

The Institute’s endowment investment policy is to invest in fixed income and equities based on an asset allocation with the objective of preservation of capital, liquidity and optimization of investment returns within the constraints of the aforementioned objectives.

Changes in endowment net assets for the year ended December 31, 2022 are as follows:

	Without Donor Restrictions Board Designated <u>Reserve</u>	Without Donor Restrictions Specific Purpose <u>Funds</u>
Endowment net assets, beginning of year	\$ 12,963,108	\$ 712,362
Transfer (to) from without donor restricted operating fund	5,938	(124,166)
Investment activity:		
Interest and dividends	647,034	14,576
Realized/Unrealized loss on investments	<u>(2,880,315)</u>	<u>(79,975)</u>
Total investment activity and transfers	<u>(2,227,343)</u>	<u>(189,565)</u>
Endowment net assets, end of year	<u>\$ 10,735,765</u>	<u>\$ 522,797</u>

Changes in endowment net assets for the year ended December 31, 2021 are as follows:

	Without Donor Restrictions Board Designated <u>Reserve</u>	Without Donor Restrictions Specific Purpose <u>Funds</u>
Endowment net assets, beginning of year	\$ 11,728,388	\$ 461,140
Transfer (to) from without donor restricted operating fund	(114,733)	322,706
Investment activity:		
Interest and dividends	1,883,481	14,673
Realized/Unrealized loss on investments	<u>(534,028)</u>	<u>(86,157)</u>
Total investment activity and transfers	<u>1,234,720</u>	<u>251,222</u>
Endowment net assets, end of year	<u>\$ 12,963,108</u>	<u>\$ 712,362</u>

AMERICAN NATIONAL STANDARDS INSTITUTE, INCORPORATED AND RELATED ENTITIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 13 – LINE OF CREDIT

The Institute has a line of credit with a financial institution in the amount of \$1,000,000, with an interest rate equal to one-quarter percent (0.25%) above the prime rate. The line of credit is secured by all deposits held by the financial institution. There were no borrowings on the line of credit during the years ended December 31, 2022 and 2021. As of May 16, 2023, there was no borrowing on the line of credit.

NOTE 14 – CONTRIBUTION REVENUE

The Institute obtained a \$5,187,000 loan under the Paycheck Protection Program (“PPP”) administered by a Small Business Administration (“SBA”) approved lender. The loan was uncollateralized and was fully guaranteed by the federal government. The Institute was eligible for loan forgiveness of up to 100% of the loan, upon meeting certain requirements. The Institute had recorded the loan as a refundable advance and recorded the forgiveness in accordance with guidance for conditional contributions when there was no longer a measurable performance or other barrier and a right to return of the PPP loan or when such conditions were explicitly waived. Contribution revenue of \$1,360,000 had been recognized under the program for the year ended December 31, 2020. The Institute would be required to repay any remaining balance, plus interest accrued at 1% per annum in monthly payments on any portion of the PPP loan not forgiven. No payments were required prior to the loan forgiveness application being submitted, which was due within ten months of the completion of the covered period. Principal and interest would be required through the maturity date, May 4, 2022. The remaining \$3,827,000 was forgiven as of June 15, 2021 and has been recognized as contribution revenue for the year ended December 31, 2021.

During the year ended December 31, 2021, the Institute recognized contribution revenue related to the Employee Retention Credit (“ERC”) established by the Coronavirus Aid, Relief, and Economic Security (“CARES”) Act. Laws and regulations related to the ERC and CARES Act are complex and subject to varying interpretations. Claims made under the CARES Act may also be subject to retroactive audit and review. There can be no assurance that regulatory authorities will not challenge the Institute's claim to the ERC, and it is not possible to determine the impact (if any) this would have upon the Institute. The total amount of the ERC recognized during the year ended December 31, 2021, was approximately \$2,647,000.

NOTE 15 – SUBSEQUENT EVENTS

Management has evaluated events subsequent to the date of the consolidated statement of financial position through May 16, 2023, the date the consolidated financial statements were available to be issued.

AMERICAN NATIONAL STANDARDS INSTITUTE, INCORPORATED AND RELATED ENTITIES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2022

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Federal Expenditures	Amounts Provided to Subrecipients
U.S. Department of Commerce:				
Secretariat Services for the International Organization for Standardization/ Electronic Commission Joint Technical Committee on Information Technology, Subcommittee 37 on Biometrics	11.609	60NANB20D209	\$ 41,641	\$ -
Research Examining the Return on Investment (ROI) of Manufacturing Credentials (Workcred Contract)	11.609	70NANB19H111	282,816	-
			<u>324,457</u>	<u>-</u>
Total U.S. Department of Commerce			<u>324,457</u>	<u>-</u>
U.S. Department of Agriculture:				
Forest Service, Research and Development	10.652	20-DG-11132650-335	10,000	-
Total U.S. Department of Agriculture			<u>10,000</u>	<u>-</u>
U.S. Department of Justice				
Technology, Subcommittee 37 on Biometrics	16.560	2016-U-CX-0112 15NIJ-21-GG-00662-RESS	4,436 53,021	- -
Total U.S. Department of Justice			<u>57,457</u>	<u>-</u>
U.S. Department of Homeland Security				
Technology, Subcommittee 37 on Biometrics	97.066	70RSAT18P00000016	47,454	-
Total U.S. Department of Homeland Security			<u>47,454</u>	<u>-</u>
U.S. Department of Health and Human Services				
Food and Drug Administration				
For direct administration of the ISO/TC 34/SC 9 Secretariat and for enhanced services to the US/TAG ISO/TC 34/SC 9	93.U01	HHSF223201650023A 75F40121P00131	67,666	-
Total U.S. Department of Health and Human Services Food and Drug Administration			<u>67,666</u>	<u>-</u>
U.S. Trade and Development Agency				
U.S.-Africa Standards and Conformity Program (USTDA)	99.U02	1131PL19CCP11123	122,400	-
USTDA Indo-Pacific	99.U03	1131PL19CCP31207	141,512	-
Total U.S. Trade and Development Agency			<u>263,912</u>	<u>-</u>
U.S. Agency for International Development				
U.S. Agency for International Development - Standards Alliance Project Phase II (USAID)	98.001	7200AA19CA00012	2,023,554	972,545
Total U.S. Agency for International Development			<u>2,023,554</u>	<u>972,545</u>
TOTAL FEDERAL AWARDS			<u>\$ 2,794,500</u>	<u>\$ 972,545</u>

Note: This schedule has been prepared on the accrual basis of accounting.

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal award activity of American National Standards Institute, Incorporated and Related Entities (the “Institute”) under programs of the federal government for the year ended December 31, 2022. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (“Uniform Guidance”). Because the Schedule presents only a selected portion of the operations of the Institute, it is not intended to, and does not, present the financial position, changes in net assets, or cash flows of the Institute.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3 – INDIRECT COST RATES

The Institute has not used the 10 percent *de minimis* indirect cost rate as allowed by the Uniform Guidance because it has a negotiated indirect cost rate agreement with the Department of Commerce.



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF CONSOLIDATED
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

The Board of Directors
American National Standards Institute, Incorporated and Related Entities
New York, New York

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of American National Standards Institute, Incorporated and Related Entities (the "Institute"), which comprise of the consolidated statement of financial position as of December 31, 2022, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated May 16, 2023.

Report on Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Institute's consolidated financial statements will not be prevented or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Institute's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of consolidated financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.



Purpose of this Report

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

Mayer Hoffman McCann CPAs

New York, NY
May 16, 2023



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM
AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

The Board of Directors
American National Standards Institute, Incorporated and Related Entities
New York, New York

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited American National Standards Institute, Incorporated and Related Entities (collectively, the "Institute") compliance with the type of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on the Institute's major federal program for the year ended December 31, 2022. The Institute's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Institute complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America ("GAAS"); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States of America; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Our responsibilities under those standards and the Uniform Guidance are further described in the *Auditors' Responsibilities for the Audit of Compliance* section of our report. We are required to be independent of the Institute and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major federal program. Our audit does not provide a legal determination of the Institute's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Institute's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether to do with fraud or error, and express an opinion on the Institute's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect a material noncompliance when it exists. The risk of not detecting a material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Institute's compliance with the requirements of the major program as a whole.



In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Institute's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Institute's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Institute's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the *Auditors' Responsibilities for the Audit of Compliance* section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Mayer Roffman McCann CPAs

New York, NY

September 20, 2023

**AMERICAN NATIONAL STANDARDS INSTITUTE, INCORPORATED
AND RELATED ENTITIES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2022**

Section 1

Summary of Auditors' Results

Consolidated Financial Statements

- | | |
|--|---------------|
| 1. Type of report the auditor issued on whether the consolidated financial statements audited were prepared in accordance with GAAP: | Unmodified |
| 2. Internal control over financial reporting: | |
| a. Material weakness(es) identified? | No |
| b. Significant deficiency(ies) identified? | None Reported |
| 3. Noncompliance material to financial statements noted? | No |

Federal Awards

- | | |
|---|---------------|
| 1. Internal control over major programs: | |
| a. Material weakness(es) identified? | No |
| b. Significant deficiency(ies) identified? | None Reported |
| 2. Type of auditors' report issued on compliance for major federal programs: | Unmodified |
| 3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? | No |

4. Identification of major federal programs:

Assistance Listing Number
98.001

Name of Federal Program or Cluster
U.S. Agency for International Development

- | | |
|---|-----------|
| 5. Dollar threshold used to distinguish between Type A and Type B programs: | \$750,000 |
| 6. Auditee qualified as a low-risk auditee? | Yes |

**AMERICAN NATIONAL STANDARDS INSTITUTE, INCORPORATED
AND RELATED ENTITIES
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2022**

Prior Year Findings:

There were no findings in the prior year.