



American Institute of Chemical Engineers

Financial Statements
(Together with Independent Auditors' Report)

Years Ended December 31, 2019 and 2018

AMERICAN INSTITUTE OF CHEMICAL ENGINEERS

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

YEARS ENDED DECEMBER 31, 2019 AND 2018

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
American Institute of Chemical Engineers

We have audited the accompanying financial statements of American Institute of Chemical Engineers ("AICHE"), which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities, functional expenses 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.

Auditors' 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.

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 AIChE as of December 31, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Marks Paneth LLP

New York, NY
April 29, 2020

**AMERICAN INSTITUTE OF CHEMICAL ENGINEERS
STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2019 AND 2018**

	2019	2018
ASSETS		
Cash and cash equivalents (Notes 2D and 15)	\$ 3,815,519	\$ 1,768,100
Investments, at fair value (Notes 2E, 4, 10A and 10C)	31,301,794	26,298,992
Accounts receivable, net (Notes 2F and 17)	10,188,980	8,284,798
Contributions receivable, net (Notes 2C and 5)	3,202,567	3,761,007
Prepaid expenses and other (Note 12)	758,665	462,078
Property and equipment, net (Notes 2G and 6)	2,845,945	2,638,445
TOTAL ASSETS	\$ 52,113,470	\$ 43,213,420
LIABILITIES		
Accounts payable	\$ 2,319,131	\$ 1,398,080
Accounts payable to subrecipients (Note 17)	5,963,426	4,677,928
Deferred revenue - dues, subscriptions and other (Note 2H)	3,836,185	3,888,626
Accrued expenses:		
Employee vacation and other benefits	601,592	566,859
Pension and other postretirement benefit costs (Notes 7 and 8)	3,088,225	3,171,736
Other (Notes 2I and 10A)	1,629,355	1,675,065
TOTAL LIABILITIES	17,437,914	15,378,294
COMMITMENTS AND CONTINGENCIES (Note 10)		
NET ASSETS (Note 2B)		
Without donor restrictions	25,842,426	19,678,106
With donor restrictions:		
Purpose and time-restricted for future periods (Notes 9 and 14)	5,240,272	5,432,981
Perpetual in nature (Notes 9 and 14)	3,592,858	2,724,039
	8,833,130	8,157,020
TOTAL NET ASSETS	34,675,556	27,835,126
TOTAL LIABILITIES AND NET ASSETS	\$ 52,113,470	\$ 43,213,420

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

**AMERICAN INSTITUTE OF CHEMICAL ENGINEERS
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

	For the Year Ended December 31, 2019			For the Year Ended December 31, 2018		
	Without Donor Restrictions	With Donor Restrictions	Total 2019	Total 2018	Without Donor Restrictions	With Donor Restrictions
OPERATING ACTIVITY:						
REVENUE AND SUPPORT:						
Dues and other membership revenue (Note 2H)	\$ 3,106,022	\$ -	\$ 3,106,022	\$ 3,122,547	\$ 3,122,547	\$ -
Publications sales and subscriptions	2,694,243	-	2,694,243	3,191,478	3,191,478	-
Industry technology groups (Notes 1 and 16)	26,400,754	-	26,400,754	19,952,753	19,952,753	-
Meetings and technical programming	7,181,652	-	7,181,652	6,897,860	6,897,860	-
Education services (Note 16)	3,329,759	-	3,329,759	2,972,090	2,972,090	-
AIChE Foundation - contributions (Note 1)	681,652	2,571,442	3,253,094	4,704,229	678,240	4,025,989
Other revenue	1,348,599	-	1,348,599	1,216,049	1,216,049	-
Net assets released from restrictions (Note 9)	2,351,177	(2,351,177)	-	-	2,039,003	(2,039,003)
TOTAL OPERATING REVENUE AND SUPPORT	47,093,858	220,265	47,314,123	42,057,006	40,070,020	1,986,986
EXPENSES:						
Program Services:						
Membership	2,964,649	-	2,964,649	3,160,503	3,160,503	-
Publications	2,536,050	-	2,536,050	2,617,366	2,617,366	-
Industry technology groups	22,361,175	-	22,361,175	16,713,614	16,713,614	-
Meetings and technical programming	4,227,871	-	4,227,871	4,433,331	4,433,331	-
Education services	2,973,490	-	2,973,490	3,092,061	3,092,061	-
Other program expenses (Note 11)	1,722,380	-	1,722,380	1,554,781	1,554,781	-
	<u>36,785,615</u>	<u>-</u>	<u>36,785,615</u>	<u>31,571,656</u>	<u>31,571,656</u>	<u>-</u>
Supporting Services:						
General and administration	4,628,825	-	4,628,825	4,421,710	4,421,710	-
Fundraising	3,902,206	-	3,902,206	3,769,297	3,769,297	-
	<u>8,531,031</u>	<u>-</u>	<u>8,531,031</u>	<u>8,191,007</u>	<u>8,191,007</u>	<u>-</u>
TOTAL OPERATING EXPENSES	45,316,646	-	45,316,646	39,762,663	39,762,663	-
Change In Net Assets From Operations	1,777,212	220,265	1,997,477	2,294,343	307,357	1,986,986
NON-OPERATING ACTIVITY:						
Investment activity, net (Notes 4 and 14)	4,404,916	455,845	4,860,761	(1,528,860)	(1,402,049)	(126,811)
Pension related changes other than net periodic pension cost (Note 7)	201,609	-	201,609	(28,005)	(28,005)	-
Postretirement related changes other than net periodic postretirement cost (Note 8)	(219,417)	-	(219,417)	(136,953)	(136,953)	-
TOTAL NON-OPERATING ACTIVITY	4,387,108	455,845	4,842,953	(1,693,818)	(1,567,007)	(126,811)
CHANGE IN NET ASSETS	6,164,320	676,110	6,840,430	600,525	(1,259,650)	1,860,175
Net assets - beginning of year	19,678,106	8,157,020	27,835,126	27,234,601	20,937,756	6,296,845
NET ASSETS - END OF YEAR	\$ 25,842,426	\$ 8,833,130	\$ 34,675,556	\$ 27,835,126	\$ 19,678,106	\$ 8,157,020

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

**AMERICAN INSTITUTE OF CHEMICAL ENGINEERS
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019
(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2018)**

	For the Year Ended December 31, 2019											
	Program Services						Supporting Services					
	Membership	Publications	Technology Group	Meetings and Technical Programming	Education Services	Other Program Expenses	Total Program Services	General and Administration	Fundraising	Total Supporting Services	Total 2019	Total 2018
Salaries	\$ 1,229,703	\$ 1,154,836	\$ 4,697,011	\$ 1,230,200	\$ 973,137	\$ 355,757	\$ 9,640,644	\$ 2,424,337	\$ 655,431	\$ 3,079,768	\$ 12,720,412	\$ 12,037,127
Payroll taxes and employee benefits (Note 7)	399,398	367,378	1,533,592	384,626	294,734	110,651	3,090,379	660,461	112,474	772,935	3,863,314	3,616,884
Total Salaries and Related Costs	1,629,101	1,522,214	6,230,603	1,614,826	1,267,871	466,408	12,731,023	3,084,798	767,905	3,852,703	16,583,726	15,654,011
Grants and other assistance	78,034	8,247	85,950	3,820	1,655	195,947	373,653	-	53,298	53,298	426,951	355,974
Legal fees	-	-	6,956	-	-	-	6,956	20,448	-	20,448	27,404	71,494
Professional fundraising services	-	-	-	-	-	-	-	-	77,022	77,022	77,022	66,000
Other professional fees	150,150	386,159	1,748,583	220,246	810,079	133,104	3,448,321	215,042	340,449	555,491	4,003,812	4,867,140
Advertising and promotion	91,689	51,648	44,613	24,175	5,629	47,742	265,496	303	28,929	29,232	294,728	309,142
Office expenses	86,218	214,952	114,490	48,555	47,431	46,623	558,269	67,871	38,384	106,255	664,524	611,691
Information technology	104,829	-	18,395	-	-	216,862	340,086	-	-	-	340,086	133,060
Royalty	-	-	31,126	106,044	-	-	137,170	-	-	-	137,170	52,240
Occupancy (Note 10)	18,197	16,046	90,487	20,716	18,905	7,342	171,693	519,984	8,612	528,596	700,289	769,028
Travel	118,251	43,924	664,207	139,367	354,325	83,593	1,403,667	117,885	42,565	160,450	1,564,117	1,379,865
Conferences, conventions and meetings	335,970	6,245	1,894,378	903,961	106,572	273,810	3,520,936	3,599	181,571	185,170	3,706,106	3,725,508
Insurance	-	-	-	-	-	-	-	155,069	-	155,069	155,069	136,435
Depreciation and amortization (Note 6)	48,105	22,961	409,161	54,035	61,830	20,861	616,953	110,932	30,700	141,632	758,585	777,920
Payments to subrecipients	-	-	10,299,302	-	-	-	10,299,302	-	-	-	10,299,302	5,615,679
Equipment rental and maintenance	144,380	37,985	222,147	709,461	136,833	92,658	1,343,464	126,868	73,473	200,341	1,543,805	1,164,927
Printing and publications	43,695	68,321	112,159	138,113	49,346	14,224	425,858	2,240	66,667	68,907	494,765	564,078
Telephone	19,049	6,826	58,521	65,476	10,556	8,671	169,099	32,459	6,151	38,610	207,709	244,097
Bank charges/credit card fees	91,050	5,797	96,371	149,348	34,420	15,130	392,116	91,397	7,470	98,867	490,983	476,531
Miscellaneous and dues	5,931	144,725	233,726	29,728	68,038	99,405	581,553	79,930	2,179,010	2,258,940	2,840,493	2,787,843
Total Other than Personal Services	1,335,548	1,013,836	16,130,572	2,613,045	1,705,619	1,255,972	24,054,592	1,544,027	3,134,301	4,678,328	28,732,920	24,108,652
TOTAL EXPENSES	\$ 2,964,649	\$ 2,536,050	\$ 22,361,175	\$ 4,227,871	\$ 2,973,490	\$ 1,722,380	\$ 36,785,615	\$ 4,628,825	\$ 3,902,206	\$ 8,531,031	\$ 45,316,646	\$ 39,762,663

**AMERICAN INSTITUTE OF CHEMICAL ENGINEERS
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Program Services						Supporting Services				Total 2018
	Membership	Publications	Industry Technology Group	Meetings and Technical Programming	Education Services	Other Program Expenses	Total Program Services	General and Administration	Fundraising	Total Supporting Services	
Salaries	\$ 1,276,001	\$ 1,128,879	\$ 3,968,839	\$ 1,434,253	\$ 1,085,238	\$ 296,500	\$ 9,189,710	\$ 2,224,493	\$ 622,924	\$ 2,847,417	\$ 12,037,127
Payroll taxes and employee benefits (Note 7)	414,325	366,553	1,288,705	465,710	352,383	96,275	2,983,951	475,866	157,067	632,933	3,616,884
Total Salaries and Related Costs	<u>1,690,326</u>	<u>1,495,432</u>	<u>5,257,544</u>	<u>1,899,963</u>	<u>1,437,621</u>	<u>392,775</u>	<u>12,173,661</u>	<u>2,700,359</u>	<u>779,991</u>	<u>3,480,350</u>	<u>15,654,011</u>
Grants and other assistance	71,145	19	22,304	15,676	27	189,124	298,295	-	57,679	57,679	355,974
Legal fees	-	-	9,663	-	-	-	9,663	61,831	-	61,831	71,494
Professional fundraising services	-	-	-	-	-	-	-	-	66,000	66,000	66,000
Other professional fees	394,781	544,168	2,016,502	223,625	810,332	343,221	4,332,629	211,096	323,415	534,511	4,867,140
Advertising and promotion	80,867	60,481	11,704	57,185	25,759	315	236,311	-	72,831	72,831	309,142
Office expenses	71,185	227,000	108,117	62,111	33,536	28,469	530,418	54,644	26,629	81,273	611,691
Information technology	107,060	-	26,000	-	-	-	133,060	-	-	-	133,060
Royalty	-	-	19,013	33,227	-	-	52,240	-	-	-	52,240
Occupancy (Note 10)	22,561	17,058	147,470	19,456	20,620	7,786	234,951	525,880	8,197	534,077	769,028
Travel	110,650	35,417	602,731	127,703	292,969	61,537	1,231,007	125,889	22,969	148,858	1,379,865
Conferences, conventions and meetings	227,024	5,999	2,051,258	868,719	115,397	269,088	3,537,485	9,689	178,334	188,023	3,725,508
Insurance	-	-	-	-	-	-	-	136,435	-	136,435	136,435
Depreciation and amortization (Note 6)	83,241	46,769	308,124	50,390	86,934	33,297	608,755	131,800	37,365	169,165	777,920
Payments to subrecipients	-	-	5,615,679	-	-	-	5,615,679	-	-	-	5,615,679
Equipment rental and maintenance	109,966	15,096	117,392	663,756	101,283	50,024	1,057,517	71,119	36,291	107,410	1,164,927
Printing and publications	62,556	70,239	111,142	141,610	106,104	13,079	504,730	798	58,550	59,348	564,078
Telephone	26,023	7,290	48,755	105,596	12,929	11,603	212,196	25,536	6,365	31,901	244,097
Bank charges/credit card fees	103,068	10,136	75,665	161,065	27,786	-	377,720	91,065	7,746	98,811	476,531
Miscellaneous and dues	50	82,262	164,551	3,249	20,764	154,463	425,339	275,569	2,086,935	2,362,504	2,787,843
Total Other than Personal Services	<u>1,470,177</u>	<u>1,121,934</u>	<u>11,456,070</u>	<u>2,533,368</u>	<u>1,654,440</u>	<u>1,162,006</u>	<u>19,397,995</u>	<u>1,721,351</u>	<u>2,989,306</u>	<u>4,710,657</u>	<u>24,108,652</u>
TOTAL EXPENSES	<u>\$ 3,160,503</u>	<u>\$ 2,617,366</u>	<u>\$ 16,713,614</u>	<u>\$ 4,433,331</u>	<u>\$ 3,092,061</u>	<u>\$ 1,554,781</u>	<u>\$ 31,571,656</u>	<u>\$ 4,421,710</u>	<u>\$ 3,769,297</u>	<u>\$ 8,191,007</u>	<u>\$ 39,762,663</u>

**AMERICAN INSTITUTE OF CHEMICAL ENGINEERS
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 6,840,430	\$ 600,525
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Realized and unrealized (gain) loss on investments	(4,031,273)	2,143,271
Depreciation and amortization	758,585	777,920
Bad debt (recapture) expense	(38,346)	120,970
Subtotal	3,529,396	3,642,686
Changes in operating assets and liabilities:		
(Increase) or decrease in assets:		
Accounts receivable	(1,967,110)	(3,384,726)
Prepaid expenses and other	(296,587)	(141,002)
Contributions receivable	659,714	(1,425,273)
Increase (decrease) in liabilities:		
Accounts payable	921,051	(618,961)
Accounts payable to subrecipients	1,285,498	3,086,144
Deferred revenue	(52,441)	40,832
Accrued expenses:		
Employee vacation and other benefits	34,733	28,422
Pension and other postretirement benefit costs	(83,511)	143,425
Other	(45,710)	101,868
Net Cash Provided by Operating Activities	3,985,033	1,473,415
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(5,810,527)	(3,116,789)
Proceeds from the sale of investments	4,838,998	2,078,906
Purchases of property and equipment	(966,085)	(886,745)
Net Cash Used in Investing Activities	(1,937,614)	(1,924,628)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,047,419	(451,213)
Cash and cash equivalents - beginning of year	1,768,100	2,219,313
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 3,815,519	\$ 1,768,100

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

**AMERICAN INSTITUTE OF CHEMICAL ENGINEERS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES

American Institute of Chemical Engineers (“AIChE”) is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code (“IRC”). AIChE serves chemical engineers throughout the world. AIChE fosters and disseminates chemical engineering knowledge, supports professional and personal growth of its members, and applies the expertise of its members to address societal needs throughout the world. AIChE offers its members publications, meetings and technical programming. These products and services promote excellence in chemical engineering education and global practice, advance the development and exchange of relevant knowledge, and enhance the lifelong career development of chemical engineers. Through its industry technology groups, AIChE stimulates collaborative efforts among industry, universities, government and professional societies.

In 2016, AIChE was selected by the U.S. Department of Energy to establish a manufacturing institute on *Modular Chemical Process Intensification*. The Rapid Manufacturing Institute (“RAPID” – Rapid Advancement in Process Intensification Deployment) is part of a federal government initiative on advanced manufacturing, established to enhance the competitiveness of U.S. manufacturing, while improving energy efficiency of the sector as a whole. See Note 17.

The AIChE Foundation is not a separate entity. It seeks to solicit additional financial support for AIChE’s programs.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. *Basis of Accounting and Use of Estimates*

The accompanying financial statements have been prepared on the accrual basis of accounting. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

B. *Net Assets - Basis of Presentation*

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

- *Net Assets Without Donor Restrictions* – Resources available for support of AIChE’s operations over which the Board of Directors has discretionary control.
- *Net Assets With Donor Restrictions* – Net assets subject to donor – (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

C. *Contributions and Pledges Receivable*

Unconditional contributions and pledges that are expected to be collected within one year are recorded at net realizable value. Unconditional contributions and pledges that are expected to be collected in future years are recorded at the present value of their estimated future cash flows, less a 2% reserve allowance for bad debt as of December 31, 2019 and 2018, respectively. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Conditional contributions and pledges are not included as support until the conditions are substantially met. The reserve allowance for bad debt amounted to approximately \$66,000 and \$82,000 as of December 31, 2019 and 2018, respectively.

**AMERICAN INSTITUTE OF CHEMICAL ENGINEERS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. *Cash Equivalents*

AIChE considers highly liquid debt instruments with a maturity of three months or less when acquired to be cash equivalents, with the exception of cash and those short-term investments managed by AIChE's investment managers for long-term investment purposes.

E. *Investments and Fair Value Measurements*

Investments are reported at fair value based upon quoted market value. Securities transactions are recorded on a trade-date basis. Realized gains and losses on sales of investments are determined on a specific identification basis and are included in investment activity in the statements of activities along with unrealized gains and losses, interest income and management and custodial fees. Interest income is recognized when earned and dividends are recorded on the ex-dividend date.

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

F. *Allowance for Uncollectible Accounts Receivable*

As of December 31, 2019 and 2018, AIChE determined that an allowance of approximately \$94,000 and \$57,000, respectively, should be provided for accounts receivable. Such estimates are based on management's assessment of the aged basis of its funding sources, customers, current economic conditions and historical information.

G. *Property and Equipment*

Property and equipment is stated at cost and depreciated using the straight-line basis over their estimated useful lives. Leasehold improvements are amortized over the lesser of their useful lives or the term of the lease. AIChE capitalizes all assets with a cost of \$5,000 or more and a useful life of more than one year.

H. *Revenue Recognition*

AIChE recognizes revenue through the five step model described by the Financial Accounting Standards Board ("FASB") in the Accounting Standards Codification ("ASC"), *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. Government contracts and grants are recorded as revenues to the extent that expenses have been incurred for the purposes specified by the grantors and funding sources. The excess of contract and grant expenditures over receipts is recognized as accounts receivable, while the excess of contract and grant receipts over expenditures is reported as deferred revenue. Dues and subscriptions are billed in the year prior to which they apply. Dues and subscriptions collected in the year of billing represents revenue for the following year and therefore are recorded as deferred revenue. Accounts receivable for dues and subscriptions are not recorded until the year in which they become due. Dues payments collected in the year subsequent to billing are recognized as revenue in that specific year. The balance of accounts receivable and deferred revenue related to dues, subscriptions and other amounted to \$1,782,939 and \$3,847,794 as of January 1, 2018.

AIChE recognizes revenue from RAPID grant when the contractual obligations are met. Cost recovery occurs when the grants awarded provide for reimbursement of budgeted expenditures incurred within the grant period. The funds are received in increments based on expenditures or milestones for the period.

**AMERICAN INSTITUTE OF CHEMICAL ENGINEERS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. *Straight-Lining of Rent Expense*

Rent expense is recognized using the straight-line method over the term of the leases. The difference between rent expense incurred and the amount paid, which is attributable to scheduled rent increases, is reported as a liability in the accompanying statements of financial position.

J. *Functional Allocation of Expenses*

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include occupancy, which is allocated on a square footage basis, as well as salaries, wages and benefits, payroll taxes, professional services, office expenses, information technology, interest, insurance, and other expenses, which are allocated mainly on the basis of estimates of time and effort. Expenses that can be identified with a specific program or support service are charged directly to that program or support service.

K. *Reclassification*

Certain line items in the December 31, 2018 financial statements have been reclassified to conform to the December 31, 2019 presentation. Such reclassifications had no effect on previously reported net assets.

L. *Changes in Accounting Principles*

FASB ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606) was adopted by AIChE as of January 1, 2019. The core guidance in ASU 2014-09 is to recognize revenue to depict the transfer of services to customers in an amount that reflects the consideration to which the entity expects to be entitled to in exchange for those services as described in Note 2H. The effects of applying ASU 2014-09 had no impact on the way AIChE was recognizing revenue and therefore, no adjustment was made to the financial statements as previously reported.

FASB ASU 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made* (Topic 958) was also adopted by AIChE for the year ended December 31, 2019. The core guidance is to assist entities in evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions and determining whether a contribution is conditional. The adoption of ASU 2018-08 did not result in changes as the funding received from contributors are nonreciprocal transactions where the contributors did not receive direct benefit.

FASB ASU No. 2016-18, *Statement of Cash Flows* (Topic 230) – *Restricted Cash*, to address diversity in practice that exists in the classification and presentation of changes in restricted cash on the statement of cash flows. The ASU requires restricted cash or restricted cash equivalents to be included in the beginning-of-period and end-of-period total amounts on the statements of cash flows. AIChE adopted the new guidance retrospectively as of January 1, 2018, as a result, no adjustment was made to the financial statements as previously reported. The adoption of this ASU did not affect net assets previously reported.

**AMERICAN INSTITUTE OF CHEMICAL ENGINEERS
NOTES TO FINANCIAL STATEMENTS
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NOTE 3 – LIQUIDITY AND AVAILABILITY

AIChE regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. AIChE has various sources of liquidity at its disposal, including cash and cash equivalents and marketable debt and equity securities.

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

Cash and cash equivalents	\$ 3,815,519
Accounts receivable	4,225,554
Operating investments	<u>22,179,809</u>
	<u>\$ 30,220,882</u>

In addition, AIChE has a line of credit totaling \$1.5 million with a financial institution, which can be drawn upon if needed.

AIChE's endowment funds consist of donor-restricted endowments. Income from donor-restricted endowments is restricted for specific purposes, except for the amounts available for general use. Donor-restricted endowment funds are not available for general expenditure.

NOTE 4 – INVESTMENTS AND FAIR VALUE MEASUREMENTS

Investments consisted of the following at December 31 and were classified as Level 1 in the fair value hierarchy (as defined below):

	<u>2019</u>	<u>2018</u>
Mutual Funds		
U.S. Large Cap/Mid Cap	\$ 7,685,442	\$ 5,923,755
U.S. Small Cap	1,519,791	1,196,224
Diversified Foreign Equity	8,964,581	7,010,189
U.S. Core Bonds	9,193,689	8,256,637
Global Bonds	3,206,196	3,066,340
Money Market Mutual Funds	<u>709,408</u>	<u>840,134</u>
Total mutual funds	31,279,107	26,293,279
Equity securities – domestic	<u>22,687</u>	<u>5,713</u>
Total investments	<u>\$ 31,301,794</u>	<u>\$ 26,298,992</u>

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

Investment activity consisted of the following for the years ended December 31:

	<u>2019</u>	<u>2018</u>
Interest and dividends	\$ 917,367	\$ 686,821
Realized and unrealized gains/(losses)	4,031,273	(2,143,271)
Investment fees	<u>(87,879)</u>	<u>(72,410)</u>
	<u>\$ 4,860,761</u>	<u>\$ (1,528,860)</u>

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NOTE 4 – INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

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 1 valuations are obtained from real-time quotes for transactions in active exchange markets involving identical assets.

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.

In determining fair value, AIChE 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.

AIChE's policy is to recognize transfers in and transfers out between fair value levels as of the beginning of the period in which the transfer takes place. During the years ended December 31, 2019 and 2018, no such transfers between fair value levels occurred.

NOTE 5 – CONTRIBUTIONS RECEIVABLE

Contributions receivable consisted of the following as of December 31:

	<u>2019</u>	<u>2018</u>
Amounts due in:		
Less than one year	\$ 1,434,648	\$ 1,492,291
One to five years	<u>1,885,293</u>	<u>2,489,862</u>
Gross contributions receivable	3,319,941	3,982,153
Less: allowance for uncollectible accounts	(66,399)	(82,243)
Less: discount to present value at 1.55%	<u>(50,975)</u>	<u>(138,903)</u>
	<u>\$ 3,202,567</u>	<u>\$ 3,761,007</u>

NOTE 6 – PROPERTY AND EQUIPMENT

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

	<u>2019</u>	<u>2018</u>	<u>Estimated Useful Lives</u>
Furniture and fixtures	\$ 480,055	\$ 464,033	3-5 Years
Computer and office equipment	5,952,932	5,015,440	3-10 Years
Leasehold improvements	<u>171,393</u>	<u>158,822</u>	15 Years
Total cost	6,604,380	5,638,295	
Less: accumulated depreciation/amortization	<u>(3,758,435)</u>	<u>(2,999,850)</u>	
Net book value	<u>\$ 2,845,945</u>	<u>\$ 2,638,445</u>	

Depreciation and amortization expense amounted to \$758,585 and \$777,920 for the years ended December 31, 2019 and 2018, respectively.

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NOTE 7 – PENSION PLANS

Through December 31, 2005, AIChE had an active noncontributory, defined benefit pension plan covering all full-time employees, unless the employee was covered by another retirement plan, via a collective bargaining agreement. As of December 31, 2005, AIChE froze this plan. AIChE continues to maintain this plan for all plan participants; however, further benefits and new participants have not been provided since December 31, 2005. The benefits are based on years of service through December 31, 2005 and the employee's average pay. Average pay is defined as the highest average of basic annual pay including any overall incentive program compensation during any 36 consecutive months within the 120-month period prior to December 31, 2005. AIChE's funding policy is to contribute such amounts as are necessary on an actuarial basis to provide the plan with assets sufficient to provide benefits to plan participants.

This calculation below reflects a settlement as of December 31, 2018 resulting from the lump sum payments distributed during the year. There are no other calculations that have been made regarding certain events under FASB Accounting Standards Codification ("ASC") Subtopic 715-30.

AIChE also maintains a qualified contributory defined contribution retirement plan pursuant to IRS Section 403(b) for its employees. Employees are eligible to participate after 500 hours of service in a 6-month period and upon attaining the age of 21. Under the terms of the plan, employees are entitled to defer a portion of their annual compensation within limitations established by the IRC. AIChE matches each employee's contribution, up to a maximum of 3% of annual compensation. Contributions are deemed to be vested upon completion of two years of employment. AIChE's contributions under the plan amounted to \$270,311 and \$256,635 for the years ended December 31, 2019 and 2018, respectively.

As a substitute for the defined benefit plan, which was frozen on December 31, 2005, AIChE added, effective January 1, 2006, a noncontributory element to the defined contribution retirement plan, whereby AIChE contributes an amount based on the employee's total compensation. AIChE's discretionary contributions to the 403(b) plan amounted to \$856,568 and \$854,119 for the years ended December 31, 2019 and 2018, respectively.

AIChE also offers a deferred compensation arrangement under Section 457(b) of the IRC for key employees. AIChE does not make any contributions to the 457(b) plan as the plan is entirely funded by employee contributions. AIChE had no liability relating to the 457(b) plan as of December 31, 2019 and 2018.

The funded status of the defined benefit plan as of December 31 was as follows:

	<u>2019</u>	<u>2018</u>
Change in benefit obligation:		
Benefit obligation at beginning of year	\$ 10,655,456	\$ 11,744,328
Interest cost	490,111	459,615
Actuarial loss(gain)	1,138,402	(719,551)
Benefits paid	(343,718)	(308,122)
Settlements	<u>-</u>	<u>(520,814)</u>
Benefit obligation at end of year	11,940,251	10,655,456
Fair value of plan assets	<u>9,614,469</u>	<u>8,180,691</u>
Funded status	<u>\$ (2,325,782)</u>	<u>\$ (2,474,765)</u>

Amounts recognized in accumulated change in net assets without restrictions consisted of the following as of December 31:

	<u>2019</u>	<u>2018</u>
Net loss	<u>\$ (2,741,799)</u>	<u>\$ (2,943,408)</u>

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NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 7 – PENSION PLANS (Continued)

The components of net periodic benefit cost for the pension plan for the years ended December 31 were as follows:

	<u>2019</u>	<u>2018</u>
Interest cost	\$ 490,111	\$ 459,615
Expected return on plan assets	(537,321)	(621,234)
Amortization of net loss	<u>302,840</u>	<u>225,805</u>
	<u>\$ 255,630</u>	<u>\$ 64,186</u>

Other changes in plan assets and benefit obligations recognized in the change in net assets without restrictions for the years ended December 31 were as follows:

	<u>2019</u>	<u>2018</u>
Net loss	\$ 101,231	\$ 397,677
Lump sum payments	-	(143,867)
Amortization of net loss	<u>(302,840)</u>	<u>(225,805)</u>
Total recognized in change in net assets without donor restrictions	<u>\$ (201,609)</u>	<u>\$ 28,005</u>
Total recognized in net periodic pension cost and change in net assets without donor restrictions	<u>\$ 54,021</u>	<u>\$ 236,058</u>

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

	<u>2019</u>	<u>2018</u>
Discount rate used for net periodic benefit cost	3.65%	4.75%
Discount rate used for pension obligation	3.65%	4.75%
Expected return on plan assets	6.65%	6.80%

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.

AICHe expects to contribute \$116,000 to its pension plan in 2020.

The following schedule of benefit payments for the pension plan, which reflects expected future services, as appropriate, are expected to be paid in each of the next five years and in the aggregate for the five years thereafter:

2020	\$ 631,403
2021	1,223,657
2022	1,109,096
2023	854,952
2024	418,273
5 years thereafter	4,012,909

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NOTE 7 – PENSION PLANS (Continued)

The assets (expressed in percentages) for the pension plan consisted of the following as of December 31:

	2019	2018
Equity securities	55%	51%
Debt securities	41%	45%
Cash equivalents	4%	4%
	100%	100%

The fair value hierarchy defines three levels, as further described in Note 4. Pension assets carried at fair value at December 31 are classified in the table as Level 1 as follows:

	2019	2018
Investments:		
Mutual Funds		
U.S. Large Cap/Mid Cap	\$ 2,154,011	\$ 1,648,124
U.S. Small Cap	574,280	415,723
Diversified Foreign Equity	2,579,642	2,068,230
U.S. Core Bonds	2,772,526	2,403,024
Global Bonds	1,206,776	1,341,989
Money Market Mutual Funds	327,234	303,601
Total assets at fair value	\$ 9,614,469	\$ 8,180,691

The composition of AIChE's plan assets is a target asset mix allocated 54%/46% between equity and fixed-income securities. Since the primary purpose of the plan is to provide benefits at normal retirement age, the primary goal of the investment of funds in the plan is to provide a long-term annualized investment return equivalent or superior to the plan's current discount rate, and consistently above the median performance of an appropriate peer manager universe.

In pursuing these objectives, the risk tolerance of the plan should be viewed as moderate. Volatility of annual returns, including losses in value, may be tolerated provided they are consistent with current benchmark volatility and there are reasonable expectations the plan can achieve its long-term objectives. Volatility will be reduced by assuring that the plan assets are at all times diversified by asset class, economic sector, and industry and/or market capitalization. The target asset mix is developed and periodically reviewed based on rolling three and five-year strategic investment horizons. In order to effectively maintain the benefits of diversification, actual allocation percentages are rebalanced back to the current asset target mix on a quarterly basis.

NOTE 8 – POSTRETIREMENT OTHER THAN PENSIONS

AIChE has a contributory postretirement medical and life insurance plan for all eligible employees. As of February 1, 2007, each participant was eligible to receive benefits at age 55 with the completion of five years of service, or attainment of age 62 or age 60 in the case of a position elimination. Prior to February 1, 2007, each participant was eligible to receive benefits at age 55 and 10 years of service, or age 62 or age 60 if the position was eliminated. Employees hired after February 1, 2007 were eligible to purchase coverage under the postretirement medical plan, but were not eligible for any subsidy from AIChE. In addition, employees hired after February 1, 2007 were not eligible to receive postretirement life insurance benefits. Coverage for both the retiree and the spouse continued for their lifetimes, so long as required contributions were made. AIChE contributed an amount equal to the difference between the medical plan cost and the retiree's contributions for medical coverage, up to a limit of two times AIChE's contribution paid in 1995 for such coverage.

**AMERICAN INSTITUTE OF CHEMICAL ENGINEERS
NOTES TO FINANCIAL STATEMENTS
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NOTE 8 – POSTRETIREMENT OTHER THAN PENSIONS (Continued)

Effective December 1, 2016, the postretirement medical plan was amended to change coverage for current retirees to a Health Reimbursement Account (“HRA”) funded by annual contributions from AIChE. Such change decreased the benefit obligation by approximately \$336,000 in 2016.

During 2017, AIChE further reduced the benefit obligation by providing future retirees with a one-time payment of \$10,000 into a second HRA account. Upon retirement, AIChE will fund the HRA for future retirees with a Normal Retirement Date (NRD) between December 1, 2016 and December 1, 2023. As of December 31, 2019, the accumulated postretirement benefit obligation related to the HRAs was \$149,688.

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

	<u>2019</u>	<u>2018</u>
Change in benefit obligation:		
Benefit obligation at beginning of year	\$ 696,971	\$ 723,284
Service cost	1,149	1,250
Interest cost	33,089	31,184
Plan amendments	-	-
Actuarial loss (gain)	63,931	(19,122)
Benefits paid	<u>(32,697)</u>	<u>(39,625)</u>
Benefit obligation at end of year	<u>762,443</u>	<u>696,971</u>
Funded status	<u>\$ (762,443)</u>	<u>\$ (696,971)</u>

Amounts recognized in net assets without donor restrictions for the plan consisted of the following as of December 31:

	<u>2019</u>	<u>2018</u>
Prior service credit	\$ 243,562	\$ 362,654
Gain	<u>237,775</u>	<u>338,100</u>
	<u>\$ 481,337</u>	<u>\$ 700,754</u>

The components of net periodic benefit (income) cost for the years ended December 31 were as follows:

	<u>2019</u>	<u>2018</u>
Service cost	\$ 1,149	\$ 1,250
Interest cost	33,089	31,184
Amortization of prior service credit	(119,092)	(119,092)
Amortization of net gain	<u>(36,394)</u>	<u>(36,983)</u>
Net periodic benefit (income) cost	<u>\$ (121,248)</u>	<u>\$ (123,641)</u>

Other changes in plan assets and benefit obligations recognized in the change in net assets without donor restrictions for the years ended December 31 were as follows:

	<u>2019</u>	<u>2018</u>
Actuarial loss (gain)	\$ 63,931	\$ (19,122)
Prior service credit	-	-
Amortization of prior service credit	119,092	119,092
Amortization of net gain	<u>36,394</u>	<u>36,983</u>
Total recognized in change in net assets without donor restrictions	<u>\$ 219,417</u>	<u>\$ 136,953</u>
Total recognized in net periodic pension cost and change in net assets without donor restrictions	<u>\$ 98,169</u>	<u>\$ 13,312</u>

**AMERICAN INSTITUTE OF CHEMICAL ENGINEERS
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NOTE 8 – POSTRETIREMENT OTHER THAN PENSIONS (Continued)

The estimated net gain, transition obligation and prior service credit for the plan that will be amortized from the net asset without restrictions balance into net periodic benefit cost over the next fiscal year is \$29,000, \$0 and \$119,000, respectively.

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

	<u>2019</u>	<u>2018</u>
Discount rate used for net periodic benefit cost	3.65%	4.75%
Discount rate used for benefit obligations	3.65%	4.75%

The following schedule of benefit payments (net of expected participant contributions), which reflects expected future services, as appropriate, are expected to be paid in each of the next five years and in the aggregate for the five years thereafter:

2020	\$ 69,631
2021	60,050
2022	55,923
2023	55,482
2024	45,163
5 years thereafter	214,792

NOTE 9 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions as of December 31 were available for the following purposes:

	<u>2019</u>	<u>2018</u>
Subject to expenditures for specific purpose and the passage of time		
Award programs for scholastic achievements	\$ 202,995	\$ 79,277
Educational and professional development	4,901,640	5,224,955
Public and government outreach and other	<u>135,636</u>	<u>128,749</u>
Subtotal	<u>5,240,272</u>	<u>5,432,981</u>
Subject to endowment spending policy and appropriation of income		
Award programs for scholastic achievements	1,835,642	1,375,509
Educational and professional development	736,317	720,269
Public and government outreach and other	<u>1,020,899</u>	<u>628,261</u>
Subtotal	<u>3,592,858</u>	<u>2,724,039</u>
Total net assets with donor restrictions	<u>\$ 8,833,130</u>	<u>\$ 8,157,020</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by the occurrence of other events specified by donors during the years ended December 31 as follows:

	<u>2019</u>	<u>2018</u>
Educational and professional development	\$ 2,224,552	\$ 1,997,483
Award programs for scholastic achievements	114,762	29,298
Public and government outreach and other	<u>11,863</u>	<u>12,222</u>
	<u>\$ 2,351,177</u>	<u>\$ 2,039,003</u>

**AMERICAN INSTITUTE OF CHEMICAL ENGINEERS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 10 – COMMITMENTS AND CONTINGENCIES

A. *Lease Commitments*

AIChE has a lease agreement for the rental of office space in New York City for a term of fifteen years that commenced in August 2013. There is a one-time renewal option to extend the term of the lease for an additional five years. The lease agreement also provides for a free rental period commencing on the commencement date. In addition, tax abatements reduce the base rents by approximately \$82,000 per year. In addition to the base monthly rent, AIChE is required to pay additional rent for its share of operating expense escalations.

As of December 31, 2019, AIChE substituted an irrevocable standby letter of credit in the amount of \$288,855 in lieu of a security deposit for its office lease in New York. The letter of credit expires in April 2029 and is secured by mutual funds and money market funds owned by AIChE and held at the financial institution that issued the letter of credit.

AIChE also has a lease agreement for the rental of office space in Connecticut which expires in October 2021 and has annual base rental charges of approximately \$35,000 over the lease term.

Rent credits and charges are accounted for on a straight-line basis over the life of the lease. Straight-lining of rent gives rise to a timing difference that is reflected as deferred rent in the accompanying statements of financial position. Included in other liabilities in the accompanying statements of financial position as of December 31, 2019 and 2018 is a liability of \$516,030 and \$518,564, respectively, related to deferred rent under the straight-line method of accounting.

Minimum future lease payments under the lease agreements for the years subsequent to December 31, 2019 are approximately as follows:

2020	\$	589,000
2021		578,000
2022		554,000
2023		554,000
2024		599,000
Thereafter		<u>2,649,000</u>
	\$	<u>5,523,000</u>

Rent expense, including real estate taxes and porters' wage escalation (or de-escalation) charges, for the years ended December 31, 2019 and 2018 amounted to approximately \$664,000 and \$607,000, respectively.

B. *Meeting Commitments*

In the ordinary course of business, AIChE has entered into contracts with hotels for meetings scheduled to occur beyond December 31, 2019 and 2018. In connection with the contracts, AIChE commits to a block of hotel rooms. AIChE is subject to cancellation penalties, which increase as the meeting dates approach. Cancellation penalties due to catastrophic events for meetings scheduled for the year following the statement of financial position date are covered under AIChE's insurance policies. In the very unlikely event AIChE had to cancel all the meetings scheduled beyond 2019 and 2018 that are under contract, it would incur approximately \$10.9 million and \$10.2 million, respectively in cancellation charges. AIChE is subject to negotiable penalties in the event meeting attendees do not utilize the rooms.

C. *Line of Credit*

AIChE has a line of credit with a financial institution. The line of credit has a maximum borrowing amount of \$1,500,000 and expires on September 30, 2020. Borrowings are secured by mutual funds and money market funds owned by AIChE and held at the same financial institution. Interest is at the one-month London Interbank Offered Rate ("LIBOR") plus 2%. This line of credit has no loan covenants attached to it. As of December 31, 2019 and 2018 and April 29, 2020, there were no borrowings.

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NOTE 10 – COMMITMENTS AND CONTINGENCIES (Continued)

D. *Uncertainty in Income Taxes*

AIChE believes it had no uncertain tax positions as of December 31, 2019 and 2018 in accordance with ASC Topic 740, "Income Taxes," which provides standards for establishing and classifying any tax provisions for uncertain tax positions.

NOTE 11 – OTHER PROGRAM EXPENSES

Other program expenses reflect the decision by the Board of Directors that certain operations should be supported from surpluses from self-supporting operations, other operating revenues, and a portion of investment return. Certain other amounts, as approved by the Board of Directors, are also available for operating purposes. The supported programs include the following for the years ended December 31:

	2019	2018
Subsidized activities include the governance of AIChE, public and governmental outreach programs, and support for the chemical engineering profession	\$ 1,289,758	\$ 1,319,460
Financial services	432,622	235,321
	\$ 1,722,380	\$ 1,554,781

NOTE 12 – CHARITABLE REMAINDER TRUSTS

AIChE is the beneficiary of remainder interests in certain charitable trusts. Upon the expiration of the trust terms (defined as the death of the surviving beneficiaries), AIChE shall receive the trusts' assets, which consists of certain fixed income and equity securities. As of December 31, 2019 and 2018, the value of the interest in the charitable remainder trusts was determined by estimating the future value of the trusts' assets as of the expiration of the trusts' terms and calculating the present value of those amounts at a discount rate of 3%, respectively, per annum. As of December 31, 2019 and 2018, the present value of AIChE's share of the trusts was \$134,157 and \$128,571, respectively, and is included in prepaid expenses and other assets in the accompanying financial statements. The fair value of the trusts' assets amounted to approximately \$240,000 and \$236,000, respectively, as of December 31, 2019 and 2018.

NOTE 13 – PUBLISHING AGREEMENTS

A. In May 2016, AIChE renewed its publishing agreement (the "Publishing Agreement") with Wiley, a commercial publisher (the "Publisher") with respect to the five journals (the "Journals") now currently owned by AIChE. The renewal occurred two years before the prior agreement was set to expire, and extends 12 years. Under the terms of the Publishing Agreement, the Publisher has the exclusive right and sole responsibility for the marketing, sales, print, and electronic distribution of the Journals. AIChE remains solely responsible for providing and paying editors and, in consultation with the Publisher, establishing editorial policy. Under the terms of the contract, AIChE has been guaranteed a minimum annual royalty plus increased additional royalties through 2021, with further increases in royalties from 2022 through the life of the contract, which escalate when the Publisher's gross revenues exceed certain predetermined levels.

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NOTES TO FINANCIAL STATEMENTS
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NOTE 13 – PUBLISHING AGREEMENTS (Continued)

B. In February 2005, AIChE entered into a four-year book publishing agreement (the “Book Publishing Agreement”) with the Publisher to co-develop approximately 8-15 new works each year. The Book Publishing Agreement is automatically renewed for additional three-year terms unless either party gives notice of intent to terminate the agreement at least six months prior to the expiration of the then current term. Under the terms of the Publishing Agreement, beginning in February 2005, the Publisher has the exclusive right and sole responsibility for the marketing, sales, print and electronic distribution of the works. AIChE remains solely responsible for providing and paying editors and, in consultation with the Publisher, establishing editorial policy. Under the terms of the contract, AIChE received a nonrefundable non-recoupable advance. In addition, AIChE has been guaranteed a minimum annual royalty plus additional royalties if the publisher’s revenues exceed predetermined levels. The minimum annual royalty is paid at the beginning of each additional year of the term provided that at least six works were published in the preceding year.

In November 2010, the Book Publishing Agreement was amended, revising language on co-development of books to allow, when both parties agree, for the Publisher to enter into author agreements even when AIChE is the submitting party. A new royalty category was created for such titles.

NOTE 14 – ENDOWMENTS

The Board of AIChE follows the New York State law called the New York Prudent Management of Institutional Funds Act (“NYPMIFA”). NYPMIFA includes a rebuttable presumption of imprudence if an organization appropriates more than 7% of a donor-restricted permanent endowment fund’s fair value (averaged over a period of not less than the preceding five years) in any year. Any unappropriated earnings that would otherwise be considered unrestricted by the donor are reflected as net assets with donor restrictions until appropriated.

AIChE’s Board has interpreted NYPMIFA as allowing AIChE to appropriate for expenditure or accumulate so much of an endowment fund as AIChE determines is prudent for the uses, benefits, purposes and duration for which the endowment fund was established, subject to the intent of the donor as expressed in the gift instrument. Unless stated otherwise, the assets in a donor-restricted endowment fund shall be donor-restricted assets until appropriated for expenditure by the Board.

As a result of this interpretation, AIChE has not changed the way net assets restricted in perpetuity are classified. The remaining portion of the donor-restricted endowment fund that is not classified as restricted in perpetuity is classified as net assets with donor restrictions (purpose and time-restricted for future periods), until those amounts are appropriated for expenditure in a manner consistent with the standard of prudence prescribed by NYPMIFA.

The policy for valuing AIChE’s investments is described in Note 2E. In accordance with U.S. GAAP, any deterioration of the fair value of assets associated with donor-restricted endowment funds that falls below the level the donor requires AIChE to retain in perpetuity is to be reported in net assets with donor restrictions. The fair value of assets associated with individual donor-restricted endowment funds are all above historic dollar value as of December 31, 2019 and 2018.

AIChE’s endowment investment policy is to invest 43% of assets into fixed-income mutual funds and cash equivalents, and 57% into equity mutual funds based on an asset allocation with the objective of capital appreciation.

AIChE had the following donor restricted endowments composition by type of fund as of December 31:

	<u>2019</u>	<u>2018</u>
Original donor-restricted gift amount and amount required to be maintained in perpetuity by donor	\$ 3,592,858	\$ 2,724,039
Accumulated investment gains	<u>311,459</u>	<u>39,100</u>
Total endowment activity	<u>\$ 3,904,317</u>	<u>\$ 2,763,139</u>

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NOTE 14 – ENDOWMENTS (Continued)

Changes in endowments for the years ended December 31 were as follows:

	<u>2019</u>	<u>2018</u>
Activity:		
Investment activity:		
Interest and dividends	\$ 81,377	\$ 56,932
Realized/unrealized gains/(losses)	<u>357,602</u>	<u>(177,658)</u>
Total investment activity	438,979	(120,726)
Contributions	868,819	420,837
Amount appropriated for expenditure	<u>(166,620)</u>	<u>(76,368)</u>
Total activity	1,141,178	223,743
Endowment net assets, beginning of year	<u>2,763,139</u>	<u>2,539,396</u>
Endowment net assets, end of year	<u>\$ 3,904,317</u>	<u>\$ 2,763,139</u>

Endowment net assets of \$3,904,317 and \$2,763,139 as of December 31, 2019 and 2018, respectively, are included with investments in the accompanying statements of financial position.

NOTE 15 – CONCENTRATION OF CREDIT RISK

Cash and cash equivalents that potentially subject AIChE to a concentration of credit risk include cash accounts with financial institutions that exceed the Federal Deposit Insurance Corporation (“FDIC”) insurance limits. The FDIC provides deposit insurance coverage of up to \$250,000 per depositor. As of December 31, 2019 and 2018, there was approximately \$3,891,000 and \$1,976,000, respectively, of cash and cash equivalents, held by one financial institution that exceeded FDIC limits and which represents a concentration of credit risk. On behalf of the Board of AIChE, the Finance Committee has evaluated the credit risk and alternatives and has recommended maintaining the current position while continuing to monitor this financial institution.

NOTE 16 – REVENUE AND SUPPORT

AIChE’s Industry Technology Groups (“ITGs”) are comprised of two major categories:

1. Industry Technology Alliances (ITAs) are corporate membership organizations in which corporations pool their dues to work collectively on pre-competitive projects. The ITAs in AIChE are RAPID, CCPS and DIPPR.

Rapid Advancement in Process Intensification Deployment (RAPID) – see also Note 17. In December 2016, the U.S. Department of Energy established RAPID, AIChE’s newest Industry Technology Alliance. RAPID is part of a federal government initiative on advanced manufacturing, established to enhance the competitiveness of U.S. manufacturing, while improving energy efficiency of the sector as a whole. Revenues from RAPID are mainly from federal funds and dues from corporations and academia.

The Center for Chemical Process Safety (CCPS) is an organization that identifies and addresses process safety needs for a variety of facilities involved with handling, storing, using or processing and transporting hazardous materials. CCPS member companies, working in project subcommittees, define and develop useful, time-tested guidelines that have practicable applications within the industry. Revenues from CCPS are mainly from corporate dues and conference related income.

The Design Institute for Physical Properties (DIPPR) is the world’s best source of critically evaluated thermophysical and environmental property data. The DIPPR® 801 database contains recommendations for 34 constant properties and 15 temperature-dependent properties for more than 2,200 compounds. Revenues from DIPPR are mainly from corporate dues and product data licensing income.

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NOTE 16 – REVENUE AND SUPPORT (Continued)

2. Technical Entities (TEs) are individual communities of chemical engineers and other professionals, who address certain societal grand challenges such as health and nutrition, energy, environment and sustainability, water and safety. These entities keep AIChE at the forefront of new technologies available to chemical engineers. Their goal is to expand AIChE’s reach to engineers and scientists who are working in fields beyond core chemical engineering competencies and who are concentrating on these challenges. AIChE’s Institute for Sustainability (IfS) and Society for Biological Engineering (SBE) were founded nearly 15 years ago, and have subsequently expanded their reach and technical content through workshops, conferences, credentialing and educational offerings. Since then, additional technical entities such as the Center for Energy Initiatives (CEI), the International Metabolic Engineering Society (IMES), the International Society for Water Solutions (ISWS), the Center for Innovation and Entrepreneurship Excellence (CIEE) and the Regenerative Engineering Society (RE Society) have been created. Additionally, the Design Institute for Emergency Relief Systems (DIERS) reorganized to become a technical entity, enabling it to develop an individual membership structure. Revenues from TEs are mainly from conference registrations, sponsorships and exhibits. All “entities” described above are not separately incorporated, but rather operating under “Doing Business As” or D/B/A’s.

ITG revenue consists of the following for the years ended December 31:

	<u>2019</u>	<u>2018</u>
Industry Technology Groups (ITG)		
REVENUE AND SUPPORT:		
Federal Government grants	\$ 15,419,333	\$ 10,015,699
Corporate membership dues	4,683,427	4,290,774
Meeting registrations, sponsorships and exhibits	3,636,335	3,328,512
Product data licensing	459,671	453,730
Other	<u>2,201,988</u>	<u>1,864,038</u>
TOTAL OPERATING REVENUE AND SUPPORT - ITG	<u>\$ 26,400,754</u>	<u>\$ 19,952,753</u>

AIChE’s Education Services revenue results mostly from registration fees derived from the sale of Public and In-company courses and online training.

Education services revenue consists of the following for the years ended December 31:

	<u>2019</u>	<u>2018</u>
Education Services		
REVENUE AND SUPPORT:		
In-company courses	\$ 1,805,503	\$ 1,351,247
Public courses	727,592	915,439
Online training	675,070	555,336
Other	<u>121,594</u>	<u>150,068</u>
TOTAL REVENUE AND SUPPORT – EDUCATION SERVICES	<u>\$ 3,329,759</u>	<u>\$ 2,972,090</u>

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NOTE 17 – RAPID MANUFACTURING INSTITUTE

On October 24, 2016, AIChE was selected by the U.S. Department of Energy to establish a manufacturing institute on *Modular Chemical Process Intensification*. The Rapid Manufacturing Institute (“RAPID” – Rapid Advancement in Process Intensification Deployment) is part of a federal government initiative on advanced manufacturing, established to enhance the competitiveness of U.S. manufacturing, while improving energy efficiency of the sector as a whole. AIChE will receive \$70 million for RAPID over five years with a minimum of 1:1 matching funds from its members in industry, academia, national labs, and other non-profits. AIChE has met its matching requirements for the year ended December 31, 2019.

RAPID’s focus is on the application of modular chemical process intensification in manufacturing processes as a means of lowering costs, improving energy and resource efficiency, increasing overall productivity and maintaining manufacturing jobs within the United States of America (the “U.S.”). One of the primary goals of RAPID and the other institutes is to enable manufacturing within the U.S. to expand and grow.

RAPID leverages AIChE’s relationships with industry and academia, along with its close ties to the Clean Energy Smart Manufacturing Innovation Institute. AIChE brings its substantial educational resources and infrastructure to bear to train students and professionals in the dissemination and application of new module process intensification tools. AIChE capitalizes on the expertise of its global network of industrial and academic professionals and its long-standing experience of managing subsidiary technical centers such as the Center for Chemical Process Safety, the Design Institute for Physical Properties, and the Chinese Hamster Ovary Genomic Systems Consortium which ended in 2017.

RAPID operates within AIChE’s 501(c)(3) umbrella, as an Industry Technology Group under the d/b/a RAPID Manufacturing Institute.

As of December 31, 2019 and 2018, accounts receivable included approximately \$8,536,000 and \$6,575,000, respectively, due from the U.S. Department of Energy and liabilities included a balance due to subrecipients of approximately \$5,963,000 and \$4,678,000, respectively.

NOTE 18 – SUBSEQUENT EVENTS

AIChE has evaluated, for potential recognition and disclosure, events subsequent to the date of the statement of financial position through April 29, 2020, the date the financial statements were available to be issued.

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (“COVID-19”) as a pandemic, which continues to spread throughout the United States. AIChE could be materially and adversely affected by the risks, or the public perception of the risks, related to an epidemic, pandemic, outbreak, or other public health crisis, such as the recent outbreak of COVID-19. The ultimate extent of the impact of any epidemic, pandemic or other health crisis on our mission, programs, financial condition and results of operations will depend on future developments, which are highly uncertain and cannot be predicted, including new information that may emerge concerning the severity of such epidemic, pandemic or other health crisis and actions taken to contain or prevent their further spread, among others. Accordingly, we cannot predict the extent to which our financial condition and results of operations will be affected.

Stay-at-home mandates and limitations on the sizes of gatherings made by national and state legislators have created a challenging environment for holding meetings as scheduled (see Note 10B). To date, one event has been cancelled outright, while others are being postponed or conducted virtually. There is expected to be an adverse effect on AIChE’s financial results, as yet to be determined, that will be partially mitigated by AIChE’s insurance policies.

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NOTE 18 – SUBSEQUENT EVENTS (Continued)

On March 27, 2020, in response to COVID-19, the federal government passed the Coronavirus Aid, Relief, and Economic Stability Act (“CARES Act”). Among many other provisions, to help businesses retain employees, the CARES Act provides relief to qualifying businesses through a program called the Paycheck Protection Program (“PPP”). Participating in the PPP enables the business to obtain a loan from the Small Business Administration (“SBA”) sector of the government. The maximum loan amount is equal to the lesser of (a) 2.5 times the entity’s average monthly payroll costs, as defined and incurred during the one-year period before the date on which the loan is made; or (b) \$10 million. The term of the loan is two years and bears interest at a fixed rate of 1% per annum. If the proceeds from the loan are used for specified purposes, some or all of the loan can be forgiven, based on how much is spent in the eight week period immediately following funding of the loan times a forgiveness factor that is based on employee headcount and amounts paid to the AIChE’s employees. AIChE applied for this loan through an SBA authorized lender. As of the date of this report, the loan has been approved by the lender in the amount of \$2,497,874, subject to the acceptance from the SBA with a PPP loan guarantee acknowledgement.