

American Institute of Chemical Engineers
Financial Statements
(Together with Independent Auditors' Report)
Years Ended December 31, 2016 and 2015

M A R K S P A N E T H

ACCOUNTANTS & ADVISORS

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NOTICE TO READERS

The American Institute of Chemical Engineers (“AICHE”) is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. 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 alliances, AIChE stimulates collaborative efforts among industry, universities, government and professional societies.

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

NOTES

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

AIChE maintains its net assets under the following three classes:

- Unrestricted – represents resources available for support of AIChE’s operations over which the Board of Directors has discretionary control.
- Temporarily restricted – represents assets that are subject to donor-imposed stipulations. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished) temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. All unappropriated earnings on donor-restricted endowment funds are reflected as temporarily restricted until appropriated (see Note 13).
- Permanently restricted – represents assets that must remain intact in perpetuity.

C. Contributions and Pledges Receivable

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give 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, 2016 and 2015, 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 promises to give are not included as support until the conditions are substantially met.

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. 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 3.

F. Allowance for Uncollectible Accounts Receivable

As of December 31, 2016 and 2015, AICHe determined that an allowance of approximately \$157,000 and \$145,000, respectively, should be provided for accounts receivable. Such estimates are based on management’s assessment of the aged basis of its funding sources, funding sources and 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

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Pledges receivable consisted of the following as of December 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Amounts due in:		
Less than one year	\$ 261,100	\$ 411,040
One to five years	2,399,877	816,379
Due more than five years	<u>66,606</u>	<u>69,609</u>
Gross pledges receivable	2,727,583	1,297,028
Less: allowance for uncollectible	(54,551)	(25,941)
Less: discount to present value at 3%	<u>(164,274)</u>	<u>(62,166)</u>
	<u>\$ 2,508,758</u>	<u>\$ 1,208,921</u>

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Property and equipment consisted of the following as of December 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>	<u>Estimated Useful Lives</u>
Furniture and fixtures	\$ 449,996	\$ 449,996	3-5 Years
Computer and office equipment	3,381,613	2,657,757	3-10 Years
Leasehold improvements	<u>118,801</u>	<u>118,801</u>	15 Years
Total cost	3,950,410	3,226,554	
Less: accumulated depreciation/amortization	<u>(1,533,081)</u>	<u>(1,036,637)</u>	
Net book value	<u>\$ 2,417,329</u>	<u>\$ 2,189,917</u>	

Depreciation and amortization expense amounted to \$568,342 and \$519,990 for the years ended December 31, 2016 and 2015, respectively. During the year ended December 31, 2016, AICHe disposed of fully depreciated property and equipment in the amount of \$71,898. No property was disposed during the year ended December 31, 2015.

L N N I O N E N E O S A S

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

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AICHe maintains a qualified contributory defined contribution retirement plan pursuant to Internal Revenue Code 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 Internal c6 l % -

Other changes in plan assets and benefit obligations recognized in the change in unrestricted net assets for the years ended December 31, 2016 and 2015 were as follows:

	2016	2015
Net loss	\$ 13,330	\$ 823,447
Amortization of net loss	(297,243)	(204,181)
Total recognized in change in unrestricted net assets	\$ (283,913)	\$ 619,266
 Total recognized in net periodic pension cost and change in unrestricted net assets	 \$ (74,814)	 \$ 679,730

The estimated net loss for the pension plan that will be amortized from the unrestricted net asset balance into net periodic benefit cost over the next year is \$257,450.

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, 2016 and 2015 were as follows:

	2016	2015
Discount rate used for net periodic benefit cost	4.50%	4.65%
Discount rate used for pension obligation	4.50%	4.65%
Expected return on plan assets	7.25%	7.25%

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 does not expect to contribute to its pension plan in 2017.

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:

2017	\$ 491,003
2018	727,914
2019	445,823
2020	626,179
2021	1,061,416
5 years thereafter	4,046,995

The assets (expressed in percentages) for the pension plan consisted of the following as of December 31, 2016 and 2015:

	2016	2015
Equity securities	56%	55%
Debt securities	43%	43%
Cash equivalents	1%	2%
	100%	100%

Level 1 (Non-Exchange-Traded Securities)

The fair value hierarchy defines three levels, as further described in Note 3. Pension assets carried at fair value at December 31, 2016 and 2015 are classified in the table as Level 1 as follows:

	2016	2015
Investments:		
Mutual Funds		
U.S. Large Cap/Mid Cap	\$ 2,011,186	\$ 1,809,087
U.S. Small Cap	591,642	487,687
Diversified Foreign Equity	2,132,613	2,097,194
U.S. Core Bonds	2,606,785	2,550,119
Global Bonds	1,069,022	960,708
Money Market Mutual Funds	78,424	164,954
Total assets at fair value	<u>\$ 8,489,672</u>	<u>\$ 8,069,749</u>

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.

Medical and Life Insurance Benefits

AICHe has a contributory postretirement medical and life insurance plan for all eligible employees. As of February 1, 2007, each participant is eligible to receive benefits at age 55 with either 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 were eliminated. Employees hired after the year-end of 2007 are not eligible for the plan.

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The funded status of the plan as of December 31, 2016 and 2015 was as follows:

	<u>2016</u>	<u>2015</u>
Change in benefit obligation:		
Benefit obligation at beginning of year	\$ 1,621,622	\$ 1,439,807
Service cost	7,684	10,469
Interest cost	58,220	73,685
Plan amendments	(336,017)	-
Plan participants' contributions	28,970	37,386
Actuarial (gain) loss	(347,200)	140,045
Benefits paid	<u>(67,036)</u>	<u>(79,770)</u>
Benefit obligation at end of year	<u>966,243</u>	<u>1,621,622</u>
Funded status	<u>\$ (966,243)</u>	<u>\$ (1,621,622)</u>

Amounts recognized in unrestricted net assets for the plan consisted of the following as of December 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Prior service credit	\$ 336,017	\$ 24,880
Gain	<u>339,247</u>	<u>17,206</u>
	<u>\$ 675,264</u>	<u>\$ 42,086</u>

The components of net periodic benefit cost for the years ended December 31, 2016 and 2015 were as follows:

	<u>2016</u>	<u>2015</u>
Service cost	\$ 7,684	\$ 10,469
Interest cost	58,220	73,685
Amortization of prior service credit	(24,880)	(58,224)
Amortization of net gain	<u>(25,159)</u>	<u>-</u>
Net benefit cost	<u>\$ 15,865</u>	<u>\$ 25,930</u>

Other changes in plan assets and benefit obligations recognized in the change in unrestricted net assets for the years ended December 31, 2016 and 2015 were as follows:

	<u>2016</u>	<u>2015</u>
Actuarial gain (loss)	\$ (347,200)	\$ 140,045
Prior service credit	(336,017)	-
Amortization of prior service credit	24,880	58,224
Amortization of net gain	<u>25,159</u>	<u>-</u>
Total recognized in change in unrestricted net assets	<u>\$ (633,178)</u>	<u>\$ 198,269</u>
Total recognized in net periodic pension cost and change in unrestricted net assets	<u>\$ (617,313)</u>	<u>\$ 224,199</u>

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The estimated net gain, transition obligation and prior service credit for the plan that will be amortized from the unrestricted net asset balance into net periodic benefit cost over the next fiscal year is \$30,000, \$0 and \$57,000, respectively.

The weighted-average assumptions to determine the benefit obligation and net periodic benefit cost as of and for the years ended December 31, 2016 and 2015 were as follows:

The following table shows the benefit obligation as of and for the years ended December 31, 2016 and 2015:

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Temporarily restricted net assets as of December 31, 2016 and 2015 were available for the following purposes:

	<u>2016</u>	<u>2015</u>
Industry technology alliances	\$ 215,460	\$ 215,460
Other programs	138,567	175,639
AIChE Foundation (not a separate entity) – award programs and other	3,341,351	1,364,006
Unappropriated earnings on permanently restricted funds - time restricted (see Note 13)	<u>78,426</u>	<u>-</u>
	<u>\$ 3,773,804</u>	<u>\$ 1,755,105</u>

Permanently restricted net assets as of December 31, 2016 and 2015 were restricted to investments in perpetuity the income from which is available for the following:

	<u>2016</u>	<u>2015</u>
Award programs for scholastic achievement	\$ 508,904	\$ 425,259
Educational and professional development	625,768	570,768

NOTE TO THE CONSOLIDATED FINANCIAL STATEMENTS

AICHe also has a lease agreement for the rental of office space in Connecticut which expires in August 2017 and has annual base rental charges of approximately \$32,000 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, 2016 and 2015 is a liability of \$444,635 and \$408,746, 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, 2016 are approximately as follows:

2017	\$	519,000
2018		496,000
2019		537,000
2020		553,000
2021		553,000
Thereafter		<u>4,355,000</u>
		<u>\$ 7,013,000</u>

Rent expense, including real estate taxes and porters' wage escalation charges, for the years ended December 31, 2016 and 2015 amounted to approximately \$650,000 and \$622,000, respectively.

B. Meeting Commitments

In the ordinary course of business, AICHe has entered into

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Notes to Financial Statements

Changes in endowment net assets for year ended December 31, 2015 were as follows:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2015 Total</u>
Activity:			
Investment activity:			
Interest and dividends	\$ 28,499	\$ -	\$ 28,499
Realized/unrealized losses	<u>(74,208)</u>	<u>-</u>	<u>(74,208)</u>
Total investment activity	(45,709)	-	(45,709)
Contributions	-	374,769	374,769
Amount appropriated for expenditure	(18,794)	-	(18,794)
Transfers from unrestricted net assets	<u>40,450</u>	<u>-</u>	<u>40,450</u>
Total activity	(24,053)	374,769	350,716
Endowment net assets, beginning of year	<u>24,053</u>	<u>1,133,660</u>	<u>1,157,713</u>
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 1,508,429</u>	<u>\$ 1,508,429</u>

Endowment net assets of \$1,834,156 and \$1,508,429, respectively, as of December 31, 2016 and 2015 are included with investments in the accompanying statements of financial position.

Notes to Financial Statements

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, 2016 and 2015, there was approximately \$2,346,000 and \$2,261

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RAPID will leverage 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 and will co-train students and professionals in the dissemination and application of new modular process intensification tools. AIChE will capitalize on the t