



American Institute of Chemical Engineers
Financial Statements
(Together with Independent Auditors' Report)
Years Ended December 31, 2015 and 2014

M A R K S P A N E T H

ACCOUNTANTS & AUDITORS

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E O A O N A T G M C T S H R S P R I							
Change in net assets					\$ (956,940)	\$ (25,195)	
Adjustments to reconcile change in net assets to net cash provided by operating activities:							
Realized and unrealized loss (gain) on investments					1,229,582	(276,196)	
Depreciation and amortization					519,990	382,684	
Bad debt expense					<u>175,786</u>	<u>85,145</u>	
Subtotal					968,418	166,438	
Changes in operating assets and liabilities:							
(Increase) or decrease in assets:							
Accounts receivable					775,489	(416,427)	
Prepaid expenses and other					(266,142)	620	
Pledges receivable					(993,020)	(244,377)	
Increase or (decrease) in liabilities:							
Accounts payable					(182,896)	(35,466)	
Deferred revenue					(652,072)	248,088	
Accrued expenses:							
Employee vacation and other benefits					49,880	69,831	
Pension and other postretirement benefit costs					861,545	1,315,990	
Other					<u>230,683</u>	<u>70,717</u>	
O A P					<u>791,885</u>	<u>1,175,414</u>	
E O N A T G M C T S H R S I							
Purchases of investments					(3,989,113)	(3,316,163)	
Proceeds from the sale of investments					3,480,401	2,246,247	
Purchases of property and equipment					<u>(428,968)</u>	<u>(640,771)</u>	
A U I					<u>(937,680)</u>	<u>(1,710,687)</u>	
A C R N E I S L E E S H					(145,795)	(535,273)	
Cash and cash equivalents - beginning of the year					<u>2,819,414</u>	<u>3,354,687</u>	
D N N T L A S H D U S H E					<u>\$ 2,673,619</u>	<u>\$ 2,819,414</u>	

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

AMERICAN INSTITUTE OF CHEMICAL ENGINEERS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES

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.

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. Basis of Presentation

AIChE maintains its net assets under the following three classes:

- x Unrestricted – represents resources available for support of AIChE’s operations over which the Board of Directors has discretionary control.
- x 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).
- x 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% and 5% reserve allowance for bad debt as of December 31, 2015 and 2014, respectively. The discounts on those amounts are computed using risk-free 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.

AMERICAN INSTITUTE OF CHEMICAL ENGINEERS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

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. 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, 2015 and 2014, AIChE determined that an allowance of approximately \$145,000 and \$95,000, respectively, should be provided for accounts receivable. Such an estimate is 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 year.

H. Revenue Recognition

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.

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 providing the various programs and other activities have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

AMERICAN INSTITUTE OF CHEMICAL ENGINEERS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

NOTE 3 – INVESTMENTS AND FAIR VALUE MEASUREMENTS

Investments consisted of the following at December 31, 2015 and 2014 and were classified as Level 1 in the fair value hierarchy (as defined below) as follows:

	<u>2015</u>	<u>2014</u>
Mutual Funds		
U.S. Large Cap/Mid Cap	\$ 4,485,837	\$ 3,995,323
U.S. Small Cap	1,021,931	1,087,696
Diversified Foreign Equity	5,563,073	6,435,792
U.S. Core Bonds	6,210,943	6,089,835
Global Bonds	2,433,164	3,273,508
Money Market Mutual Funds	<u>565,189</u>	<u>142,384</u>
Total mutual funds	20,280,137	21,024,538
Equity securities – domestic	<u>29,540</u>	<u>6,009</u>
Total investments	<u>\$ 20,309,677</u>	<u>\$ 21,030,547</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, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Interest and dividends	\$ 493,634	\$ 579,442
Realized and unrealized (losses) and gains	(1,229,582)	276,196
Investment fees	<u>(55,776)</u>	<u>(55,889)</u>
	<u>\$ (791,724)</u>	<u>\$ 799,749</u>

The fair value hierarchy defines three levels as follows:

AMERICAN INSTITUTE OF CHEMICAL ENGINEERS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

NOTE 4 – PLEDGES RECEIVABLE

Pledges receivable consisted of the following as of December 31, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Amounts due in:		
Less than one year	\$ 411,040	\$ 74,650
One to five years	816,379	210,363
Due more than five years	<u>69,609</u>	<u>18,994</u>
Gross pledges receivable	1,297,028	304,007
Less: allowance for uncollectible	(25,941)	(15,200)
Less: discount to present value at 3%	<u>(62,166)</u>	<u>(16,642)</u>
	<u>\$ 1,208,921</u>	<u>\$ 272,165</u>

NOTE 5 – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of December 31, 2015 and 2014:

	<u>2015</u>	<u>2014</u>	<u>Estimated Useful Lives</u>
Furniture and fixtures	\$ 449,996	\$ 447,939	3-5 Years
Computer and office equipment	2,657,757	2,230,846	3-5 Years
Leasehold improvements	<u>118,801</u>	<u>118,801</u>	15 Years
Total cost	3,226,554	2,797,586	
Less: accumulated depreciation/amortization	<u>(1,036,637)</u>	<u>(516,647)</u>	
Net book value	<u>\$ 2,189,917</u>	<u>\$ 2,280,939</u>	

Depreciation and amortization expense amounted to \$519,990 and \$382,684 for the years ended December 31, 2015 and 2014, respectively. During the year ended December 31, 2014, AIChE disposed of fully depreciated property and equipment in the amount of \$51,345. No property was disposed during the year ended December 31, 2015.

AMERICAN INSTITUTE OF CHEMICAL ENGINEERS
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2015 AND 2014

NOTE 6 – PENSION PLANS (Continued)

Other changes in plan assets and benefit obligations recognized in the change in unrestricted net assets for the years ended December 31, 2015 and 2014 were as follows:

	2015	2014
Net loss	\$ 823,447	\$ 1,277,841
Amortization of net loss	(204,181)	(71,422)
Total recognized in change in unrestricted net assets	\$ 619,266	\$ 1,206,419
 Total recognized in net periodic pension cost and change in unrestricted net assets	 \$ 679,730	 \$ 1,142,005

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 fiscal year is \$289,915.

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, 2015 and 2014 were as follows:

	2015	2014
Discount rate used for net periodic benefit cost	4.65%	5.50%
Discount rate used for pension obligation	4.65%	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 2016.

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:

2016	\$ 320,798
2017	482,113
2018	714,091
2019	436,002
2020	822,190
5 years thereafter	4,101,700

AMERICAN INSTITUTE OF CHEMICAL ENGINEERS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

NOTE 7 – POSTRETIREMENT OTHER THAN PENSIONS (Continued)

The funded status of the plan as of December 31, 2015 and 2014 was as follows:

	<u>2015</u>	<u>2014</u>
Change in benefit obligation:		
Benefit obligation at beginning of year	\$ 1,439,807	\$ 1,265,822
Service cost	10,469	7,137
Interest cost	73,685	67,711
Plan participants' contributions	37,386	35,348
Actuarial loss	140,045	139,694
Benefits paid	<u>(79,770)</u>	<u>(75,905)</u>
Benefit obligation at end of year	<u>1,621,622</u>	<u>1,439,807</u>
Funded status	<u>\$ (1,621,622)</u>	<u>\$ (1,439,807)</u>

Amounts recognized in unrestricted net assets for the plan consisted of the following as of December 31, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Prior service credit	\$ 24,880	\$ 83,104
Gain	<u>17,206</u>	<u>157,251</u>
	<u>\$ 42,086</u>	<u>\$ 240,355</u>

The components of net periodic benefit cost for the years ended December 31, 2015 and 2014 were as follows:

	<u>2015</u>	<u>2014</u>
Service cost	\$ 10,469	\$ 7,137
Interest cost	73,685	67,711
Amortization of transition obligation	-	23,751
Amortization of prior service credit	(58,224)	(58,224)
Amortization of net gain	<u>-</u>	<u>(20,786)</u>
Net benefit cost	<u>\$ 25,930</u>	<u>\$ 19,589</u>

Other changes in plan assets and benefit obligations recognized in the change in unrestricted net assets for the

AMERICAN INSTITUTE OF CHEMICAL ENGINEERS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

NOTE 7 – POSTRETIREMENT OTHER THAN PENSIONS (Continued)

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 \$0, \$0 and \$25,000, respectively.

The weighted-average assumptions to determine the benefit obligation and net periodic benefit cost as of and for the years ended December 31, 2015 and 2014 were as follows:

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:

2016	\$ 72,997
2017	78,579
2018	85,480
2019	91,549
2020	99,503

AMERICAN INSTITUTE OF CHEMICAL ENGINEERS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

NOTE 9 – COMMITMENTS AND CONTINGENCIES (Continued)

Rent credits and charges are accounted for on a straight-line basis over the life of the lease. Straight-lining of

AMERICAN INSTITUTE OF CHEMICAL ENGINEERS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

AMERICAN INSTITUTE OF CHEMICAL ENGINEERS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

NOTE 12 – PUBLISHING AGREEMENTS (Continued)

- B. In February 2005, AIChE entered into a four-year book publishing agreement (the "Book Publishing Agreement") with the same commercial publisher to co-develop approximately 8-15 new works each year. The Book Publishing Agreement shall be 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

AMERICAN INSTITUTE OF CHEMICAL ENGINEERS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

NOTE 13 – ENDOWMENT NET ASSETS (Continued)

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>

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AMERICAN INSTITUTE OF CHEMICAL ENGINEERS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

NOTE 15 – RELATED PARTY TRANSACTIONS

AIChE may transact business or contract services with, companies or individuals that may employ members of the Board of Directors or relatives of certain employees or members of the Board of Directors. The Directors or employees are not involved in the transaction process and all such transactions are reported to and approved by the Board of Directors.

Related party transactions were as follows for the year ended December 31, 2014:

Training fees	<u>\$ 40,080</u>
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There were no related party transactions for the year ended December 31, 2015.

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AIChE has evaluated, for potential recognition and disclosure, events subsequent to the date of the statement of financial position through May 13, 2016, the date the financial statements were available to be issued.