
AIChE®

American Institute of Chemical Engineers

Financial Statements
(Together with Independent Auditors' Report)

Years Ended December 31, 2009 and 2008

AMERICAN INSTITUTE OF CHEMICAL ENGINEERS

FINANCIAL STATEMENTS
(Together with Independent Auditors' Report)

YEARS ENDED DECEMBER 31, 2009 AND 2008

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of the
American Institute of Chemical Engineers

We have audited the accompanying statements of financial position of the American Institute of Chemical Engineers ("AICHE") as of December 31, 2009 and 2008, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of AICHE's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the American Institute of Chemical Engineers as of December 31, 2009 and 2008, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Marks Paneth & Shron LLP

New York, NY
March 29, 2010



**AMERICAN INSTITUTE OF CHEMICAL ENGINEERS
STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2009 AND 2008**

	<u>2009</u>	<u>2008</u>
ASSETS		
Cash and cash equivalents (Notes 2D and 14)	\$ 2,951,696	\$ 4,371,368
Investments, at fair value (Notes 2E, 3, 10C, 14, 16 and 17)	13,336,909	11,479,621
Accounts receivable, net (Note 2H)	1,259,421	769,922
Prepaid expense and other (Notes 12 and 16)	275,172	302,837
Pledges receivable, net (Notes 2C and 4)	91,154	115,113
Property and equipment, net (Notes 2F and 5)	<u>399,477</u>	<u>581,675</u>
TOTAL ASSETS	<u>\$ 18,313,829</u>	<u>\$ 17,620,536</u>
LIABILITIES		
Accounts payable	\$ 1,441,911	\$ 1,947,384
Deferred revenue - dues, subscriptions, and other (Note 2G)	3,771,366	3,881,568
Accrued expenses:		
Leasehold assignment (Note 10A)	321,561	406,310
Employee vacation and other benefits	266,171	380,552
Pension and other postretirement benefit costs (Notes 6 and 7)	3,279,787	3,766,726
Other (Note 6)	760,021	1,154,326
Royalty advance (Note 9)	<u>125,000</u>	<u>187,500</u>
TOTAL LIABILITIES	<u>9,965,817</u>	<u>11,724,366</u>
COMMITMENTS AND CONTINGENCIES (Note 10)		
NET ASSETS (Note 2B)		
Unrestricted (Notes 2B, 6, 7 and 17)	2,414,073	470,656
Temporarily restricted (Note 8)	5,334,764	4,926,339
Permanently restricted (Notes 8 and 17)	<u>599,175</u>	<u>499,175</u>
TOTAL NET ASSETS	<u>8,348,012</u>	<u>5,896,170</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 18,313,829</u>	<u>\$ 17,620,536</u>

AMERICAN INSTITUTE OF CHEMICAL ENGINEERS
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

	For the Year Ended December 31, 2009			For the Year Ended December 31, 2008				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2009	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2008
OPERATING ACTIVITY:								
REVENUE AND SUPPORT:								
Dues and other membership revenue (Note 2G)	\$ 4,681,543	\$ -	\$ -	4,681,543	\$ 4,671,191	\$ -	\$ 4,671,191	
Publications sales and subscriptions (Note 13)	2,242,383	-	-	2,242,383	4,892,236	-	4,892,236	
Industry technology alliances (Note 1)	1,670,191	3,327,958	-	4,998,149	1,282,644	3,989,838	5,252,482	
Meetings and technical programming	3,354,638	-	-	3,354,638	4,336,799	-	4,336,799	
Education services	150,079	-	-	150,079	81,705	-	81,705	
Financial services	364,375	-	-	364,375	292,578	-	292,578	
AICHE Foundation - contributions (Notes 1 and 15)	109,795	-	100,000	209,795	790,124	-	790,124	
Other revenue	320,809	52,303	-	372,912	195,047	598,247	793,294	
Net assets released from restrictions (Note 8)	2,971,836	(2,971,836)	-	-	3,822,975	(3,822,975)	-	
TOTAL OPERATING REVENUE AND SUPPORT	15,865,449	408,425	100,000	16,373,874	20,865,299	745,110	21,110,409	
EXPENSES:								
Program Related:								
Membership	3,138,539	-	-	3,138,539	3,008,828	-	3,008,828	
Publications (Note 13C)	2,308,128	-	-	2,308,128	3,575,703	-	3,575,703	
Industry technology alliances	4,437,487	-	-	4,437,487	4,250,668	-	4,250,668	
Meetings and technical programming	2,802,828	-	-	2,802,828	3,509,050	-	3,509,050	
Education services	389,381	-	-	389,381	166	-	166	
Financial services	154,333	-	-	154,333	176,339	-	176,339	
Other program support (Note 11)	832,243	-	-	832,243	1,103,915	-	1,103,915	
	14,062,939	-	-	14,062,939	15,824,669	-	15,824,669	
Supporting Services								
General and administration	2,988,007	-	-	2,988,007	3,237,053	-	3,237,053	
Fundraising (Note 15)	270,544	-	-	270,544	948,498	-	948,498	
	3,258,551	-	-	3,258,551	4,185,551	-	4,185,551	
TOTAL OPERATING EXPENSES	17,321,490	-	-	17,321,490	19,810,220	-	19,810,220	
Change In Net Assets From Operations	(1,456,041)	408,425	100,000	(947,616)	555,079	745,110	1,300,189	
NON-OPERATING ACTIVITY:								
Investment return, net (Note 3)	2,860,232	-	-	2,860,232	(3,617,678)	-	(3,617,678)	
Pension related changes other than net periodic pension cost (Note 6)	629,384	-	-	629,384	(1,970,323)	-	(1,970,323)	
Postretirement related changes other than net periodic postretirement cost (Note 7)	(90,158)	-	-	(90,158)	102,085	-	102,085	
TOTAL NON-OPERATING ACTIVITY	3,399,458	-	-	3,399,458	(5,485,916)	-	(5,485,916)	
CHANGE IN NET ASSETS	1,943,417	408,425	100,000	2,451,842	(4,930,837)	745,110	(4,185,727)	
Net assets - beginning of year	470,656	4,926,339	499,175	5,896,170	5,401,493	4,181,229	10,081,897	
NET ASSETS - END OF YEAR	\$ 2,414,073	\$ 5,334,764	\$ 599,175	\$ 8,348,012	\$ 470,656	\$ 4,926,339	\$ 5,896,170	

AMERICAN INSTITUTE OF CHEMICAL ENGINEERS
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 2,451,842	\$ (4,185,727)
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities:		
Realized and unrealized (gain) loss on investments	(2,513,173)	3,998,444
Depreciation and amortization	229,231	241,977
Bad debt expense	27,652	38,528
Subtotal	195,552	93,222
Changes in operating assets and liabilities:		
(Increase) or decrease in assets:		
Accounts receivable	(517,151)	450,108
Prepaid expenses and other	27,665	(49,579)
Pledges receivable	23,959	23,522
Increase or (decrease) in liabilities:		
Accounts payable	(505,473)	431,574
Deferred revenue	(110,202)	64,434
Accrued expenses:		
Leasehold assignment	(84,749)	(44,126)
Employee vacation and other benefits	(114,381)	72,576
Pension and other postretirement benefit costs	(486,939)	1,654,269
Other	(394,305)	71,225
Net Cash (Used) Provided by Operating Activities	(1,966,024)	2,767,225
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(3,094,890)	(4,960,614)
Proceeds from the sale of investments	3,750,775	2,556,254
Purchases of property and equipment	(47,033)	(106,385)
Net Cash Provided (Used) by Investing Activities	608,852	(2,510,745)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayment of royalty advance	(62,500)	(62,500)
Net Cash Used by Financing Activities	(62,500)	(62,500)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(1,419,672)	193,980
Cash and cash equivalents - beginning of the year	4,371,368	4,177,388
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 2,951,696	\$ 4,371,368
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the year for interest	\$ 3,439	\$ 4,703

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

**AMERICAN INSTITUTE OF CHEMICAL ENGINEERS
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008**

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 (which provides AIChE with contributions), AIChE stimulates collaborative efforts among industry, universities, government and professional societies.

AIChE’s Foundation, which is not separately incorporated, seeks to solicit additional financial support for AIChE’s programs.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- A. AIChE’s financial statements have been prepared on the accrual basis of accounting. AIChE adheres to accounting principles generally accepted in the United States of America.
- B. 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. Unrestricted net assets include Board designated net assets of \$2,093,894 and \$1,664,051, respectively, as of December 31, 2009 and 2008. The Board designated net assets consist of a “Facilities Reserve” fund established by AIChE’s Board of Directors. The Board designated funds, including investment income earned on those funds, are to be used as approved by the Board.
 - 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.
 - Permanently restricted – represents assets that must remain intact in perpetuity.

AIChE has adopted certain provisions of the Financial Accounting Standards Board (“FASB”) Staff Position (“FSP”) No. FAS 117-1 (“FSP No. FAS 117-1”), *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act and Enhanced Disclosures for all Endowment Funds*. The disclosures required by FSP No. FAS 117-1 are reflected in Note 17.

- C. 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. The discounts on those amounts are computed using risk-free 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. AIChE considers highly liquid debt instruments with a maturity of 90 days 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 are reported at fair value based upon quoted market value. Investments in certificates of deposit are carried at cost, which approximates fair value because of the short maturities of the certificates of deposit.
- F. 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.

**AMERICAN INSTITUTE OF CHEMICAL ENGINEERS
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- G. 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. Discounted dues payments collected in the year subsequent to billing are recognized as deferred revenue and applied to future dues billings.
- H. As of December 31, 2009 and 2008, AIChE determined that an allowance of approximately \$54,000 and \$52,000, respectively, should be provided for accounts receivable. Such estimate is based on management's assessment of the aged basis of its funding sources, creditworthiness of its donors, funding sources and customers, current economic conditions and historical information.
- I. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures at the date of the financial statements. Actual results could differ from those estimates.
- J. 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 16.
- K. AIChE has evaluated, for potential recognition and disclosure, events subsequent to the date of the statement of financial position through March 29, 2010, the date the financial statements were available to be issued. No events have occurred subsequent to December 31, 2009 through March 29, 2010, that would require adjustment to or disclosure in the accompanying financial statements.
- L. Effective January 1, 2009, AIChE adopted the provisions of FASB Interpretation No. 48 ("FIN 48"), "Accounting for Uncertainties in Income Taxes – an Interpretation of FASB Statement No. 109," now incorporated in Accounting Standards Codification ("ASC") Topic 740, which provides standards for establishing and classifying any tax provisions for uncertain tax positions. The adoption of FIN 48 did not have an effect on AIChE's financial position as of January 1, 2009 or AIChE's results of operations and cash flows for the year ended December 31, 2009. AIChE is no longer subject to federal or state and local income tax examinations by tax authorities for years before 2006.

NOTE 3 – INVESTMENTS

Investments consist of the following as of December 31, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
Money market funds/certificates of deposit	\$ 1,690,048	\$ 1,594,532
Fixed-income mutual funds	3,417,199	3,357,278
Equity mutual funds	<u>8,229,662</u>	<u>6,527,811</u>
	<u>\$ 13,336,909</u>	<u>\$ 11,479,621</u>

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

Investment return consists of the following for the years ended December 31, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
Interest and dividends	\$ 373,012	\$ 406,998
Realized and unrealized gain (loss)	2,513,173	(3,998,444)
Investment fees	<u>(25,953)</u>	<u>(26,232)</u>
	<u>\$ 2,860,232</u>	<u>\$ (3,617,678)</u>

**AMERICAN INSTITUTE OF CHEMICAL ENGINEERS
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008**

NOTE 4 – PLEDGES RECEIVABLE

Pledges receivable consist of the following as of December 31, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
Amounts due in:		
Less than one year	\$ 25,000	\$ 25,000
One to five years	70,000	65,000
Greater than five years	<u>-</u>	<u>30,000</u>
Gross pledges receivable	95,000	120,000
Less: discount to present value at 3%	<u>(3,846)</u>	<u>(4,887)</u>
	<u>\$ 91,154</u>	<u>\$ 115,113</u>

NOTE 5 – PROPERTY AND EQUIPMENT

Property and equipment consists of the following as of December 31, 2009 and 2008:

	<u>2009</u>	<u>2008</u>	<u>Estimated Useful Lives</u>
Furniture and fixtures	\$ 510,511	\$ 510,511	3-5 Years
Computer and office equipment	5,979,034	5,932,001	3-5 Years
Leasehold improvements	<u>669,879</u>	<u>669,879</u>	15 Years
Total cost	7,159,424	7,112,391	
Less: accumulated depreciation/amortization	<u>(6,759,947)</u>	<u>(6,530,716)</u>	
Net book value	<u>\$ 399,477</u>	<u>\$ 581,675</u>	

Depreciation and amortization expense amounted to \$229,231 and \$241,977 for the years ended December 31, 2009 and 2008, respectively.

NOTE 6 – PENSION PLANS

Through December 31, 2005, AIChE had a 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 will continue to maintain this plan for all plan participants; however, further benefits will not accrue after 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.

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 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 Revenue Code ("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 \$124,234 and \$101,730 for the years ended December 31, 2009 and 2008, respectively.

As a substitute for the defined benefit plan, which was frozen on December 31, 2005, AIChE has 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 \$426,000 and \$382,109 for the years ended December 31, 2009 and 2008, respectively.

AMERICAN INSTITUTE OF CHEMICAL ENGINEERS
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008

NOTE 6 – PENSION PLANS (Continued)

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 457(b) plan is entirely funded by employee contributions. Included in other liabilities is \$15,500 as of December 31, 2008 relating to this plan. Such amount was paid out to the key employee in 2009 and there was no liability relating to this plan as of December 31, 2009.

The funded status of the defined benefit plan as of December 31, 2009 and 2008 is as follows:

	<u>2009</u>	<u>2008</u>
Change in benefit obligation:		
Benefit obligation at beginning of year	\$ 7,828,902	\$ 7,909,081
Interest cost	487,111	461,552
Actuarial loss (gain)	666,131	(378,426)
Benefits paid	<u>(383,802)</u>	<u>(163,305)</u>
Benefit obligation at end of year	8,598,342	7,828,902
Fair value of plan assets	<u>6,572,790</u>	<u>5,241,306</u>
Funded status	<u>\$ (2,025,552)</u>	<u>\$ (2,587,596)</u>

Amounts recognized in unrestricted net assets for the pension plan consist of the following as of December 31, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
Net loss	<u>\$ (2,175,379)</u>	<u>\$ (2,804,763)</u>

As of December 31, 2009 and 2008, the accumulated benefit obligation for the pension plan was \$8,598,342 and \$7,828,902, respectively.

The components of net periodic benefit cost for the pension plan for the years ended December 31, 2009 and 2008 are as follows:

	<u>2009</u>	<u>2008</u>
Interest cost	\$ 487,111	\$ 461,552
Expected return on plan assets	(359,442)	(507,492)
Amortization of net loss	<u>189,136</u>	<u>14,332</u>
	<u>\$ 316,805</u>	<u>\$ (31,608)</u>

Other changes in plan assets and benefit obligations recognized in the change in unrestricted net assets for the years ended December 31, 2009 and 2008 are as follows:

	<u>2009</u>	<u>2008</u>
Net (gain) loss	\$ (440,248)	\$ 1,984,655
Amortization of net loss	<u>(189,136)</u>	<u>(14,332)</u>
Total recognized in change in unrestricted net assets	<u>\$ (629,384)</u>	<u>\$ 1,970,323</u>
Total recognized in net periodic pension (income) cost and change in unrestricted net assets	<u>\$ (312,579)</u>	<u>\$ 1,938,715</u>

AMERICAN INSTITUTE OF CHEMICAL ENGINEERS
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008

NOTE 6 – PENSION PLANS (Continued)

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 \$(127,377).

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, 2009 and 2008 are as follows:

	<u>2009</u>	<u>2008</u>
Discount rate used for net periodic benefit cost	7.00%	6.25%
Discount rate used for pension obligation	6.00%	7.00%
Expected return on plan assets	7.75%	7.75%

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 approximately \$89,025 to its pension plan in 2010.

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:

2010	\$ 590,447
2011	571,692
2012	208,388
2013	220,597
2014	292,245
5 years thereafter	2,713,245

The assets (expressed in percentages) for the pension plan consist of the following as of December 31, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
Equity securities	58%	56%
Debt securities	41%	43%
Cash equivalents	<u>1%</u>	<u>1%</u>
	<u>100%</u>	<u>100%</u>

The fair value hierarchy defines three levels, as further described in Note 16. Pension assets carried at fair value at December 31, 2009 and 2008 are classified in the table as Level 1 as follows:

	<u>2009</u>	<u>2008</u>
Cash equivalents	\$ 45,416	\$ 53,933
Fixed-income mutual funds	2,692,812	2,251,281
Equities mutual funds	<u>3,834,562</u>	<u>2,936,092</u>
	<u>\$ 6,572,790</u>	<u>\$ 5,241,306</u>

**AMERICAN INSTITUTE OF CHEMICAL ENGINEERS
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008**

NOTE 6 – PENSION PLANS (Continued)

The composition of AIChE's plan assets is a target asset mix allocated 60%/40% 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 7 – 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 will be 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 is eliminated. Employees hired after February 1, 2007 will be eligible to purchase coverage under the postretirement medical plan but will not be eligible for any subsidy from AIChE. In addition, employees hired after February 1, 2007 will not be eligible to receive postretirement life insurance benefits. Coverage for both the retiree and the spouse continues for their lifetimes, so long as required contributions are made. AIChE contributes 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.

The funded status of the plan as of December 31, 2009 and 2008 is as follows:

	<u>2009</u>	<u>2008</u>
Change in benefit obligation:		
Benefit obligation at beginning of year	\$ 1,179,130	\$ 1,257,865
Service cost	18,347	42,910
Interest cost	75,551	74,082
Plan participants' contributions	51,334	53,446
Actuarial loss (gain)	27,179	(150,105)
Benefits paid	<u>(97,306)</u>	<u>(99,068)</u>
Benefit obligation at end of year	<u>1,254,235</u>	<u>1,179,130</u>
Funded status	<u>\$ (1,254,235)</u>	<u>\$ (1,179,130)</u>

Amounts recognized in unrestricted net assets for the plan consist of the following as of December 31, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
Transition obligation	\$ (118,747)	\$ (142,496)
Gain	334,019	389,702
Prior service credit	<u>374,224</u>	<u>432,448</u>
	<u>\$ 589,496</u>	<u>\$ 679,654</u>

**AMERICAN INSTITUTE OF CHEMICAL ENGINEERS
NOTES TO THE FINANCIAL STATEMENTS
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NOTE 7 – POSTRETIREMENT OTHER THAN PENSIONS (Continued)

The components of net periodic benefit cost for the years ended December 31, 2009 and 2008 are as follows:

	<u>2009</u>	<u>2008</u>
Service cost	\$ 18,347	\$ 42,910
Interest cost	75,551	74,082
Amortization of transition obligation	23,749	23,749
Amortization of prior service credit	(58,224)	(58,224)
Amortization of net gain	<u>(28,504)</u>	<u>(13,545)</u>
Net benefit cost	<u>\$ 30,919</u>	<u>\$ 68,972</u>

Other changes in plan assets and benefit obligations recognized in the change in unrestricted net assets for the years ended December 31, 2009 and 2008 are as follows:

	<u>2009</u>	<u>2008</u>
Actuarial loss (gain)	\$ 27,179	\$ (150,105)
Amortization of transition obligation	(23,749)	(23,749)
Amortization of prior service credit	58,224	58,224
Amortization of net gain	<u>28,504</u>	<u>13,545</u>
Total recognized in change in unrestricted net assets	<u>\$ 90,158</u>	<u>\$ (102,085)</u>
Total recognized in net periodic pension cost and change in unrestricted net assets	<u>\$ 121,077</u>	<u>\$ (33,113)</u>

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 \$17,161, \$(23,749) and \$58,224, respectively.

The weighted-average assumptions to determine the benefit obligation and net periodic benefit cost as of and for the years ended December 31, 2009 and 2008 are as follows:

	<u>2009</u>	<u>2008</u>
Discount rate used for net periodic benefit cost	7.00%	6.25%
Discount rate used for benefit obligations	6.00%	7.00%

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:

2010	\$ 77,297
2011	77,807
2012	72,338
2013	76,738
2014	75,391
5 years thereafter	516,571

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NOTE 7 – POSTRETIREMENT OTHER THAN PENSIONS (Continued)

The following table presents the health care cost trend rate assumed for next year, the ultimate trend rate, and the year in which the rate reaches the ultimate rate:

Health care cost trend rate assumed for next year	8.3%
Ultimate trend rate to which the cost trend rate is Expected to decline	4.0%
Year that the rate reaches the ultimate trend rate	2098+

The health care cost trend rate assumption has an effect on the amounts reported for the plan. To illustrate, increasing the assumed health care cost trend rates by 1% would decrease the accumulated postretirement benefit obligations by \$68,347 as of December 31, 2009, and the aggregate of the service and interest cost components of net periodic postretirement benefit cost for the year then ended by \$5,089. Decreasing the assumed health care cost trend rates by 1% would increase the accumulated postretirement benefit obligations by \$16,878 as of December 31, 2009, and the aggregate of the service and interest cost components of net periodic postretirement benefit cost for the year then ended by \$1,072.

NOTE 8 – NET ASSETS

Temporarily restricted net assets as of December 31, 2009 and 2008 are available for the following purposes:

	<u>2009</u>	<u>2008</u>
Industry technology alliances	\$ 4,806,418	\$ 4,386,421
Foundation – plant safety, educational and professional development	163,223	183,223
Other programs	<u>365,123</u>	<u>356,695</u>
	<u>\$ 5,334,764</u>	<u>\$ 4,926,339</u>

Permanently restricted net assets as of December 31, 2009 and 2008 are restricted to investments in perpetuity and consist of the following:

	<u>2009</u>	<u>2008</u>
Educational and professional development	\$ 211,515	\$ 211,515
Public and government outreach and other	37,660	37,660
Award programs for scholastic achievement	<u>350,000</u>	<u>250,000</u>
	<u>\$ 599,175</u>	<u>\$ 499,175</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, 2009 and 2008 as follows:

	<u>2009</u>	<u>2008</u>
Industry technology alliances	\$ 2,907,961	\$ 3,007,620
Foundation – educational and professional development	20,000	18,500
Other programs	<u>43,875</u>	<u>796,855</u>
	<u>\$ 2,971,836</u>	<u>\$ 3,822,975</u>

AMERICAN INSTITUTE OF CHEMICAL ENGINEERS
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008

NOTE 9 – ROYALTY ADVANCE

In 2003, AIChE received an advance of \$500,000 of its future royalty payment from a company, repayable in semiannual installments of \$31,250 plus interest at 2% and secured by future royalty proceeds. The repayments are retained from future royalty payments with the advance scheduled to be fully repaid in June 2011. Principal payments for the years ended subsequent to December 31, 2009 are as follows:

2010	\$ 62,500
2011	<u>62,500</u>
	<u>\$ 125,000</u>

Interest expense incurred on the advance was \$3,439 and \$4,703 for the years ended December 31, 2009 and 2008, respectively.

NOTE 10 – COMMITMENTS AND CONTINGENCIES

- A. On January 5, 2004, AIChE entered into an agreement (the "Sublease"), which assigned its remaining interest in its office space lease of 44,000 square feet in New York City and simultaneously subleased 11,500 square feet of the space from the assignee. However, under the terms of the Sublease, which expires in August 2013, AIChE remains secondarily liable for all obligations in the original lease, except for maintaining a security deposit with the original landlord.

During the year ended December 31, 2003, AIChE accrued the costs and loss associated with this transaction. The costs, which totaled \$3,643,000, are comprised of transaction costs, adjustments in the value of leasehold improvements and furniture, rent and construction allowances. During the years ended December 31, 2009 and 2008, AIChE paid approximately \$85,000 and \$44,000 of these accrued expenses, respectively. As of December 31, 2009 and 2008, AIChE maintained a letter of credit from Citibank to secure its rental obligation, as well as other obligations, totaling approximately \$420,000 for each year, which is due under the terms of the Sublease. The letter of credit is secured by a certificate of deposit.

During 2009, AIChE entered into a lease agreement for the rental of office space in Connecticut. The lease is for a four-year term commencing in August 2009 and expiring in August 2013. The annual base rent and service charges are approximately \$31,000 over the lease term.

Rent expense for the years ended December 31, 2009 and 2008 amounted to approximately \$573,000 and \$528,000, respectively.

Future minimum lease payments under the Sublease and lease agreements are approximately as follows for the years ended after December 31, 2009:

2010	\$ 531,000
2011	546,000
2012	562,000
2013	<u>379,000</u>
	<u>\$ 2,018,000</u>

- B. In the ordinary course of business, AIChE has entered into contracts with hotels for meetings scheduled to occur between 2010 and 2016. 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 for meetings scheduled for 2010 are covered under AIChE's insurance policies. In the unlikely event AIChE had to cancel all the meetings, scheduled between 2011 and 2016 under contract as of December 31, 2009, it would incur approximately \$1,920,000 in cancellation charges. AIChE is subject to negotiable penalties in the event meeting attendees do not utilize the rooms.

**AMERICAN INSTITUTE OF CHEMICAL ENGINEERS
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DECEMBER 31, 2009 AND 2008**

NOTE 10 – COMMITMENTS AND CONTINGENCIES (Continued)

C. AIChE had a line of credit with a bank for \$1,000,000, which expired in April 2009 and was not renewed. Upon expiration of the line of credit, AIChE obtained a loan management account with the same financial institution. The loan management account has no expiration date and a maximum borrowing amount of \$1,100,000. Borrowings are secured by mutual funds and money market funds owned by AIChE and held at the financial institution. Interest is at the one-month London Interbank Offered Rate ("LIBOR") plus 3%. As of December 31, 2009 and March 29, 2010, there were no borrowings.

NOTE 11 – OTHER PROGRAM SUPPORT

Other program support reflects 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:

	<u>2009</u>	<u>2008</u>
Subsidized activities include the governance of AIChE, public and governmental outreach programs, and support for the chemical engineering profession	\$ <u>832,243</u>	\$ <u>1,103,915</u>

NOTE 12 – RECEIVABLE FROM CHARITABLE REMAINDER TRUST

In 2007, AIChE became the beneficiary of a remainder interest in a charitable trust. Upon the expiration of the trust term (defined as death of the surviving beneficiary), AIChE shall receive the trust's assets, which consists of certain equity securities and real estate. As of December 31, 2009 and 2008, the value of the interest in the charitable remainder trust was determined by estimating the future value of the trust assets as of expiration of the trust term and calculating the present value of that amount at a discount rate of 3%, respectively, per annum. As of December 31, 2009 and 2008, the present value of AIChE's share of the trust was \$85,625 and \$83,377, respectively, and is included in prepaid expenses and other assets in the accompanying financial statements. The fair value of the trust assets amounted to approximately \$200,000 as of December 31, 2009 and 2008.

NOTE 13 – PUBLISHING AGREEMENTS

A. In November 2003, AIChE entered into a five-year publishing agreement (the "Publishing Agreement") with a commercial publisher (the "Publisher") with respect to three of AIChE's journals (the "Journals") currently published by AIChE. Under the terms of the Publishing Agreement, beginning in January 2004, the Publisher has the exclusive right and sole responsibility for the marketing, sales and 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 additional royalties if the Publisher's revenues exceed predetermined levels.

In June 2007, the Publishing Agreement was amended to remain in effect until completion of the publication of all 2017 issues of the Journals. In addition, the Publisher provided AIChE with a \$2 million unrestricted, non-recoupable royalty payment.

AMERICAN INSTITUTE OF CHEMICAL ENGINEERS
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008

NOTE 13 – 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 and 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.
- C. In May 2008, AIChE acquired full publishing rights to the *Biotechnology Progress* journal (the "Journal") from the American Chemical Society ("ACS"). The purchase price for the publishing rights to the Journal was \$1,187,500, which is included in publications expense in the accompanying financial statements. After acquisition, the Publishing Agreement between AIChE and the Publisher was amended to transfer publication rights for the Journal to the Publisher. As a result of the amendment, the Publisher provided AIChE with a \$1.75 million unrestricted, non-recoupable royalty payment, which is included in publications sales and subscriptions revenue in the accompanying financial statements.

NOTE 14 – CONCENTRATION

Financial instruments that potentially subject AIChE to a concentration of credit risk include cash accounts and certificates of deposit, which is classified as investments, with banks that may exceed the Federal Deposit Insurance Corporation ("FDIC") insurance limits. Effective October 3, 2008, the basic limit on federal deposit insurance coverage was increased from \$100,000 to \$250,000, until December 31, 2013. As of December 31, 2009, AIChE had approximately \$183,000 that exceeded the FDIC insurance limits.

NOTE 15 – SPECIAL EVENTS

During 2008, AIChE held a fundraising event to celebrate its Centennial Anniversary (the "Gala"). Special events income and costs of direct benefits to donors (example: meals, facilities rental, etc.), and other indirect costs associated with the Gala are included in AIChE Foundation contributions and fundraising expense, respectively, in the accompanying statements of activities and consists of the following for the year ended December 31, 2008:

Income	\$ 443,500
Less: costs of direct benefits to donors	(81,547)
Less: other indirect benefit costs	<u>(110,323)</u>
Special events income, net of expenses	<u>\$ 251,630</u>

AMERICAN INSTITUTE OF CHEMICAL ENGINEERS
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NOTE 16 – FAIR VALUE MEASUREMENTS

The fair value hierarchy defines three levels as follows:

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

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

Level 3: Valuations based on unobservable inputs are used when little or no market data is available. The fair value hierarchy gives 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.

Financial assets carried at fair value at December 31, 2009 are classified in the table below in one of the three levels as follows (see Note 2J):

	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
ASSETS CARRIED AT FAIR VALUE:			
Investments:			
Fixed-income mutual funds	\$ 3,417,199	\$ -	\$ 3,417,199
Equity mutual funds	<u>8,229,662</u>	<u>-</u>	<u>8,229,662</u>
Total investments	11,646,861	-	11,646,861
Receivable from charitable remainder trust	<u>-</u>	<u>85,625</u>	<u>85,625</u>
Total Assets Carried at Fair Value	<u>\$ 11,646,861</u>	<u>\$ 85,625</u>	<u>\$ 11,732,486</u>

Financial assets carried at fair value at December 31, 2008 are classified in the table below in one of the three levels as follows (see Note 2J):

	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
ASSETS CARRIED AT FAIR VALUE:			
Investments:			
Fixed-income mutual funds	\$ 3,357,278	\$ -	\$ 3,357,278
Equity mutual funds	<u>6,527,811</u>	<u>-</u>	<u>6,527,811</u>
Total investments	9,885,089	-	9,885,089
Receivable from charitable remainder trust	<u>-</u>	<u>83,377</u>	<u>83,377</u>
Total Assets Carried at Fair Value	<u>\$ 9,885,089</u>	<u>\$ 83,377</u>	<u>\$ 9,968,466</u>

Mutual funds are valued at the net asset value ("NAV") of shares held by AIChE at year end. The receivable from charitable remainder trust is designated as Level 2 since the determination of fair value is based on a model-derived valuation using discount rates and published life expectancy tables.

**AMERICAN INSTITUTE OF CHEMICAL ENGINEERS
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NOTE 17 – ENDOWMENT NET ASSETS

FSP No. FAS. 117-1, now incorporated in ASC Topic 958-205 provides guidance on the net asset classifications of donor-restricted endowment funds for a not-for-profit organization that is subject to the enacted version of the Uniform Prudent Management of Institutional Funds Act (“UPMIFA”). FSP No. FAS. 117-1, also increases disclosure about the organization’s endowment funds, whether or not the organization is subject to UPMIFA. UPMIFA has not been enacted in New York State; therefore, AIChE has implemented only the disclosure guidance provided for in FSP No. FAS. 117-1.

The Board of Directors of AIChE has interpreted the state law to include preservation of an endowment gift’s historic value measured as of the gift date, absent explicit donor stipulations to the contrary. Therefore, the appropriations from the endowments should not deplete the historical dollar value of the endowment funds. In accordance with U.S. GAAP, organizations are required to disclose any deterioration of the fair value of assets associated with donor – restricted endowment funds that fall below the level the donor requires the organization to retain in perpetuity. The deficiencies may result from unfavorable market fluctuations that occurred in the economy as a whole that may have affected the donor – restricted endowment fund where the fair value of the donor restricted endowment fund fell below the amount that is required to be retained permanently. As of December 31, 2009 and 2008, AIChE had deficiencies of \$3,805 and \$136,378, respectively, in its donor – restricted endowment funds.

AIChE’s endowment investment policy is to invest 35% of assets into fixed–income funds and cash equivalents, and 65% into equities based on an asset allocation with the objective of capital appreciation. Any earnings on the endowment fund are spent in the year they are earned. Unless authorized by the Board of Directors, the appropriations from the endowment funds should not deplete the historical dollar value of the endowment fund.

Changes in endowment net assets for year ended December 31, 2009 is as follows:

	<u>Unrestricted</u>	<u>Board Designated</u>	<u>Permanently Restricted</u>	<u>Total</u>
Investment activity:				
Interest and dividends	\$ 17,467	\$ 72,167	\$ -	\$ 89,634
Realized and unrealized gain on investments	<u>115,106</u>	<u>357,676</u>	<u>-</u>	<u>472,782</u>
Total investment activity	<u>132,573</u>	<u>429,843</u>	<u>-</u>	<u>562,416</u>
Amount appropriated for expenditure	-	-	-	-
Contribution to endowments	<u>-</u>	<u>-</u>	<u>100,000</u>	<u>100,000</u>
Endowment net assets, beginning of year	<u>(136,378)</u>	<u>1,664,051</u>	<u>499,175</u>	<u>2,026,848</u>
Endowment net assets, end of year	<u>\$ (3,805)</u>	<u>\$ 2,093,894</u>	<u>\$ 599,175</u>	<u>\$ 2,689,264</u>

**AMERICAN INSTITUTE OF CHEMICAL ENGINEERS
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008**

NOTE 17 – ENDOWMENT NET ASSETS (Continued)

Changes in endowment net assets for year ended December 31, 2008 is as follows:

	<u>Unrestricted</u>	<u>Board Designated</u>	<u>Permanently Restricted</u>	<u>Total</u>
Investment activity:				
Interest and dividends	\$ 16,921	\$ 89,690	\$ -	\$ 106,611
Realized and unrealized loss on investments	<u>(153,299)</u>	<u>(430,946)</u>	<u>-</u>	<u>(584,245)</u>
Total investment activity	<u>(136,378)</u>	<u>(341,256)</u>	<u>-</u>	<u>(477,634)</u>
Amount appropriated for expenditure	-	-	-	-
Contribution to endowments	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Endowment net assets, beginning of year	<u>-</u>	<u>2,005,307</u>	<u>499,175</u>	<u>2,504,482</u>
 Endowment net assets, end of year	 <u>\$ (136,378)</u>	 <u>\$ 1,664,051</u>	 <u>\$ 499,175</u>	 <u>\$ 2,026,848</u>

Endowment net assets of \$2,689,264 and \$2,026,848, respectively, as of December 31, 2009 and 2008 are included with investments in the accompanying statements of financial position.