



Financial Accounting Manual

For
Divisions & Forums

REVISED TO NOVEMBER 2014

Introduction

AIChE has fiduciary responsibility for the management of funds it receives and disburses. A system of internal controls is in place to ensure that transactions are authorized and recorded in a timely and accurate manner. Additionally, the Board of Directors has engaged independent auditors to test this system of internal controls and examine the annual financial statements based on data prepared by AIChE finance and accounting staff. The following policies are designed to protect both AIChE and volunteer officers of the divisions and forums from claims of financial malfeasance.

The accompanying procedures and policies describe the break out of management responsibility between the AIChE headquarters organization and the volunteer officers of the divisions and forums.

General Policy

The divisions and forums are responsible for their own activities (e.g., establishing membership dues, scheduling events, presenting awards), contracting as necessary with suppliers of goods and services in accordance with AIChE's system of internal control, and compliance with conflict of interest policies. AIChE is responsible for (1) approval of contracts and commitments beyond a pre-established threshold and (2) provision of cash management and accounting services for the divisions and forums.

The cash receipts and disbursements resulting from division and forum operations are to be held as part of the Institute's general funds, consistent with the way in which they have always been considered for audit and reporting purposes. Each division and forum treasurer or another designated officer will receive reports of the activities from AIChE's Controller on a monthly or quarterly basis as requested by each division or forum. All division and forum treasurers are sent their specific chart of accounts on a periodic basis.

Policies

Contracting/Commitments

Any contract which commits a division or forum to spend more than \$2,500 must be reviewed and approved by the staff liaison for your division or forum and the Director of Finance. AIChE's staff liaison will coordinate this process.

Conflict of Interest Policy

Division and forum members responsible for selecting vendors must adhere to the current AIChE Conflict of Interest Policy (Attachment 1).

Financial Statements

AIChE, on a monthly or quarterly basis or as requested by the division or forum, will issue operating statements (Revenues – Expenses) to each division or forum treasurer. AIChE's Controller will generate these reports.

Fund Balance

The fund balance is increased or decreased each year by the surplus or deficit incurred by the division or forum for the year.

Earnings on Fund Balance

For simplicity, the division or forum will elect prior to December 31 each year whether to accept the results of AIChE's investment portfolio or the one-year CD rate as published by Citibank for the following year's earnings. The division or forum may divide their funds between these two alternatives at its own discretion. The decisions can be changed annually. (Please note that returns on investments can be positive or negative, so there is a potential for the fund balance to decrease.) For those divisions or forums that have elected to use the one-year CD rate, earnings on the fund balance will be reflected in the financial statements in March, June, September, and December. For divisions or forums using the rate of return from AIChE's investment portfolio, a one-time adjustment will be reflected in the financial statements at the end of each year. Appreciation or depreciation will be based on the average of the monthly fund balances.

It is recommended that the Executive Committee of each division and forum take time during its meeting at the AIChE Annual Meeting or another convenient time to review and adjust its fund balances. If changes are to be made to the fund balances, a resolution passed by the Executive Committee is to be sent to the AIChE Controller that details the proportions of the balance that are based on the AIChE's investment portfolio and the one-year CD rate. A sample resolution is provided in Attachment 2. If a resolution adjusting the fund balances is not received by the AIChE Controller by December 31, the balances will remain the same in the following year as they are in the current year.

Accounting Methodology

Cash basis accounting will be employed for divisions and forums throughout the year to simplify accounting and reporting.

With the exception of dues (discussed below), the year-end operating reports will be adjusted to the accrual basis to comply with generally accepted accounting principles. The accrual basis matches revenues and expenses for the period in which they are earned or incurred, respectively (regardless of whether or not they have been collected or paid.) Consequently there will be a difference between the results of operations computed on an accrual basis and the results of operations computed on a cash basis. The accrual results will be used to determine the division or forum's operating surplus or deficit for the year then ended.

Accounting for Dues and Special Events

Dues and special event receipts will be reflected as revenue in the year received. Therefore dues collected between the date of the dues bill (typically August 1) and December 31 will be reflected as revenue in that year. Reports of dues collected during this period will be available upon request.

Payment of Invoices

Each division and forum will be able to have a petty cash fund from which it may pay small, day-to-day expenses. The amount of each fund will be determined between each division and forum and AIChE's Director of Finance. AIChE has made arrangements with TD Bank to provide a no-fee account, which will include Internet banking, as well as bank by mail.

Please note that both AIChE's Director of Finance and Controller are required to be signatories on the bank account.

Records for expenditures paid from the petty cash fund are to be maintained by the division or forum treasurer or their designate. Liability for the petty cash rests with the person or persons who have signatory authority over the fund.

Once that fund is depleted (with an adequate amount remaining on hand to cover two weeks worth of payments) and an accounting of all expenditures exceeding \$25 has been made to AIChE's Controller, a check will be drawn payable to the division or forum, bringing the fund back to the agreed balance.

Divisions and forums may request an AIChE credit card. Upon receipt of the credit card statement, the treasurer will prepare and code a check request and forward the check request, documentation and the statement to the AIChE Controller. The credit card company will be paid by AIChE. To avoid finance charges, please arrange to have the check request in NY at least one week prior to the due date.

Expenses less than \$500 may be paid via a credit card or the petty cash account. Expenses greater than \$500 may be paid either by credit card or via submission of a check request and vendor invoices directly to AIChE's Controller.

Vendor invoices for payment and petty cash reimbursement requests must be submitted with a completed check request signed by the division or forum treasurer or designated person. They should be sent to the following address:

AIChE
Attn: Stetson Wilson, Controller
120 Wall Street, FL 23
New York, NY 10005-4020

Alternatively, they may be signed, scanned and sent via email to the Controller (stetw@aiCHE.org).

Payments will be made in accordance with the following schedule:

- Checks for invoices received by Wednesday will be mailed by Friday of that week
- Checks for invoices received after Wednesday will be mailed on Friday of the following week

Division and Forum Income and Receipts

Income generated by division and forum activities will be collected by the division or forum and deposited to its petty cash account. If the balance of the petty cash fund at the end of the month exceeds the agreed to maximum balance, the excess will be remitted to AIChE's Controller to be included in the division or forum's fund balance. The source of the receipts will be detailed on the petty cash reconciliation form (Attachment 3) to facilitate classification of the receipts.

Sponsor Contributions

Many divisions and forums have corporate sponsorship for the costs associated with

awards. It is the division or forum's responsibility to communicate with the sponsor and to ensure that the sponsor sends the funds to cover the award honorarium. The division or forum should send an appropriate thank you letter to the sponsor acknowledging the contribution.

Because AIChE is a 501(c)(3) tax-exempt organization, contributions made to AIChE are tax deductible to the extent allowed by law. The Internal Revenue Service has documentation requirements for these contributions in order that they can be deducted. To provide this information, the division or forum treasurer must send a copy of the sponsor correspondence and confirmation of the contribution to the AIChE Controller so that the Accounting Department has a record of the transaction. The AIChE Controller will then provide the documentation to the contributor.

All checks should be made payable to AIChE and mailed to the following address:

AIChE
Attn: Stetson Wilson, Controller
120 Wall Street, FL 23
New York, NY 10005-4020

To ensure that contributions are coded accurately when received by the Accounting Department, each division and forum should have the company or individual making the contribution indicate the name of the division or forum receiving the contribution on the check.

Each check received will be reflected on the division or forum's monthly financial statement. In addition, a copy of the check and any correspondence received by the Accounting Department will be sent to the division or forum to confirm receipt of each contribution.

Division and Forum Award and Scholarship Recipients

Many divisions and forums provide monetary honorariums to their award recipients and/or scholarships from their fund balance. In order for AIChE to file the appropriate documentation with the Internal Revenue Service (i.e., IRS Form 1099), the treasurer or designated person must provide AIChE the award or scholarship recipient's name, mailing address, and social security number along with the amount of the honorarium or scholarship that was paid to the recipient. If the honorarium or scholarship is directly paid to the recipient by a sponsor, this information is to be provided to the sponsor, who is responsible for providing the documentation to the IRS.

Notification and Sponsorship

Divisions and forums are responsible for sending the award recipient proper notification, and advising them of award presentation details.

Account Codes

The accounts commonly used by the Institute to record revenues and expenses (direct operating costs) when reporting on the operations of the Divisions and Forums are shown in Attachment 4.

Year-End Processing

As soon as practicable after the December 31, the Division or Forum Treasurer will send the Petty Cash fund bank statement (if the fund is maintained in a separate bank account) to Stetson Wilson, Controller at the previously listed address or email.

Attachment 1

CONFLICTS OF INTEREST

1. Division and Forum officers should avoid any situation, which involves or may involve a conflict between their personal interests and those of the Institute. Each Division and Forum Officer shall make prompt and full disclosure in writing to the staff liaison for your division or forum of any situation, which may involve a conflict of interest. This includes:
 - a. Ownership by a Division or Forum Officer, or, to the Division or Forum Officer's knowledge, by a member of the Division or Forum Officer's family or the Division or Forum Officer's close associate(s), of a significant financial interest in any outside enterprise which does or seeks to do business with the Institute;
 - b. Serving as a director, officer, partner, consultant, or in a managerial or technical position with any enterprise which does or is seeking to do business with the Institute;
 - c. Acting as a broker, finder, go-between or otherwise for the benefit of a third party in transactions involving or potentially involving the Institute or its interests; and
 - d. Any other arrangement or circumstance, including family or other personal relationships, which might dissuade the Division or Forum Officer from acting in the best interest of the Institute.
2. Purchases or contracts by the Institute, from an entity with which a Division or Forum Officer has a relationship, may be approved, provided authorization is by the staff liaison. If a Division or Forum Officer is recommending such a purchase, he/she should disclose the relationship before a commitment is made and obtain the requisite approval. Contracts for services should be treated in the same manner.
3. All information disclosed as required by this policy shall be treated confidentially, except to the extent necessary to protect the Institute's interests.

Attachment 2

Earnings on Fund Balance Resolution

TO: AIChE Controller

The _____ (Division or Forum name) hereby resolves that its account balance investment portfolio should be changed to the following mix, effective as of January 1, _____, and continuing for future years until this resolution is amended.

AIChE Investment Portfolio: _____ %

1-Year Certificate of Deposit: _____ %

TOTAL 100%

Date: _____

Officer Name: _____

Title: _____ (should be Treasurer or Chair)

Attachment 3

AIChE Division & Forum Petty Cash Reconciliation

	From	To	
For the period	12/1/2013	12/15/2013	Amounts
Opening fund balance			\$ 2,500.00
Plus:			
Reimbursement Check Received			<u>\$ -</u>
Total fund balance			<u>\$ 2,500.00</u>
Receipts: Describe If necessary to facilitate revenue classification)			
Meeting			\$ -
Contribution			\$ -
Total Receipts			<u>\$ -</u>
Disbursements: Describe If necessary to facilitate expense classification)			
Meals			\$ 500.00
Meeting room rental			\$ 500.00
Total Disbursements			<u>\$ 1,000.00</u>
Check Enclosed			<u>\$ -</u>
Ending Balance (used as opening balance in subsequent month)			<u>\$ 1,500.00</u>
Check requested			<u>\$ 1,000.00</u>
Division/Forum name			
Approved by (Division/Forum Treasurer)			
Date form submitted to AIChE			

Please attach all supporting documentation for receipts (copies of checks, correspondence etc.) and disbursements (receipts, invoices etc.)

Attachment 4

Account Codes

<u>Account</u>	Revenues
40120	Dues Income - Divisions
40190	Dues Income - Other
40501	Registration Income - Special Events
40600	Royalty Income
40700	Contributions - Corporate
	Direct Expenses
<u>Account</u>	
51101	Supplies - General
51102	Supplies - Special Purpose
51225	Audio Visual Equipment Rental
51304	Printing - Promotional
51311	Printing - Office
51312	Printing - Signs
51377	Printing - Miscellaneous
52201	Telephone
52204	Delivery Service
52312	Services - Bank Charges
52321	Services - Honoraria
52377	Services - Miscellaneous
52416	Professional Services – Gen'l Consultant
52417	Seminars/Training
52510	Promotion - Email
52677	Misc. Dues & Organization Fees
52701	Postage - 1st Class
53103	Travel - Reps & Consultants
53105	Travel - Volunteers
53121	Food & Lodging - Employees
53123	Food & Lodging - Reps & Consultants
53125	Food & Lodging - Volunteers
54101	Site Costs - Food/Beverages
54109	Site Costs - Registration
54114	Site Costs - Special Events
54115	Site Costs - Sponsored Events
55104	Monetary Awards
55177	Miscellaneous Expenses