



Financial Accounting Manual
for
Divisions & Forums

REVISED TO JANUARY 2009

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 national organization and the volunteer officers of the Divisions and Forums.

General Policy

The divisions and forums are responsible for their own activities, i.e. establishing membership dues, scheduling events, presenting awards etc. and contracting as necessary with suppliers of goods and services in accordance with AIChE's system of internal control. AIChE is responsible for (1) approval of contracts and commitments beyond a pre-established threshold, (2) compliance with conflict of interest policies and (3) provision of cash management and accounting services for the divisions and forums.

The cash receipts and disbursements resulting from division/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. All division and forum treasurers are sent their specific chart of accounts on a periodic basis.

Policies

Contracting/Commitments

Any contract which commits the division/forum to spend more than \$2,500 must be reviewed, approved and signed by the national organization. AIChE's Director of Volunteer & Membership Activities 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 basis or as requested by the division/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/forum for the year. Annual deficits (revenues – expenses < 0), which bring the fund below 6 months of operating expenses, will be recaptured from succeeding year's dues.

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. The division or forum may divide their funds between these two alternatives at their 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.

Accounting Methodology

Cash basis accounting will be employed 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 results of operations computed on a cash basis. The accrual results will be used to determine the division's or forum's operating surplus or deficit for the year then ended.

Accounting for Dues & Special Events:

Dues 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/forum will be able to have a petty cash fund from which it may pay small, day-to-day expenses. The amount will be determined between the division/forum and AIChE's Director of Finance. AIChE has made arrangements with Commerce 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 designated person. 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,. Expenses greater than \$500 will be paid via submission of vendor invoices directly to AIChE's Controller.

Divisions/forums may request an AIChE credit card to be used as a last resort. Upon receipt of the credit card statement please prepare and code a check request and forward the check request, documentation and the statement to Stetson Wilson, AIChE Controller, at AIChE in New York. The credit card company will be paid from NY. To avoid finance charges please arrange to have the check request in NY at least one week prior to the due date. The credit cards are expected to be used only rarely.

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

AIChE
3 Park Ave., 19th Floor
New York, N.Y. 10016
Attn: Stetson Wilson, Controller

Payments reimbursing members (if not otherwise handled by a petty cash reimbursement) for out-of-pocket expenses will be made in accordance with the following schedule:

- ✓ Invoice received by Monday, Tuesday or Wednesday will be mailed by Friday of that week
- ✓ Invoices received after Thursday or Friday will be mailed on Friday of the following week

Division and Forum Income/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 balance, the excess will be remitted to AIChE's Controller. The source of the receipts will be detailed on the petty cash reconciliation form (Attachment 2) to facilitate classification of the receipts.

Sponsor Contributions

Many divisions/forums have corporate sponsorship for the prize money connected with their awards. It is the division/forum's responsibility to communicate with the sponsor and to ensure that the sponsor sends the funds to cover the award honorarium. The

division/forum is also responsible for acknowledging the donation and sending the appropriate thank you letter.

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

AIChE
3 Park Ave., 19th Floor
New York, N.Y. 10016
Attn: Stetson Wilson, Controller

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

Each check received will be reflected on the division's/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/forum to confirm receipt of each contribution.

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 following accounts are commonly used by the Institute to record revenue and expenses (direct operating costs) when reporting on the operations of the Divisions and Forums.

Receipt Classifications

<u>Account</u>	<u>Description</u>
Dues	Membership Dues payments
Contributions	Corporate and Member contributions
Registration	Event registrations
Advertising	Advertising sales

Direct Expense Classifications

<u>Account</u>	<u>Description</u>
Printing	Newsletter(s) and other forms of printed communications.
Dinner(s), i.e. Award Dinner	Expenses related to award dinners.
Awards	Plaques and monetary awards.
Mailings – 1 st class	Through internal metering or through outside mailing services
Supplies – General	Office supplies
Delivery/Shipping Charges	Overnight or second day package delivery.
Facility Usage	Costs related to use of a site.
Travel expenses	Transportation costs incurred by the Division/Forum including meals and lodging.
Telephone	Data / voice communications billed to the Division/Forum.
Visual Aids Rental	Equipment, service, and labor charges for audio and visual aids.
Miscellaneous	Minor expenses not readily assignable to other accounts.
Special Events	Cost of various events and food-functions, etc. which <u>are</u> ticketed to registrants.
Consulting	Services provided by a professional on a fixed or hourly fee basis.

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.

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 Director of Volunteer and Membership Activities, Felicia Guglielmi, at 646-495-1330 or felig@aiche.org 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

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 Director of Volunteer and Membership Activities. 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

DIVISION/FORUM PETTY CASH REIMBURSEMENT FORM

For the period	12/1/2005	12/15/2005	Amounts
Opening fund balance		\$2,500.00	
Plus:			
Reimbursement Check Received		\$ -	
Total fund balance		\$2,500.00	
Receipts:	Describe If necessary to facilitate revenue classification)		
Meeting		\$ -	
Contribution		\$ -	
Total Receipts		\$ -	
Disbursements:	Describe If necessary to facilitate expense classification)		
Meals		\$ 500.00	
Meeting room rental		\$ 500.00	
Total Disbursements		\$ 1,000.00	
Check Enclosed		\$(1,500.00)	
Ending Balance (used as opening balance in subsequent month)		\$2,500.00	
Check requested		\$ -	
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.)