



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

M A R K S P A N E T H

ACCOUNTANTS & ADVISORS

AMERICAN INSTITUTE OF CHEMICAL ENGINEERS

**FINANCIAL STATEMENTS
(Together with Independent Auditors' Report)**

YEARS ENDED DECEMBER 31, 2016 AND 2015

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the American Institute of Chemical Engineers ("AIChE"), which comprise the statements of financial position as of December 31, 2016 and 2015, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of AIChE as of December 31, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Marks Paneth LLP

New York, NY
April 24, 2017

**AMERICAN INSTITUTE OF CHEMICAL ENGINEERS
STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
ASSETS		
Cash and cash equivalents (Notes 2D and 14)	\$ 2,256,064	\$ 2,673,619
Investments, at fair value (Notes 2E, 3, 9A and 9C)	25,541,010	20,309,677
Accounts receivable, net (Note 2F)	2,408,112	1,817,768
Pledges receivable, net (Notes 2C and 4)	2,508,758	1,208,921
Prepaid expense and other (Note 11)	315,459	595,941
Property and equipment, net (Notes 2G and 5)	<u>2,417,329</u>	<u>2,189,917</u>
TOTAL ASSETS	<u>\$ 35,446,732</u>	<u>\$ 28,795,843</u>
LIABILITIES		
Accounts payable	\$ 2,027,694	\$ 1,644,902
Deferred revenue - dues, subscriptions, and other (Note 2H)	4,163,523	4,357,177
Accrued expenses:		
Employee vacation and other benefits	555,032	495,187
Pension and other postretirement benefit costs (Notes 6 and 7)	3,320,826	4,051,019
Other (Notes 2I and 9A)	<u>1,768,591</u>	<u>1,278,160</u>
TOTAL LIABILITIES	<u>11,835,666</u>	<u>11,826,445</u>
COMMITMENTS AND CONTINGENCIES (Note 9)		
NET ASSETS (Note 2B)		
Unrestricted	18,081,674	13,705,864
Temporarily restricted (Notes 8 and 13)	3,773,804	1,755,105
Permanently restricted (Notes 8 and 13)	<u>1,755,588</u>	<u>1,508,429</u>
TOTAL NET ASSETS	<u>23,611,066</u>	<u>16,969,398</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 35,446,732</u>	<u>\$ 28,795,843</u>

**AMERICAN INSTITUTE OF CHEMICAL ENGINEERS
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

	For the Year Ended December 31, 2016				For the Year Ended December 31, 2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2016	Total 2015	Unrestricted	Temporarily Restricted	Permanently Restricted
OPERATING ACTIVITY:								
REVENUE AND SUPPORT:								
Dues and other membership revenue (Note 2H)	\$ 4,388,603	\$ -	\$ -	\$ 4,388,603	\$ 4,515,748	\$ 4,515,748	\$ -	\$ -
Publications sales and subscriptions	6,058,257	-	-	6,058,257	2,122,293	2,122,293	-	-
Industry technology alliances (Note 1)	9,180,816	-	-	9,180,816	8,125,454	8,125,454	-	-
Meetings and technical programming	6,635,899	-	-	6,635,899	5,924,297	5,924,297	-	-
Education services	2,732,793	-	-	2,732,793	2,807,798	2,807,798	-	-
Financial services	663,801	-	-	663,801	696,036	696,036	-	-
AIChE Foundation - contributions (Note 1)	1,366,483	2,985,304	247,159	4,598,946	2,907,877	849,422	1,683,686	374,769
Other revenue	398,674	-	-	398,674	582,559	582,559	-	-
Net assets released from restrictions (Note 8)	1,069,660	(1,069,660)	-	-	-	552,364	(552,364)	-
TOTAL OPERATING REVENUE AND SUPPORT	32,494,986	1,915,644	247,159	34,657,789	27,682,062	26,175,971	1,131,322	374,769
EXPENSES:								
Program Related:								
Membership	3,289,434	-	-	3,289,434	3,307,221	3,307,221	-	-
Publications	2,752,542	-	-	2,752,542	2,397,157	2,397,157	-	-
Industry technology alliances	9,351,790	-	-	9,351,790	7,051,012	7,051,012	-	-
Meetings and technical programming	3,563,060	-	-	3,563,060	3,185,689	3,185,689	-	-
Education services	2,904,599	-	-	2,904,599	3,370,239	3,370,239	-	-
Financial services	198,691	-	-	198,691	196,000	196,000	-	-
Other program support (Note 10)	1,365,992	-	-	1,365,992	1,308,894	1,308,894	-	-
	23,426,108	-	-	23,426,108	20,816,212	20,816,212	-	-
Supporting Services:								
General and administration	4,270,289	-	-	4,270,289	3,885,975	3,885,975	-	-
Fundraising	2,868,308	-	-	2,868,308	2,327,556	2,327,556	-	-
	7,138,597	-	-	7,138,597	6,213,531	6,213,531	-	-
TOTAL OPERATING EXPENSES	30,564,705	-	-	30,564,705	27,029,743	27,029,743	-	-
Change In Net Assets From Operations	1,930,281	1,915,644	247,159	4,093,084	652,319	(853,772)	1,131,322	374,769
NON-OPERATING ACTIVITY:								
Investment activity, net (Notes 3 and 13)	1,528,438	103,055	-	1,631,493	(791,724)	(743,231)	(48,493)	-
Transfer of net assets (Note 13)	-	-	-	-	-	(40,450)	40,450	-
Pension related changes other than net periodic pension cost (Note 6)	283,913	-	-	283,913	(619,266)	(619,266)	-	-
Postretirement related changes other than net periodic postretirement cost (Note 7)	633,178	-	-	633,178	(198,269)	(198,269)	-	-
TOTAL NON-OPERATING ACTIVITY	2,445,529	103,055	-	2,548,584	(1,609,259)	(1,601,216)	(8,043)	-
CHANGE IN NET ASSETS	4,375,810	2,018,699	247,159	6,641,668	(956,940)	(2,454,988)	1,123,279	374,769
Net assets - beginning of year	13,705,864	1,755,105	1,508,429	16,969,398	17,926,338	16,160,852	631,826	1,133,660
NET ASSETS - END OF YEAR	\$ 18,081,674	\$ 3,773,804	\$ 1,755,588	\$ 23,611,066	\$ 16,969,398	\$ 13,705,864	\$ 1,755,105	\$ 1,508,429

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

**AMERICAN INSTITUTE OF CHEMICAL ENGINEERS
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 6,641,668	\$ (956,940)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Realized and unrealized (gain) loss on investments	(1,144,354)	1,229,582
Depreciation and amortization	568,342	519,990
Bad debt expense	262,823	175,786
Subtotal	6,328,479	968,418
Changes in operating assets and liabilities:		
(Increase) or decrease in assets:		
Accounts receivable	(722,448)	775,489
Prepaid expenses and other	280,482	(266,142)
Pledges receivable	(1,430,556)	(993,020)
Increase or (decrease) in liabilities:		
Accounts payable	382,792	(182,896)
Deferred revenue	(193,654)	(652,072)
Accrued expenses:		
Employee vacation and other benefits	59,845	49,880
Pension and other postretirement benefit costs	(730,193)	861,545
Other	490,431	230,683
Net Cash Provided by Operating Activities	4,465,178	791,885
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(4,641,982)	(3,989,113)
Proceeds from the sale of investments	555,003	3,480,401
Purchases of property and equipment	(795,754)	(428,968)
Net Cash Used in Investing Activities	(4,882,733)	(937,680)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(417,555)	(145,795)
Cash and cash equivalents - beginning of the year	2,673,619	2,819,414
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 2,256,064	\$ 2,673,619

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

**AMERICAN INSTITUTE OF CHEMICAL ENGINEERS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

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. *Net Assets - Basis of Presentation*

AIChE maintains its net assets under the following three classes:

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

C. *Contributions and Pledges Receivable*

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows, less a 2% reserve allowance for bad debt as of December 31, 2016 and 2015, respectively. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met.

**AMERICAN INSTITUTE OF CHEMICAL ENGINEERS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

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, 2016 and 2015, AIChE determined that an allowance of approximately \$157,000 and \$145,000, respectively, should be provided for accounts receivable. Such estimates are based on management's assessment of the aged basis of its funding sources, funding sources and customers, current economic conditions and historical information.

G. *Property and Equipment*

Property and equipment is stated at cost and depreciated using the straight-line basis over their estimated useful lives. Leasehold improvements are amortized over the lesser of their useful lives or the term of the lease. AIChE capitalizes all assets with a cost of \$5,000 or more and a useful life of more than one 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, 2016 AND 2015**

NOTE 3 – INVESTMENTS AND FAIR VALUE MEASUREMENTS

Investments consisted of the following at December 31, 2016 and 2015 and were classified as Level 1 in the fair value hierarchy (as defined below) as follows:

	<u>2016</u>	<u>2015</u>
Mutual Funds		
U.S. Large Cap/Mid Cap	\$ 5,497,615	\$ 4,485,837
U.S. Small Cap	1,360,456	1,021,931
Diversified Foreign Equity	6,147,224	5,563,073
U.S. Core Bonds	8,242,327	6,210,943
Global Bonds	2,857,281	2,433,164
Money Market Mutual Funds	<u>1,420,464</u>	<u>565,189</u>
Total mutual funds	25,525,367	20,280,137
Equity securities – domestic	<u>15,643</u>	<u>29,540</u>
Total investments	<u>\$ 25,541,010</u>	<u>\$ 20,309,677</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, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Interest and dividends	\$ 549,859	\$ 493,634
Realized and unrealized gains and (losses)	1,144,354	(1,229,582)
Investment fees	<u>(62,720)</u>	<u>(55,776)</u>
	<u>\$ 1,631,493</u>	<u>\$ (791,724)</u>

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 1 valuations are obtained from real-time quotes for transactions in active exchange markets involving identical assets.

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.

AIChE's policy is to recognize transfers in and transfers out between fair value levels as of the beginning of the period in which the transfer takes place. During the years ended December 31, 2016 and 2015, no such transfers between fair value levels occurred.

**AMERICAN INSTITUTE OF CHEMICAL ENGINEERS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

NOTE 4 – PLEDGES RECEIVABLE

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

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

NOTE 5 – PROPERTY AND EQUIPMENT

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

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

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

NOTE 6 – PENSION PLANS

Through December 31, 2005, AIChE had an active noncontributory, defined benefit pension plan covering all full-time employees, unless the employee was covered by another retirement plan, via a collective bargaining agreement. As of December 31, 2005, AIChE froze this plan. AIChE continues to maintain this plan for all plan participants; however, further benefits and new participants have not been provided since December 31, 2005. The benefits are based on years of service through December 31, 2005 and the employee's average pay. Average pay is defined as the highest average of basic 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.

**AMERICAN INSTITUTE OF CHEMICAL ENGINEERS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

NOTE 6 – PENSION PLANS (Continued)

AIChE maintains a qualified contributory defined contribution retirement plan pursuant to Internal Revenue Code Section 403(b) for its employees. Employees are eligible to participate after 500 hours of service in a 6-month period and upon attaining the age of 21. Under the terms of the plan, employees are entitled to defer a portion of their annual compensation within limitations established by the Internal 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 \$218,840 and \$186,462 for the years ended December 31, 2016 and 2015, respectively.

As a substitute for the defined benefit plan, which was frozen on December 31, 2005, AIChE 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 \$741,995 and \$622,708 for the years ended December 31, 2016 and 2015, respectively.

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. AIChE had no liability relating to the 457(b) plan as of December 31, 2016 and 2015, respectively.

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

	<u>2016</u>	<u>2015</u>
Change in benefit obligation:		
Benefit obligation at beginning of year	\$ 10,499,146	\$ 10,669,468
Interest cost	471,431	476,560
Actuarial loss (gain)	142,401	(53,470)
Benefits paid	<u>(268,723)</u>	<u>(593,412)</u>
Benefit obligation at end of year	10,844,255	10,499,146
Fair value of plan assets	<u>8,489,672</u>	<u>8,069,749</u>
Funded status	<u>\$ (2,354,583)</u>	<u>\$ (2,429,397)</u>

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

	<u>2016</u>	<u>2015</u>
Net loss	<u>\$ (3,089,962)</u>	<u>\$ (3,373,875)</u>

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

	<u>2016</u>	<u>2015</u>
Interest cost	\$ 471,431	\$ 476,560
Expected return on plan assets	(559,575)	(620,277)
Amortization of net loss	<u>297,243</u>	<u>204,181</u>
	<u>\$ 209,099</u>	<u>\$ 60,464</u>

**AMERICAN INSTITUTE OF CHEMICAL ENGINEERS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

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, 2016 and 2015 were as follows:

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

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

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

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

The defined benefit plan's expected rate of return on plan assets is determined by the plan assets' historical long-term investment performance, current asset allocation, and estimates of future long-term returns by asset class.

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

The following schedule of benefit payments for the pension plan, which reflects expected future services, as appropriate, are expected to be paid in each of the next five years and in the aggregate for the five years thereafter:

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

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

	<u>2016</u>	<u>2015</u>
Equity securities	56%	55%
Debt securities	43%	43%
Cash equivalents	<u>1%</u>	<u>2%</u>
	<u>100%</u>	<u>100%</u>

**AMERICAN INSTITUTE OF CHEMICAL ENGINEERS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

NOTE 6 – PENSION PLANS (Continued)

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

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

The composition of AIChE's plan assets is a target asset mix allocated 54%/46% between equity and fixed-income securities. Since the primary purpose of the plan is to provide benefits at normal retirement age, the primary goal of the investment of funds in the plan is to provide a long-term annualized investment return equivalent or superior to the plan's current discount rate, and consistently above the median performance of an appropriate peer manager universe.

In pursuing these objectives, the risk tolerance of the plan should be viewed as moderate. Volatility of annual returns, including losses in value, may be tolerated provided they are consistent with current benchmark volatility and there are reasonable expectations the plan can achieve its long-term objectives. Volatility will be reduced by assuring that the plan assets are at all times diversified by asset class, economic sector, and industry and/or market capitalization. The target asset mix is developed and periodically reviewed based on rolling three and five-year strategic investment horizons. In order to effectively maintain the benefits of diversification, actual allocation percentages are rebalanced back to the current asset target mix on a quarterly basis.

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 is 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 were eliminated. Employees hired after February 1, 2007 are eligible to purchase coverage under the postretirement medical plan but are not eligible for any subsidy from AIChE. In addition, employees hired after February 1, 2007 are not 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.

Effective December 1, 2016, the postretirement medical plan was amended to change coverage for current retirees to a health reimbursement account funded by annual contributions from AIChE. Such change decreased the benefit obligation by approximately \$336,000.

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NOTE 7 – POSTRETIREMENT OTHER THAN PENSIONS (Continued)

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

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

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

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

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

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

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

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

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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 \$30,000, \$0 and \$57,000, respectively.

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

	<u>2016</u>	<u>2015</u>
Discount rate used for net periodic benefit cost	4.50%	4.65%
Discount rate used for benefit obligations	4.50%	4.65%

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:

2017	\$	57,691
2018		54,437
2019		59,133
2020		62,087
2021		61,022
5 years thereafter		301,992

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	9.0%
Ultimate trend rate to which the cost trend rate is	
Expected to decline	4.2%
Year that the rate reaches the ultimate trend rate	2085+

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 \$19,294 as of December 31, 2016, and increase the aggregate of the service and interest cost components of net periodic postretirement benefit cost for the year then ended by \$6. Decreasing the assumed health care cost trend rates by 1% would increase the accumulated postretirement benefit obligations by \$8,616 as of December 31, 2016, and decrease the aggregate of the service and interest cost components of net periodic postretirement benefit cost for the year then ended by \$663.

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NOTE 8 – NET ASSETS

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

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

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

	<u>2016</u>	<u>2015</u>
Award programs for scholastic achievement	\$ 508,904	\$ 425,259
Educational and professional development	625,768	570,768
Public and government outreach and other	<u>620,916</u>	<u>512,402</u>
	<u>\$ 1,755,588</u>	<u>\$ 1,508,429</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, 2016 and 2015 as follows:

	<u>2016</u>	<u>2015</u>
Award programs for scholastic achievements	\$ 20,366	\$ 20,224
Educational and professional development	953,481	523,706
Public and government outreach and other	<u>95,813</u>	<u>8,434</u>
	<u>\$ 1,069,660</u>	<u>\$ 552,364</u>

NOTE 9 – COMMITMENTS AND CONTINGENCIES

A. Lease Commitments

AIChE entered into a lease agreement for the rental of office space in New York City for a term of fifteen years that commenced in August 2013. There is a one-time renewal option to extend the term of the lease for an additional five years. The lease agreement also provides for a free rental period commencing on the commencement date. In addition, tax abatements reduce the base rents by approximately \$82,000 per year. In addition to the base monthly rent, AIChE is required to pay additional rent for its share of operating expense escalations.

As of December 31, 2016, AIChE substituted an irrevocable standby letter of credit in the amount of \$288,855 in lieu of a security deposit for its office lease in New York. The letter of credit expires in April 2029 and is secured by mutual funds and money market funds owned by AIChE and held at the financial institution that issued the letter of credit.

**AMERICAN INSTITUTE OF CHEMICAL ENGINEERS
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NOTE 9 – COMMITMENTS AND CONTINGENCIES (Continued)

AIChE also has a lease agreement for the rental of office space in Connecticut which expires in August 2017 and has annual base rental charges of approximately \$32,000 over the lease term.

Rent credits and charges are accounted for on a straight-line basis over the life of the lease. Straight-lining of rent gives rise to a timing difference that is reflected as deferred rent in the accompanying statements of financial position. Included in other liabilities in the accompanying statements of financial position as of December 31, 2016 and 2015 is a liability of \$444,635 and \$408,746, respectively, related to deferred rent under the straight-line method of accounting.

Minimum future lease payments under the lease agreements for the years subsequent to December 31, 2016 are approximately as follows:

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

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

B. *Meeting Commitments*

In the ordinary course of business, AIChE has entered into contracts with hotels for meetings scheduled to occur beyond December 31, 2016 and 2015. 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, due to catastrophic events, for meetings scheduled for the year following the statement of financial position date are covered under AIChE's insurance policies. In the very unlikely event AIChE had to cancel all the meetings scheduled beyond 2016 and 2015 that are under contract, it would incur approximately \$3.7 million and \$4.9 million, respectively in cancellation charges. AIChE is subject to negotiable penalties in the event meeting attendees do not utilize the rooms.

C. *Line of Credit*

AIChE has a line of credit with a financial institution. The line of credit has a maximum borrowing amount of \$1,500,000 and expires on September 30, 2017. Borrowings are secured by mutual funds and money market funds owned by AIChE and held at the same financial institution. Interest is at the one-month London Interbank Offered Rate ("LIBOR") plus 2%. As of December 31, 2016 and 2015 and April 24, 2017, there were no borrowings.

D. *Uncertainty in Income Taxes*

AIChE believes it had no uncertain tax positions as of December 31, 2016 and 2015 in accordance with Accounting Standards Codification ("ASC") Topic 740, "Income Taxes," which provides standards for establishing and classifying any tax provisions for uncertain tax positions.

**AMERICAN INSTITUTE OF CHEMICAL ENGINEERS
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NOTE 10 – 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 included the following for the years ended December 31:

	<u>2016</u>	<u>2015</u>
Subsidized activities include the governance of AIChE, public and governmental outreach programs, and support for the chemical engineering profession	\$ <u>1,365,992</u>	\$ <u>1,308,894</u>

NOTE 11 – RECEIVABLE FROM CHARITABLE REMAINDER TRUSTS

AIChE is the beneficiary of remainder interests in certain charitable trusts. Upon the expiration of the trust terms (defined as the death of the surviving beneficiaries), AIChE shall receive the trusts' assets, which consists of certain fixed income and equity securities. As of December 31, 2016 and 2015, the value of the interest in the charitable remainder trusts was determined by estimating the future value of the trusts' assets as of the expiration of the trusts' terms and calculating the present value of those amounts at a discount rate of 3%, respectively, per annum. As of December 31, 2016 and 2015, the present value of AIChE's share of the trusts was \$123,133 and \$81,625, respectively, and is included in prepaid expenses and other assets in the accompanying financial statements. The fair value of the trusts' assets amounted to approximately \$240,000 and \$160,000, respectively, as of December 31, 2016 and 2015.

NOTE 12 – PUBLISHING AGREEMENTS

- A. In May 2016, AIChE renewed its publishing agreement (the "Publishing Agreement") with Wiley, a commercial publisher (the "Publisher") with respect to the five journals (the "Journals") now currently owned by AIChE. The renewal occurred two years before the prior agreement was set to expire, and extends 12 years. Under the terms of the Publishing Agreement, the Publisher has the exclusive right and sole responsibility for the marketing, sales, 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 increased additional royalties through 2021, with further increases in royalties from 2022 through the life of the contract, which escalate when the Publisher's gross revenues exceed certain predetermined levels.
- B. In February 2005, AIChE entered into a four-year book publishing agreement (the "Book Publishing Agreement") with the Publisher to co-develop approximately 8-15 new works each year. The Book Publishing Agreement is 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 beginning of each additional year of the term provided that at least six works were published in the preceding year.

In November 2010, the Book Publishing Agreement was amended, revising language on co-development of books to allow, when both parties agree, for the Publisher to enter into author agreements even when AIChE is the submitting party. A new royalty category was created for such titles.

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NOTE 13 – ENDOWMENT NET ASSETS

The Board of AIChE follows the New York State law called the New York Prudent Management of Institutional Funds Act (“NYPMIFA”). NYPMIFA includes a rebuttable presumption of imprudence if an organization appropriates more than 7% of a donor-restricted permanent endowment fund’s fair value (averaged over a period of not less than the preceding five years) in any year. Any unappropriated earnings that would otherwise be considered unrestricted by the donor are reflected as temporarily restricted until appropriated.

AIChE’s Board has interpreted NYPMIFA as allowing AIChE to appropriate for expenditure or accumulate so much of an endowment fund as AIChE determines is prudent for the uses, benefits, purposes and duration for which the endowment fund was established, subject to the intent of the donor as expressed in the gift instrument. Unless stated otherwise, the assets in a donor-restricted endowment fund shall be donor-restricted assets until appropriated for expenditure by the Board.

As a result of this interpretation, AIChE has not changed the way permanently restricted net assets are classified. The remaining portion of the donor-restricted endowment fund that is not classified as permanently restricted is classified as temporarily restricted net assets until those amounts are appropriated for expenditure in a manner consistent with the standard of prudence prescribed by NYPMIFA.

The policy for valuing AIChE’s investments is described in Note 2E. In accordance with U.S. GAAP, any deterioration of the fair value of assets associated with donor-restricted endowment funds that falls below the level the donor requires AIChE to retain in perpetuity is to be reported in unrestricted net assets. As a result of market fluctuations and the continued prudent use of income generated by donor-restricted endowment funds in support of mission-critical programs, the fair value of assets associated with individual donor-restricted endowment funds has fallen below historic dollar value. The aggregate amount by which fair value was below historic value was \$40,450 as of December 31, 2015. AIChE has not incurred such deficiencies in its endowment funds as of December 31, 2016.

AIChE’s endowment investment policy is to invest 46% of assets into fixed-income mutual funds and cash equivalents, and 54% into equity mutual funds based on an asset allocation with the objective of capital appreciation.

Changes in endowment net assets for year ended December 31, 2016 were as follows:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2016 Total</u>
Activity:			
Investment activity:			
Interest and dividends	\$ 31,599	\$ -	\$ 31,599
Realized/unrealized gains	<u>65,763</u>	<u>-</u>	<u>65,763</u>
Total investment activity	97,362	-	97,362
Contributions	-	247,159	247,159
Amount appropriated for expenditure	<u>(18,936)</u>	<u>-</u>	<u>(18,936)</u>
Total activity	78,426	247,159	325,585
Endowment net assets, beginning of year	<u>-</u>	<u>1,508,429</u>	<u>1,508,429</u>
Endowment net assets, end of year	<u>\$ 78,426</u>	<u>\$ 1,755,588</u>	<u>\$ 1,834,014</u>

**AMERICAN INSTITUTE OF CHEMICAL ENGINEERS
NOTES TO FINANCIAL STATEMENTS
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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>

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

NOTE 14 – CONCENTRATION OF CREDIT RISK

Cash and cash equivalents that potentially subject AIChE to a concentration of credit risk include cash accounts with financial institutions that exceed the Federal Deposit Insurance Corporation (“FDIC”) insurance limits. The FDIC provides deposit insurance coverage of up to \$250,000 per depositor. As of December 31, 2016 and 2015, there was approximately \$2,346,000 and \$2,261,000, respectively, of cash and cash equivalents, held by a financial institution that exceeded FDIC limits and which represents a concentration of credit risk. On behalf of the Board of AIChE, the Finance Committee has evaluated the credit risk and alternatives and have recommended maintaining the current position while continuing to monitor this financial institution.

NOTE 15 – SUBSEQUENT EVENTS

- A. AIChE has evaluated, for potential recognition and disclosure, events subsequent to the date of the statement of financial position through April 24, 2017, the date the financial statements were available to be issued.
- B. On October 24, 2016, AIChE was selected by the U.S. Department of Energy to establish a manufacturing institute on *Modular Chemical Process Intensification*. The Rapid Manufacturing Institute (“RAPID” – Rapid Advancement in Process Intensification Deployment) is part of a federal government initiative on advanced manufacturing, established to enhance the competitiveness of U.S. manufacturing, while improving energy efficiency of the sector as a whole. AIChE will receive \$70 million of RAPID monies over five years, with a minimum of 1:1 matching funds from its members in industry, academia, national labs, and other non-profits.

RAPID’s focus will be on the application of modular chemical process intensification in manufacturing processes as a means of lowering costs, improving energy and resource efficiency, increasing overall productivity and maintaining manufacturing jobs within the United States of America (the “U.S.”). One of the primary goals of RAPID and the other institutes is to enable manufacturing within the U.S. to expand and grow.

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NOTE 15 – SUBSEQUENT EVENTS (Continued)

RAPID will leverage AIChE's relationships with industry and academia, along with its close ties to the Clean Energy Smart Manufacturing Innovation Institute. AIChE brings its substantial educational resources and infrastructure to bear to train students and professionals in the dissemination and application of new modular process intensification tools. AIChE will capitalize on the expertise of its global network of industrial and academic professionals and its long-standing experience of managing subsidiary technical centers such as the Center for Chemical Process Safety, the Design Institute for Physical Properties, and the Chinese Hamster Ovary Genomic Systems Consortium.

RAPID will operate within AIChE's 501(c)(3) umbrella, as an Industry Technology Group under the name RAPID Manufacturing Institute.