



**American Institute of Chemical Engineers**

**Financial Statements**  
**(Together with Independent Auditors' Report)**

**Years Ended December 31, 2020 and 2019**

**AMERICAN INSTITUTE OF CHEMICAL ENGINEERS**

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

**YEARS ENDED DECEMBER 31, 2020 AND 2019**

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
American Institute of Chemical Engineers

We have audited the accompanying financial statements of American Institute of Chemical Engineers ("AIChE"), which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of activities, functional expenses 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 from 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 auditor's 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, 2020 and 2019, 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  
May 3, 2021

**AMERICAN INSTITUTE OF CHEMICAL ENGINEERS**  
**STATEMENTS OF FINANCIAL POSITION**  
**AS OF DECEMBER 31, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
<b>ASSETS</b>		
Cash and cash equivalents (Notes 2D and 16)	\$ 2,826,303	\$ 3,815,519
Investments, at fair value (Notes 2E, 4, 11A, 11C and 15)	34,399,407	31,301,794
Accounts receivable, net (Notes 2F and 18)	13,220,174	10,188,980
Contributions receivable, net (Notes 2C, 5 and 11B)	9,781,944	3,202,567
Prepaid expenses and other (Note 13)	567,084	758,665
Property and equipment, net (Notes 2G and 6)	<u>2,916,046</u>	<u>2,845,945</u>
<b>TOTAL ASSETS</b>	<u>\$ 63,710,958</u>	<u>\$ 52,113,470</u>
<b>LIABILITIES</b>		
Accounts payable	\$ 1,003,758	\$ 2,319,131
Accounts payable to subrecipients (Note 18)	6,536,458	5,963,426
Deferred revenue - dues, subscriptions and other (Note 2H)	3,829,731	3,836,185
Accrued expenses:		
Employee vacation and other benefits	756,992	601,592
Pension and other postretirement benefit costs (Notes 8 and 9)	3,882,849	3,088,225
SBA loan payable (Note 7)	2,497,800	-
Other (Notes 2I and 11A)	<u>2,236,654</u>	<u>1,629,355</u>
<b>TOTAL LIABILITIES</b>	<u>20,744,242</u>	<u>17,437,914</u>
<b>COMMITMENTS AND CONTINGENCIES</b> (Note 11)		
<b>NET ASSETS</b> (Note 2B)		
Without donor restrictions	<u>26,147,638</u>	<u>25,842,426</u>
With donor restrictions:		
Purpose and time-restricted for future periods (Notes 10 and 15)	12,816,324	5,240,272
Perpetual in nature (Notes 10 and 15)	<u>4,002,754</u>	<u>3,592,858</u>
	<u>16,819,078</u>	<u>8,833,130</u>
<b>TOTAL NET ASSETS</b>	<u>42,966,716</u>	<u>34,675,556</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 63,710,958</u>	<u>\$ 52,113,470</u>

**AMERICAN INSTITUTE OF CHEMICAL ENGINEERS  
STATEMENTS OF ACTIVITIES  
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

	For the Year Ended December 31, 2020			For the Year Ended December 31, 2019		
	Without Donor Restrictions	With Donor Restrictions	Total 2020	Total 2019	Without Donor Restrictions	With Donor Restrictions
<b>OPERATING ACTIVITY:</b>						
<b>REVENUE AND SUPPORT:</b>						
Dues and other membership revenue (Note 2H)	\$ 2,307,989	\$ -	\$ 2,307,989	\$ 3,106,022	\$ 3,106,022	\$ -
Publications sales and subscriptions	2,760,320	-	2,760,320	2,694,243	2,694,243	-
Industry technology groups (Notes 1 and 17)	23,963,706	-	23,963,706	26,400,754	26,400,754	-
Meetings and technical programming	5,492,903	-	5,492,903	7,181,652	7,181,652	-
Education services (Note 17)	1,494,297	-	1,494,297	3,329,759	3,329,759	-
AIChE Foundation - contributions (Notes 1 and 2C)	558,963	9,393,901	9,952,864	3,253,094	681,652	2,571,442
Other revenue	1,306,158	-	1,306,158	1,348,599	1,348,599	-
Net assets released from restrictions (Note 10)	1,717,332	(1,717,332)	-	-	2,351,177	(2,351,177)
<b>TOTAL OPERATING REVENUE AND SUPPORT</b>	<b>39,601,668</b>	<b>7,676,569</b>	<b>47,278,237</b>	<b>47,314,123</b>	<b>47,093,858</b>	<b>220,265</b>
<b>EXPENSES:</b>						
<b>Program Services:</b>						
Membership	2,262,425	-	2,262,425	2,964,649	2,964,649	-
Publications	2,339,930	-	2,339,930	2,536,050	2,536,050	-
Industry technology groups	21,495,163	-	21,495,163	22,361,175	22,361,175	-
Meetings and technical programming	3,039,287	-	3,039,287	4,227,871	4,227,871	-
Education services	2,414,116	-	2,414,116	2,973,490	2,973,490	-
Other program expenses (Note 12)	1,156,362	-	1,156,362	1,722,380	1,722,380	-
	32,707,283	-	32,707,283	36,785,615	36,785,615	-
<b>Supporting Services:</b>						
General and administration	4,738,420	-	4,738,420	4,495,592	4,495,592	-
Fundraising	3,606,755	-	3,606,755	3,902,206	3,902,206	-
	8,345,175	-	8,345,175	8,397,798	8,397,798	-
<b>TOTAL OPERATING EXPENSES</b>	<b>41,052,458</b>	<b>-</b>	<b>41,052,458</b>	<b>45,183,413</b>	<b>45,183,413</b>	<b>-</b>
<b>Change In Net Assets From Operations</b>	<b>(1,450,790)</b>	<b>7,676,569</b>	<b>6,225,779</b>	<b>2,130,710</b>	<b>1,910,445</b>	<b>220,265</b>
<b>NON-OPERATING ACTIVITY:</b>						
Investment activity, net (Notes 4 and 15)	2,679,674	309,379	2,989,053	4,860,761	4,404,916	455,845
Pension related changes other than net periodic pension cost (Note 8)	(728,020)	-	(728,020)	201,609	201,609	-
Other components of net periodic pension costs (Notes 2K and 8)	(126,633)	-	(126,633)	(255,630)	(255,630)	-
Postretirement related changes other than net periodic postretirement cost (Note 9)	(193,551)	-	(193,551)	(219,417)	(219,417)	-
Other components related to net periodic postretirement cost (Notes 2K and 9)	124,532	-	124,532	122,397	122,397	-
<b>TOTAL NON-OPERATING ACTIVITY</b>	<b>1,756,002</b>	<b>309,379</b>	<b>2,065,381</b>	<b>4,709,720</b>	<b>4,253,875</b>	<b>455,845</b>
<b>CHANGE IN NET ASSETS</b>	<b>305,212</b>	<b>7,985,948</b>	<b>8,291,160</b>	<b>6,840,430</b>	<b>6,164,320</b>	<b>676,110</b>
Net assets - beginning of year	25,842,426	8,833,130	34,675,556	27,835,126	19,678,106	8,157,020
<b>NET ASSETS - END OF YEAR</b>	<b>\$ 26,147,638</b>	<b>\$ 16,819,078</b>	<b>\$ 42,966,716</b>	<b>\$ 34,675,556</b>	<b>\$ 25,842,426</b>	<b>\$ 8,833,130</b>

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

AMERICAN INSTITUTE OF CHEMICAL ENGINEERS  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2020  
(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2019)

	For the Year Ended December 31, 2020											
	Program Services							Supporting Services				
	Membership	Publications	Industry Technology Groups	Meetings and Technical Programming	Education Services	Other Program Expenses	Total Program Services	General and Administration	Fundraising	Total Supporting Services	Total 2020	Total 2019
Salaries	\$ 1,197,670	\$ 1,162,152	\$ 5,123,860	\$ 1,410,506	\$ 1,227,259	\$ 263,114	\$ 10,384,561	\$ 2,659,132	\$ 891,259	\$ 3,550,391	\$ 13,934,952	\$ 12,720,412
Payroll taxes and employee benefits (Notes 2K and 8)	385,127	365,502	1,626,093	433,610	386,793	54,986	3,252,111	701,676	184,620	886,296	4,138,407	3,730,081
<b>Total Salaries and Related Costs</b>	<b>1,582,797</b>	<b>1,527,654</b>	<b>6,749,953</b>	<b>1,844,116</b>	<b>1,614,052</b>	<b>318,100</b>	<b>13,636,672</b>	<b>3,360,808</b>	<b>1,075,879</b>	<b>4,436,687</b>	<b>18,073,359</b>	<b>16,450,493</b>
Grants and other assistance	87,007	361	78,033	1,335	25	147,670	314,431	121	53,790	53,911	368,342	426,951
Legal fees	-	-	31,833	-	-	-	31,833	30,415	-	30,415	62,248	27,404
Professional fundraising services	-	-	-	-	-	-	-	-	56,000	56,000	56,000	77,022
Other professional fees	151,102	336,488	2,152,363	550,491	351,551	294,779	3,836,774	136,045	395,821	531,866	4,368,640	4,003,812
Advertising and promotion	54,754	52,285	31,090	55,927	22,250	2,150	218,456	-	12,216	12,216	230,672	294,728
Office expenses	72,985	190,564	36,552	35,194	26,261	15,791	377,347	57,735	18,045	75,780	453,127	664,524
Information technology	81,374	-	18,417	-	-	169,222	269,013	-	-	-	269,013	340,086
Royalty	-	-	17,542	-	-	-	17,542	-	-	-	17,542	137,170
Occupancy (Note 11A)	19,366	16,483	88,169	24,166	24,170	4,543	176,897	489,445	10,034	499,479	676,376	700,289
Travel	8,911	1,247	96,348	55,037	17,517	1,985	181,045	30,963	1,341	32,304	213,349	1,564,117
Conferences, conventions and meetings	10,537	-	49,731	18,307	21,211	8,720	108,506	5,959	3,133	9,092	117,598	3,706,106
Insurance	-	-	-	-	-	-	-	139,957	-	139,957	139,957	155,069
Depreciation and amortization (Note 6)	25,904	12,534	447,196	35,805	72,536	12,297	606,272	172,165	25,055	197,220	803,492	758,585
Payments to subrecipients	-	-	11,458,538	-	-	-	11,458,538	-	-	-	11,458,538	10,299,302
Equipment rental and maintenance	96,341	39,438	129,132	260,227	115,638	20,003	660,779	93,465	25,045	118,510	779,289	1,543,805
Printing and publications	6,960	60,396	20,687	4,464	33,726	10,681	136,914	-	607	607	137,521	494,765
Telephone	15,422	6,983	41,958	26,611	15,512	5,782	112,268	38,755	8,668	47,423	159,691	207,709
Bank charges/credit card fees	48,965	3,473	47,621	87,885	18,435	162	206,541	91,489	4,089	95,578	302,119	490,983
Miscellaneous and dues	-	92,024	-	39,722	81,232	144,477	357,455	91,098	1,917,032	2,008,130	2,365,585	2,840,493
<b>Total Other than Personal Services</b>	<b>679,628</b>	<b>812,276</b>	<b>14,745,210</b>	<b>1,195,171</b>	<b>800,064</b>	<b>838,262</b>	<b>19,070,611</b>	<b>1,377,612</b>	<b>2,530,876</b>	<b>3,908,488</b>	<b>22,979,099</b>	<b>28,732,920</b>
<b>TOTAL EXPENSES</b>	<b>\$ 2,262,425</b>	<b>\$ 2,339,930</b>	<b>\$ 21,495,163</b>	<b>\$ 3,039,287</b>	<b>\$ 2,414,116</b>	<b>\$ 1,156,362</b>	<b>\$ 32,707,283</b>	<b>\$ 4,738,420</b>	<b>\$ 3,606,755</b>	<b>\$ 8,345,175</b>	<b>\$ 41,052,458</b>	<b>\$ 45,183,413</b>

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

**AMERICAN INSTITUTE OF CHEMICAL ENGINEERS  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2019**

	Program Services							Supporting Services			
	Membership	Publications	Technology Groups	Meetings and Technical Programming	Education Services	Other Program Expenses	Total Program Services	General and Administration	Fundraising	Total Supporting Services	Total 2019
Salaries	\$ 1,229,703	\$ 1,154,836	\$ 4,697,011	\$ 1,230,200	\$ 973,137	\$ 355,757	\$ 9,640,644	\$ 2,424,337	\$ 655,431	\$ 3,079,768	\$ 12,720,412
Payroll taxes and employee benefits (Notes 2K and 8)	399,398	367,378	1,533,592	384,626	294,734	110,651	3,090,379	527,228	112,474	639,702	3,730,081
<b>Total Salaries and Related Costs</b>	<b>1,629,101</b>	<b>1,522,214</b>	<b>6,230,603</b>	<b>1,614,826</b>	<b>1,267,871</b>	<b>466,408</b>	<b>12,731,023</b>	<b>2,951,565</b>	<b>767,905</b>	<b>3,719,470</b>	<b>16,450,493</b>
Grants and other assistance	78,034	8,247	85,950	3,820	1,655	195,947	373,653	-	53,298	53,298	426,951
Legal fees	-	-	6,956	-	-	-	6,956	20,448	-	20,448	27,404
Professional fundraising services	-	-	-	-	-	-	-	-	77,022	77,022	77,022
Other professional fees	150,150	386,159	1,748,583	220,246	810,079	133,104	3,448,321	215,042	340,449	555,491	4,003,812
Advertising and promotion	91,689	51,648	44,613	24,175	5,629	47,742	265,496	303	28,929	29,232	294,728
Office expenses	86,218	214,952	114,490	48,555	47,431	46,623	558,269	67,871	38,384	106,255	664,524
Information technology	104,829	-	18,395	-	-	216,862	340,086	-	-	-	340,086
Royalty	-	-	31,126	106,044	-	-	137,170	-	-	-	137,170
Occupancy (Note 11A)	18,197	16,046	90,487	20,716	18,905	7,342	171,693	519,984	8,612	528,596	700,289
Travel	118,251	43,924	664,207	139,367	354,325	83,593	1,403,667	117,885	42,565	160,450	1,564,117
Conferences, conventions and meetings	335,970	6,245	1,894,378	903,961	106,572	273,810	3,520,936	3,599	181,571	185,170	3,706,106
Insurance	-	-	-	-	-	-	-	155,069	-	155,069	155,069
Depreciation and amortization (Note 6)	48,105	22,961	409,161	54,035	61,830	20,861	616,953	110,932	30,700	141,632	758,585
Payments to subrecipients	-	-	10,299,302	-	-	-	10,299,302	-	-	-	10,299,302
Equipment rental and maintenance	144,380	37,985	222,147	709,461	136,833	92,658	1,343,464	126,868	73,473	200,341	1,543,805
Printing and publications	43,695	68,321	112,159	138,113	49,346	14,224	425,858	2,240	66,667	68,907	494,765
Telephone	19,049	6,826	58,521	65,476	10,556	8,671	169,099	32,459	6,151	38,610	207,709
Bank charges/credit card fees	91,050	5,797	96,371	149,348	34,420	15,130	392,116	91,397	7,470	98,867	490,983
Miscellaneous and dues	5,931	144,725	233,726	29,728	68,038	99,405	581,553	79,930	2,179,010	2,258,940	2,840,493
<b>Total Other than Personal Services</b>	<b>1,335,548</b>	<b>1,013,836</b>	<b>16,130,572</b>	<b>2,613,045</b>	<b>1,705,619</b>	<b>1,255,972</b>	<b>24,054,592</b>	<b>1,544,027</b>	<b>3,134,301</b>	<b>4,678,328</b>	<b>28,732,920</b>
<b>TOTAL EXPENSES</b>	<b>\$ 2,964,649</b>	<b>\$ 2,536,050</b>	<b>\$ 22,361,175</b>	<b>\$ 4,227,871</b>	<b>\$ 2,973,490</b>	<b>\$ 1,722,380</b>	<b>\$ 36,785,615</b>	<b>\$ 4,495,592</b>	<b>\$ 3,902,206</b>	<b>\$ 8,397,798</b>	<b>\$ 45,183,413</b>

**AMERICAN INSTITUTE OF CHEMICAL ENGINEERS  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ 8,291,160	\$ 6,840,430
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Net realized and unrealized gains on investments	(2,449,279)	(4,031,273)
Depreciation and amortization	803,492	758,585
Bad debt expense (recapture)	<u>246,200</u>	<u>(38,346)</u>
Subtotal	6,891,573	3,529,396
Changes in operating assets and liabilities:		
(Increase) or decrease in assets:		
Accounts receivable	(3,180,313)	(1,967,110)
Contributions receivable	(6,676,458)	659,714
Prepaid expenses and other	191,581	(296,587)
(Decrease) increase in liabilities:		
Accounts payable	(1,315,373)	921,051
Accounts payable to subrecipients	573,032	1,285,498
Deferred revenue	(6,454)	(52,441)
Accrued expenses:		
Employee vacation and other benefits	155,400	34,733
Pension and other postretirement benefit costs	794,624	(83,511)
Other	<u>607,299</u>	<u>(45,710)</u>
<b>Net Cash (Used in) Provided by Operating Activities</b>	<u>(1,965,089)</u>	<u>3,985,033</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of investments	(7,170,290)	(5,810,527)
Proceeds from the sale of investments	6,521,956	4,838,998
Purchases of property and equipment	<u>(873,593)</u>	<u>(966,085)</u>
<b>Net Cash Used in Investing Activities</b>	<u>(1,521,927)</u>	<u>(1,937,614)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from SBA loan	<u>2,497,800</u>	<u>-</u>
<b>Net Cash Provided by Financing Activities</b>	<u>2,497,800</u>	<u>-</u>
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	(989,216)	2,047,419
Cash and cash equivalents - beginning of year	<u>3,815,519</u>	<u>1,768,100</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u>\$ 2,826,303</u>	<u>\$ 3,815,519</u>

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



**AMERICAN INSTITUTE OF CHEMICAL ENGINEERS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2020 AND 2019**

**NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES**

American Institute of Chemical Engineers (“AIChE”) is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code (“IRC”). 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 groups, AIChE stimulates collaborative efforts among industry, universities, government and professional societies.

In 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. See Note 18.

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***

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

- *Net Assets Without Donor Restrictions* – Resources available for support of AIChE’s operations over which the Board of Directors has discretionary control.
- *Net Assets With Donor Restrictions* – Net assets subject to donor – (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

**C. *Contributions and Pledges Receivable***

Unconditional contributions and pledges that are expected to be collected within one year are recorded at net realizable value. Unconditional contributions and pledges 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, 2020 and 2019, respectively. The reserve allowance for bad debt amounted to approximately \$195,000 and \$66,000 as of December 31, 2020 and 2019, 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 contributions including government and other grants and pledges are nonexchange transactions and accounted for under Financial Accounting Standards Board (“FASB”) Accounting Standards Update (“ASU”) 2018-08. Conditional contributions, grants and pledges are recognized as revenue when barriers within the contracts are overcome, and there is no right of return. AIChE did not receive advances from governmental or other sources as of December 31, 2020 and 2019, respectively.

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**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 along with unrealized gains and losses, interest income and management and custodial fees. 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 4.

**F. *Allowance for Uncollectible Accounts Receivable***

As of December 31, 2020 and 2019, AIChE determined that an allowance of approximately \$174,000 and \$94,000, respectively, should be provided for accounts receivable. Such estimates are based on management's assessment of the aged basis of its funding sources, customers, current economic conditions and historical information.

**G. *Property and Equipment***

Property and equipment is stated at cost less accumulated depreciation 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***

AIChE recognizes revenue through the five step model described by the FASB in the Accounting Standards Codification ("ASC") Topic 606, *Revenue from Contracts with Customers*: (1) identification of the contract with a customer; (2) identification of the performance obligations in the contracts; (3) determination of the transaction price; (4) allocation of the transaction price to the performance obligations in the contracts; and (5) recognition of revenue when a performance obligation is met. Government contracts and grants are recorded as revenues to the extent that expenses have been incurred for the purposes specified by the grantors and funding sources. The excess of contract and grant expenditures over receipts is recognized as accounts receivable, while the excess of contract and grant receipts over expenditures is reported as deferred revenue.

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.

AIChE recognizes revenue from the RAPID grant when the contractual obligations are met. Cost recovery occurs when the grants awarded provide for reimbursement of budgeted expenditures incurred within the grant period. The funds are received in increments based on expenditures or milestones for the period.

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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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 program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include occupancy, which is allocated on a square footage basis, as well as salaries, wages and benefits, payroll taxes, professional services, office expenses, information technology, interest, insurance, and other expenses, which are allocated mainly on the basis of estimates of time and effort. Expenses that can be identified with a specific program or support service are charged directly to that program or support service.

**K. *Recent Accounting Pronouncement***

FASB ASU 2017-07, “*Compensation – Retirement Benefits*” (Topic 715) was adopted by AIChE for the year ended December 31, 2020. The core guidance in ASU 2017-07 is to improve the presentation of net periodic pension cost and net periodic postretirement benefit cost in the statements of activities. The effects of applying ASU 2017-07 resulted in a reclassification of the December 31, 2019 statement of functional expenses to conform to the new standard.

**NOTE 3 – LIQUIDITY AND AVAILABILITY**

AIChE regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. AIChE has various sources of liquidity at its disposal, including cash and cash equivalents and marketable debt and equity securities.

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statements of financial position date, comprise the following as of December 31:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 2,826,303	\$ 3,815,519
Accounts receivable	6,683,716	4,225,554
Operating investments	<u>17,291,474</u>	<u>22,179,809</u>
	<u>\$ 26,801,493</u>	<u>\$ 30,220,882</u>

In addition, AIChE has a line of credit totaling \$2.8 million with a financial institution, which can be drawn upon if needed (see Note 11C).

AIChE's endowment funds consist of donor-restricted endowments. Income from donor-restricted endowments is restricted for specific purposes, except for the amounts available for general use. Donor-restricted endowment funds are not available for general expenditure.

**AMERICAN INSTITUTE OF CHEMICAL ENGINEERS  
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**NOTE 4 – INVESTMENTS AND FAIR VALUE MEASUREMENTS**

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

	<u>2020</u>	<u>2019</u>
Mutual Funds		
U.S. Large Cap/Mid Cap	\$ 9,564,736	\$ 7,685,442
U.S. Small Cap	2,970,062	1,519,791
Diversified Foreign Equity	8,346,221	8,964,581
U.S. Core Bonds	11,547,596	9,193,689
Global Bonds	1,291,773	3,206,196
Money Market Mutual Funds	<u>665,701</u>	<u>709,408</u>
Total mutual funds	34,386,089	31,279,107
Equity securities – domestic	<u>13,318</u>	<u>22,687</u>
Total investments	<u>\$ 34,399,407</u>	<u>\$ 31,301,794</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:

	<u>2020</u>	<u>2019</u>
Interest and dividends	\$ 619,538	\$ 917,367
Net realized and unrealized gains	2,449,279	4,031,273
Investment fees	<u>(79,764)</u>	<u>(87,879)</u>
	<u>\$ 2,989,053</u>	<u>\$ 4,860,761</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 the 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.

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**NOTE 5 – CONTRIBUTIONS RECEIVABLE**

Contributions receivable consisted of the following as of December 31:

	<u>2020</u>	<u>2019</u>
Amounts due in:		
Less than one year	\$ 2,708,898	\$ 1,434,648
One to five years	<u>7,282,500</u>	<u>1,885,293</u>
Gross contributions receivable	9,991,398	3,319,941
Less: allowance for uncollectible contributions	(194,828)	(66,399)
Less: discount to present value at 0.15% and 1.55%	<u>(14,626)</u>	<u>(50,975)</u>
	<u>\$ 9,781,944</u>	<u>\$ 3,202,567</u>

**NOTE 6 – PROPERTY AND EQUIPMENT**

Property and equipment consisted of the following as of December 31:

	<u>2020</u>	<u>2019</u>	<u>Estimated Useful Lives</u>
Furniture and fixtures	\$ 480,055	\$ 480,055	3-5 Years
Computer and office equipment	6,742,890	5,952,932	3-10 Years
Leasehold improvements	<u>192,454</u>	<u>171,393</u>	15 Years
Total cost	7,415,399	6,604,380	
Less: accumulated depreciation/amortization	<u>(4,499,353)</u>	<u>(3,758,435)</u>	
Net book value	<u>\$ 2,916,046</u>	<u>\$ 2,845,945</u>	

Depreciation and amortization expense amounted to \$803,492 and \$758,585 for the years ended December 31, 2020 and 2019, respectively. During the year ended December 31, 2020, AIChE wrote off fully depreciated items amounting to \$62,574.

**NOTE 7 – SMALL BUSINESS ADMINISTRATION (“SBA”) LOAN PAYABLE**

On March 27, 2020, in response to COVID-19, the federal government passed the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”). Among many other provisions, to help businesses retain employees, the CARES Act provides relief to qualifying businesses through a program called the Paycheck Protection Program (“PPP”). Participating in the PPP enables the business to obtain a loan from the SBA sector of the government. If the proceeds from the loan are used for specified purposes, some or all of the loan can be forgiven.

AIChE applied for this loan through an SBA authorized lender. On May 6, 2020, the loan amounting \$2,497,800, was approved and funded. The loans and accrued interest are forgivable after a specified period as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the specified period. Accrued interest was not recorded since it was immaterial to the financial statements.

Any unforgiven portion of the PPP loan is payable over up to five years at an interest rate of 1%, with a deferral of payments for the first ten months. AIChE used the proceeds for purposes consistent with the PPP during 2020. AIChE currently believes that its use of the loan proceeds met the conditions for forgiveness of the loan.

AIChE is guided by FASB ASC Topic 470 “Debt.” Based on the guidance in FASB ASC 470, the loan would remain recorded as a liability until it is in part or wholly forgiven and legal release is received or the entity pays off the loan. Once the loan is forgiven in part or wholly, and legal release is received, AIChE will reduce the liability by the amount forgiven and record a gain on extinguishment.

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**NOTE 8 – 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.

AIChE also maintains a qualified contributory defined contribution retirement plan pursuant to IRS Section 403(b) for its employees. Employees, who have attained the age of 21, are eligible to participate in employer contributions after completing 500 hours of service within the 6-month time period following their date of hire. Under the terms of the plan, employees are entitled to defer a portion of their annual compensation within limitations established by the IRC. AIChE matches each employee's contribution, up to a maximum of 3% of base annual compensation. Contributions are deemed to be vested upon completion of two years of employment. AIChE's contributions under the plan amounted to \$286,093 and \$270,311 for the years ended December 31, 2020 and 2019, 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 \$960,750 and \$856,568 for the years ended December 31, 2020 and 2019, respectively.

The funded status of the defined benefit plan as of December 31 was as follows:

	<u>2020</u>	<u>2019</u>
Change in benefit obligation:		
Benefit obligation at beginning of year	\$ 11,940,251	\$ 10,655,456
Interest cost	414,098	490,111
Actuarial loss	1,353,470	1,138,402
Benefits paid	<u>(724,642)</u>	<u>(343,718)</u>
Benefit obligation at end of year	12,983,177	11,940,251
Fair value of plan assets	<u>9,906,470</u>	<u>9,614,469</u>
Funded status	<u>\$ (3,076,707)</u>	<u>\$ (2,325,782)</u>

**AMERICAN INSTITUTE OF CHEMICAL ENGINEERS  
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**NOTE 8 – PENSION PLANS (Continued)**

Amounts recognized in accumulated change in net assets without donor restrictions consisted of the following as of December 31:

	<u>2020</u>	<u>2019</u>
Net loss	\$ (3,469,819)	\$ (2,741,799)

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

	<u>2020</u>	<u>2019</u>
Interest cost	\$ 414,098	\$ 490,111
Expected return on plan assets	(600,756)	(537,321)
Amortization of net loss	<u>313,291</u>	<u>302,840</u>
	<u>\$ 126,633</u>	<u>\$ 255,630</u>

Other changes in plan assets and benefit obligations recognized in the change in net assets without donor restrictions for the years ended December 31 were as follows:

	<u>2020</u>	<u>2019</u>
Net loss	\$ 1,041,311	\$ 101,231
Amortization of net loss	<u>(313,291)</u>	<u>(302,840)</u>
Total recognized in change in net assets without donor restrictions	<u>\$ 728,020</u>	<u>\$ (201,609)</u>
Total recognized in net periodic pension cost and change in net assets without donor restrictions	<u>\$ 854,653</u>	<u>\$ 54,021</u>

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 were as follows:

	<u>2020</u>	<u>2019</u>
Discount rate used for net periodic benefit cost	3.65%	3.65%
Discount rate used for pension obligation	2.75%	3.65%
Expected return on plan assets	6.35%	6.65%

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 \$172,000 to its pension plan in 2021.

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**NOTE 8 – PENSION PLANS (Continued)**

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:

2021	\$ 1,294,391
2022	1,196,130
2023	870,225
2024	399,999
2025	942,899
5 years thereafter	3,593,251

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

	<u>2020</u>	<u>2019</u>
Equity securities	56%	55%
Debt securities	43%	41%
Cash equivalents	<u>1%</u>	<u>4%</u>
	<u>100%</u>	<u>100%</u>

The fair value hierarchy defines three levels, as further described in Note 4. Pension assets carried at fair value at December 31 are classified in the table as Level 1 as follows:

	<u>2020</u>	<u>2019</u>
Investments:		
Mutual Funds		
U.S. Large Cap/Mid Cap	\$ 2,391,329	\$ 2,154,011
U.S. Small Cap	675,004	574,280
Diversified Foreign Equity	2,427,963	2,579,642
U.S. Core Bonds	4,165,969	2,772,526
Global Bonds	137,728	1,206,776
Money Market Mutual Funds	<u>108,477</u>	<u>327,234</u>
Total assets at fair value	\$ <u>9,906,470</u>	\$ <u>9,614,469</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.



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**NOTE 9 – 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 was 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 was eliminated. Employees hired after February 1, 2007 were eligible to purchase coverage under the postretirement medical plan, but were not eligible for any subsidy from AIChE. In addition, employees hired after February 1, 2007 were not eligible to receive postretirement life insurance benefits. Coverage for both the retiree and the spouse continued for their lifetimes, so long as required contributions were made. AIChE contributed 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 ("HRA") funded by annual contributions from AIChE. Such change decreased the benefit obligation by approximately \$336,000 in 2016.

During 2017, AIChE further reduced the benefit obligation by providing future retirees with a one-time payment of \$10,000 into a second HRA account. Upon retirement, AIChE will fund the HRA for future retirees with a Normal Retirement Date (NRD) between December 1, 2016 and December 1, 2023. As of December 31, 2020 and 2019, the accumulated postretirement benefit obligation related to the HRAs was \$140,175 and \$149,688, respectively.

The funded status of the plan as of December 31 was as follows:

	<u>2020</u>	<u>2019</u>
Change in benefit obligation:		
Benefit obligation at beginning of year	\$ 762,443	\$ 696,971
Service cost	1,044	1,149
Interest cost	26,582	33,089
Actuarial loss	42,437	63,931
Benefits paid	<u>(26,364)</u>	<u>(32,697)</u>
Benefit obligation at end of year	<u>806,142</u>	<u>762,443</u>
Funded status	\$ <u>(806,142)</u>	\$ <u>(762,443)</u>

Amounts recognized in net assets without donor restrictions for the plan consisted of the following as of December 31:

	<u>2020</u>	<u>2019</u>
Prior service credit	\$ 124,470	\$ 243,562
Gain	<u>163,316</u>	<u>237,775</u>
	<u>\$ 287,786</u>	<u>\$ 481,337</u>

The components of net periodic benefit income for the years ended December 31 were as follows:

	<u>2020</u>	<u>2019</u>
Service cost	\$ 1,044	\$ 1,149
Interest cost	26,582	33,089
Amortization of prior service credit	(119,092)	(119,092)
Amortization of net gain	<u>(32,022)</u>	<u>(36,394)</u>
Net periodic benefit income	<u>\$ (123,488)</u>	<u>\$ (121,248)</u>

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**NOTE 9 – POSTRETIREMENT OTHER THAN PENSIONS (Continued)**

Other changes in plan assets and benefit obligations recognized in the change in net assets without donor restrictions for the years ended December 31 were as follows:

	<u>2020</u>	<u>2019</u>
Actuarial loss	\$ 42,437	\$ 63,931
Amortization of prior service credit	119,092	119,092
Amortization of net gain	<u>32,022</u>	<u>36,394</u>
Total recognized in change in net assets without donor restrictions	<u>\$ 193,551</u>	<u>\$ 219,417</u>
Total recognized in net periodic pension cost and change in net assets without donor restrictions	<u>\$ 70,063</u>	<u>\$ 98,169</u>

The estimated net gain and prior service credit for the plan that will be amortized from the net asset without restrictions balance into net periodic benefit cost over the next fiscal year is \$21,000 and \$73,000, respectively.

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

	<u>2020</u>	<u>2019</u>
Discount rate used for net periodic benefit cost	3.65%	3.65%
Discount rate used for benefit obligations	2.75%	3.65%

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:

2021	\$ 85,594
2022	58,245
2023	47,507
2024	46,901
2025	45,993
5 years thereafter	214,760

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**NOTE 10 – NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions as of December 31 were available for the following purposes:

	<u>2020</u>	<u>2019</u>
<b>Subject to expenditures for specific purpose and the passage of time</b>		
Award programs for scholastic achievements	\$ 256,511	\$ 202,995
Educational and professional development	12,378,691	4,901,640
Public and government outreach and other	<u>181,122</u>	<u>135,637</u>
Subtotal	<u>12,816,324</u>	<u>5,240,272</u>
<b>Subject to endowment spending policy and appropriation of income</b>		
Award programs for scholastic achievements	2,122,489	1,835,642
Educational and professional development	767,276	736,317
Public and government outreach and other	<u>1,112,989</u>	<u>1,020,899</u>
Subtotal	<u>4,002,754</u>	<u>3,592,858</u>
<b>Total net assets with donor restrictions</b>	<u><b>\$ 16,819,078</b></u>	<u><b>\$ 8,833,130</b></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 as follows:

	<u>2020</u>	<u>2019</u>
Educational and professional development	\$ 1,590,691	\$ 2,224,552
Award programs for scholastic achievements	120,302	114,762
Public and government outreach and other	<u>6,339</u>	<u>11,863</u>
	<u><b>\$ 1,717,332</b></u>	<u><b>\$ 2,351,177</b></u>

**NOTE 11 – COMMITMENTS AND CONTINGENCIES**

**A. Lease Commitments**

AIChE has 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, 2019, 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.

AIChE also has a lease agreement for the rental of office space in Connecticut which expires in August 2021 and has annual base rental charges of approximately \$35,000 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, 2020 and 2019 is a liability of \$493,315 and \$516,030, respectively, related to deferred rent under the straight-line method of accounting.

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**NOTE 11 – COMMITMENTS AND CONTINGENCIES (Continued)**

Minimum future lease payments under the lease agreements for the years subsequent to December 31, 2020 are approximately as follows:

2021	\$ 578,000
2022	554,000
2023	554,000
2024	599,000
2025	617,000
Thereafter	<u>2,032,000</u>
	<u>\$ 4,934,000</u>

Rent expense, including real estate taxes and porters' wage escalation (or de-escalation) charges, for the years ended December 31, 2020 and 2019 amounted to approximately \$649,000 and \$664,000, 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, 2020 and 2019. 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 2020 and 2019 that are under contract, it would incur approximately \$9.4 million and \$10.9 million, respectively, in cancellation charges. AIChE is subject to negotiable penalties in the event meeting attendees do not utilize the rooms.

During 2020, AIChE's Spring and Annual meetings were held virtually while several of the smaller meetings were either cancelled or postponed to 2021, due to COVID-19. Budgeted net income shortfalls from six meetings were fully covered by insurance claims totaling approximately \$3.9 million. Any budgeted net income shortfalls from meetings, due to COVID-19 or another pandemic in 2021, will not be covered by insurance claims. As of December 31, 2020, accounts receivable, net included balances receivable from insurance claims of approximately \$3.9 million, which are expected to be fully collected in 2021.

**C. *Line of Credit***

AIChE has a line of credit with a financial institution. The line of credit has a maximum borrowing amount of \$2,800,000 and expires on October 5, 2021. 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%. This line of credit has no loan covenants attached to it. As of December 31, 2020 and 2019 and May 3, 2021, there were no borrowings.

**D. *Uncertainty in Income Taxes***

AIChE believes it had no uncertain tax positions as of December 31, 2020 and 2019 in accordance with FASB ASC Topic 740, "Income Taxes," which provides standards for establishing and classifying any tax provisions for uncertain tax positions.

**E. *COVID-19 Uncertainty***

The COVID-19 pandemic remains an evolving situation. The extent of the impact of COVID-19 on AIChE's business and financial results will depend on future developments, including the duration and spread of the outbreak. Due to the changing business environment, unprecedented market volatility, and other circumstances resulting from the COVID-19 pandemic, AIChE is currently unable to fully determine the extent of COVID-19's impact on its operations in future periods. AIChE's performance in future periods will be heavily influenced by the timing, length, and intensity of the economic recoveries in the United States. AIChE continues to monitor evolving economic and general business conditions and the actual and potential impacts on their financial position and results of operations.

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**NOTE 12 – OTHER PROGRAM EXPENSES**

Other program expenses reflect 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>2020</u>	<u>2019</u>
Subsidized activities include the governance of AIChE, public and governmental outreach programs, and support for the chemical engineering profession	\$ 967,412	\$ 1,289,758
Financial services	<u>188,950</u>	<u>432,622</u>
	<u>\$ 1,156,362</u>	<u>\$ 1,722,380</u>

**NOTE 13 – 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, 2020 and 2019, 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, 2020 and 2019, the present value of AIChE's share of the trusts was \$139,151 and \$134,157, 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 \$243,000 and \$240,000, respectively, as of December 31, 2020 and 2019.

**NOTE 14 – 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 15 – ENDOWMENTS**

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 without restrictions by the donor are reflected as net assets with donor restrictions 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 net assets restricted in perpetuity are classified. The remaining portion of the donor-restricted endowment fund that is not classified as restricted in perpetuity is classified as net assets with donor restrictions (purpose and time-restricted for future periods), 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 net assets with donor restrictions. The fair value of assets associated with individual donor-restricted endowment funds are all above historic dollar value as of December 31, 2020 and 2019.

AIChE's endowment investment policy is to invest 43% of assets into fixed-income mutual funds and cash equivalents, and 57% into equity mutual funds based on an asset allocation with the objective of capital appreciation.

AIChE had the following donor restricted endowments composition by type of fund as of December 31:

	<u>2020</u>	<u>2019</u>
Original donor-restricted gift amount and amount required to be maintained in perpetuity by donor	\$ 4,002,754	\$ 3,592,858
Accumulated investment gains	<u>449,909</u>	<u>311,459</u>
Total endowment activity	<u>\$ 4,452,663</u>	<u>\$ 3,904,317</u>

Changes in endowments for the years ended December 31 were as follows:

	<u>2020</u>	<u>2019</u>
Activity:		
Investment activity:		
Interest and dividends	\$ 60,259	\$ 81,377
Realized/unrealized gains	<u>238,228</u>	<u>357,602</u>
Total investment activity	298,487	438,979
Contributions	409,896	868,819
Amount appropriated for expenditure	<u>(160,037)</u>	<u>(166,620)</u>
Total activity	548,346	1,141,178
Endowment net assets, beginning of year	<u>3,904,317</u>	<u>2,763,139</u>
Endowment net assets, end of year	<u>\$ 4,452,663</u>	<u>\$ 3,904,317</u>

Endowment net assets of \$4,452,663 and \$3,904,317 as of December 31, 2020 and 2019, respectively, are included with investments in the accompanying statements of financial position.

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**NOTE 16 – 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, 2020 and 2019, there was approximately \$2,367,000 and \$3,891,000, respectively, of cash and cash equivalents, held by one 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 has recommended maintaining the current position while continuing to monitor this financial institution.

**NOTE 17 – REVENUE AND SUPPORT**

AIChE’s Industry Technology Groups (“ITGs”) are comprised of two major categories:

1. Industry Technology Alliances (ITAs) are corporate membership organizations in which corporations pool their dues to work collectively on pre-competitive projects. The ITAs in AIChE are RAPID, the Center for Chemical Process Safety (“CCPS”) and the Design Institute for Physical Properties (“DIPPR”).

RAPID – see Note 18. In December 2016, the U.S. Department of Energy established RAPID, AIChE’s newest Industry Technology Alliance. RAPID 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. Revenues from RAPID are mainly from federal funds and dues from corporations and academia.

CCPS is an organization that identifies and addresses process safety needs for a variety of facilities involved with handling, storing, using or processing and transporting hazardous materials. CCPS member companies, working in project subcommittees, define and develop useful, time-tested guidelines that have practicable applications within the industry. Revenues from CCPS are mainly from corporate dues and conference related income.

DIPPR is the world’s best source of critically evaluated thermophysical and environmental property data. Revenues from DIPPR are mainly from corporate dues and product data licensing income.

2. Technical Entities (TEs) are individual communities of chemical engineers and other professionals, who address certain societal grand challenges such as health and nutrition, energy, environment and sustainability, water and safety. These entities keep AIChE at the forefront of new technologies available to chemical engineers. Their goal is to expand AIChE’s reach to engineers and scientists who are working in fields beyond core chemical engineering competencies and who are concentrating on these challenges. AIChE’s Institute for Sustainability (IfS) and Society for Biological Engineering (SBE) were founded nearly 15 years ago, and have subsequently expanded their reach and technical content through workshops, conferences, credentialing and educational offerings. Since then, additional technical entities such as the Center for Energy Initiatives (CEI), the International Metabolic Engineering Society (IMES), the International Society for Water Solutions (ISWS), the Center for Innovation and Entrepreneurship Excellence (CIEE) and the Regenerative Engineering Society (RE Society) have been created. Additionally, the Design Institute for Emergency Relief Systems (DIERS) reorganized to become a technical entity, enabling it to develop an individual membership structure. Revenues from TEs are mainly from conference registrations, sponsorships and exhibits. All “entities” described above are not separately incorporated, but rather operating under “Doing Business As” or D/B/A’s.

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**NOTE 17 – REVENUE AND SUPPORT (Continued)**

ITG revenue consists of the following for the years ended December 31:

	<u>2020</u>	<u>2019</u>
Industry Technology Groups (ITG)		
REVENUE AND SUPPORT:		
Federal Government grants	\$ 15,600,133	\$ 15,419,333
Corporate membership dues	4,921,091	4,683,427
Meeting registrations, sponsorships and exhibits	1,294,673	3,636,335
Product data licensing	442,303	459,671
Other	<u>1,705,506</u>	<u>2,201,988</u>
TOTAL OPERATING REVENUE AND SUPPORT - ITG	<u>\$ 23,963,706</u>	<u>\$ 26,400,754</u>

AIChE's Education Services revenue results mostly from registration fees derived from the sale of Public and In-company courses and online training.

Education services revenue consists of the following for the years ended December 31:

	<u>2020</u>	<u>2019</u>
Education Services		
REVENUE AND SUPPORT:		
In-company courses	\$ 228,570	\$ 1,805,503
Public courses	501,012	727,592
Online training	589,036	675,070
Other	<u>175,679</u>	<u>121,594</u>
TOTAL REVENUE AND SUPPORT – EDUCATION SERVICES	<u>\$ 1,494,297</u>	<u>\$ 3,329,759</u>

**NOTE 18 – RAPID MANUFACTURING INSTITUTE**

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 for RAPID over five years with a minimum of 1:1 matching funds from its members in industry, academia, national labs, and other non-profits. AIChE has met its matching requirements for the years ended December 31, 2020 and 2019, respectively.

RAPID's focus is 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.

RAPID leverages 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 module process intensification tools. AIChE capitalizes on the expertise of its global network of industrial and academic professionals and its long-standing experience of managing subsidiary technical centers such as CCPS and DIPPR.



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**NOTE 18 – RAPID MANUFACTURING INSTITUTE (Continued)**

RAPID operates within AIChE's 501(c)(3) umbrella, as an Industry Technology Group under the d/b/a RAPID Manufacturing Institute.

As of December 31, 2020 and 2019, accounts receivable included approximately \$8,277,000 and \$8,536,000, respectively, due from the U.S. Department of Energy and liabilities included a balance due to subrecipients of approximately \$6,536,000 and \$5,963,000, respectively.

**NOTE 19 – SUBSEQUENT EVENTS**

AIChE has evaluated, for potential recognition and disclosure, events subsequent to the date of the statement of financial position through May 3, 2021, the date the financial statements were available to be issued.