



American Institute of Chemical Engineers

Financial Statements
(Together with Independent Auditors' Report)

Years Ended December 31, 2021 and 2020



AMERICAN INSTITUTE OF CHEMICAL ENGINEERS

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

YEARS ENDED DECEMBER 31, 2021 AND 2020

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
American Institute of Chemical Engineers

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of American Institute of Chemical Engineers ("AICHE"), which comprise the statement of financial position as of December 31, 2021 and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of AICHE as of December 31, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of AICHE and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Report on 2020 Financial Statements

The financial statements of American Institute of Chemical Engineers as of and for the year ended December 31, 2020 were audited by another auditor whose report dated May 3, 2021 expressed an unmodified opinion on those statements.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about AICHE's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 AICHE's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about AICHE's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Mayer Hoffman McCann CPAs

New York, NY
May 3, 2022



**AMERICAN INSTITUTE OF CHEMICAL ENGINEERS
STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2021 AND 2020**

	2021	2020
ASSETS		
Cash and cash equivalents (Notes 2D and 16)	\$ 5,210,514	\$ 2,826,303
Investments, at fair value (Notes 2E, 4, 11A, 11C and 15)	39,521,555	34,399,407
Accounts receivable, net (Notes 2F, 11B and 18)	7,602,177	13,220,174
Contributions receivable, net (Notes 2C and 5)	12,332,569	9,781,944
Prepaid expenses and other (Note 13)	1,415,689	567,084
Property and equipment, net (Notes 2G and 6)	2,492,520	2,916,046
TOTAL ASSETS	\$ 68,575,024	\$ 63,710,958
LIABILITIES		
Accounts payable	\$ 1,758,300	\$ 1,003,758
Accounts payable to subrecipients (Note 18)	4,483,986	6,536,458
Deferred revenue - dues, subscriptions and other (Note 2H)	3,869,258	3,829,731
Accrued expenses:		
Employee vacation and other benefits	711,939	756,992
Pension and other postretirement benefit costs (Notes 8 and 9)	2,826,701	3,882,849
SBA loan payable (Note 7)	-	2,497,800
Other (Notes 2I and 11A)	1,721,812	2,236,654
TOTAL LIABILITIES	15,371,996	20,744,242
COMMITMENTS AND CONTINGENCIES (Note 11)		
NET ASSETS (Note 2B)		
Without donor restrictions	29,746,069	26,147,638
With donor restrictions:		
Purpose and time-restricted for future periods (Notes 10 and 15)	18,672,133	12,816,324
Perpetual in nature (Notes 10 and 15)	4,784,826	4,002,754
	23,456,959	16,819,078
TOTAL NET ASSETS	53,203,028	42,966,716
TOTAL LIABILITIES AND NET ASSETS	\$ 68,575,024	\$ 63,710,958

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

**AMERICAN INSTITUTE OF CHEMICAL ENGINEERS
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

	For the Year Ended December 31, 2021			For the Year Ended December 31, 2020		
	Without Donor Restrictions	With Donor Restrictions	Total 2021	Total 2020	Without Donor Restrictions	With Donor Restrictions
OPERATING ACTIVITY:						
REVENUE AND SUPPORT:						
Dues and other membership revenue (Note 2H)	\$ 2,471,810	\$ -	\$ 2,471,810	\$ 2,307,989	\$ 2,307,989	\$ -
Publications sales and subscriptions	2,844,046	-	2,844,046	2,760,320	2,760,320	-
Industry technology groups (Notes 1, 2C and 17)	23,047,650	-	23,047,650	24,045,273	24,045,273	-
Meetings and technical programming	4,122,082	-	4,122,082	5,492,903	5,492,903	-
Education services (Note 17)	2,660,625	-	2,660,625	1,494,297	1,494,297	-
AIChE Foundation - contributions (Notes 1 and 2C)	347,280	8,571,550	8,918,830	9,952,864	558,963	9,393,901
Other revenue	2,412,839	-	2,412,839	1,224,591	1,224,591	-
SBA PPP loan forgiveness (Note 7)	2,497,800	-	2,497,800	-	-	-
Net assets released from restrictions (Note 10)	2,360,459	(2,360,459)	-	-	1,717,332	(1,717,332)
TOTAL OPERATING REVENUE AND SUPPORT	42,764,591	6,211,091	48,975,682	47,278,237	39,601,668	7,676,569
EXPENSES:						
Program Services:						
Membership	2,967,381	-	2,967,381	2,262,425	2,262,425	-
Publications	2,194,715	-	2,194,715	2,339,930	2,339,930	-
Industry technology groups	19,674,601	-	19,674,601	21,135,220	21,135,220	-
Meetings and technical programming	3,651,618	-	3,651,618	3,039,287	3,039,287	-
Education services	2,554,019	-	2,554,019	2,414,116	2,414,116	-
Other program expenses (Note 12)	3,174,595	-	3,174,595	1,516,305	1,516,305	-
	<u>34,216,929</u>	<u>-</u>	<u>34,216,929</u>	<u>32,707,283</u>	<u>32,707,283</u>	<u>-</u>
Supporting Services:						
General and administration	5,195,334	-	5,195,334	4,737,376	4,737,376	-
Fundraising	4,312,639	-	4,312,639	3,606,755	3,606,755	-
	<u>9,507,973</u>	<u>-</u>	<u>9,507,973</u>	<u>8,344,131</u>	<u>8,344,131</u>	<u>-</u>
TOTAL OPERATING EXPENSES	43,724,902	-	43,724,902	41,051,414	41,051,414	-
Change In Net Assets From Operations	(960,311)	6,211,091	5,250,780	6,226,823	(1,449,746)	7,676,569
NON-OPERATING ACTIVITY:						
Investment activity, net (Notes 2E, 4 and 15)	3,524,304	426,790	3,951,094	2,989,053	2,679,674	309,379
Pension related changes other than net periodic pension cost (Note 8)	1,255,051	-	1,255,051	(728,020)	(728,020)	-
Other components of net periodic pension costs (Note 8)	(247,210)	-	(247,210)	(126,633)	(126,633)	-
Postretirement related changes other than net periodic postretirement cost (Note 9)	(40,314)	-	(40,314)	(193,551)	(193,551)	-
Other components related to net periodic postretirement cost (Note 9)	66,911	-	66,911	123,488	123,488	-
TOTAL NON-OPERATING ACTIVITY	4,558,742	426,790	4,985,532	2,064,337	1,754,958	309,379
CHANGE IN NET ASSETS	3,598,431	6,637,881	10,236,312	8,291,160	305,212	7,985,948
Net assets - beginning of year	26,147,638	16,819,078	42,966,716	34,675,556	25,842,426	8,833,130
NET ASSETS - END OF YEAR	\$ 29,746,069	\$ 23,456,959	\$ 53,203,028	\$ 42,966,716	\$ 26,147,638	\$ 16,819,078

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, 2021
(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2020)**

	For the Year Ended December 31, 2021											
	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 2021	Total 2020
Salaries	\$ 1,259,499	\$ 998,850	\$ 4,855,355	\$ 1,227,658	\$ 1,217,961	\$ 868,989	\$ 10,428,312	\$ 2,872,974	\$ 829,107	\$ 3,702,081	\$ 14,130,393	\$ 13,934,952
Payroll taxes and employee benefits (Note 8)	438,771	341,017	1,694,515	404,064	409,110	285,971	3,573,448	747,523	173,872	921,395	4,494,843	4,138,407
Total Salaries and Related Costs	1,698,270	1,339,867	6,549,870	1,631,722	1,627,071	1,154,960	14,001,760	3,620,497	1,002,979	4,623,476	18,625,236	18,073,359
Grants and other assistance	106,497	3,391	95,783	580	72	190,494	396,817	1,593	68,389	69,982	466,799	368,342
Legal fees	-	-	50,305	675	-	-	50,980	35,141	-	35,141	86,121	62,248
Professional fundraising services	-	-	-	-	-	-	-	-	58,000	58,000	58,000	56,000
Other professional fees	285,503	427,255	2,076,343	595,682	548,738	249,984	4,183,505	326,630	317,772	644,402	4,827,907	4,382,032
Advertising and promotion	55,794	28,157	60,988	81,947	42,978	61,965	331,829	-	6,839	6,839	338,668	230,672
Office expenses	56,353	130,153	44,866	18,758	22,723	46,280	319,133	53,714	30,615	84,329	403,462	453,127
Information technology	110,940	-	26,199	-	-	276,499	413,638	-	8,045	8,045	421,683	269,013
Royalty	-	-	15,789	-	7,106	-	22,895	-	-	-	22,895	17,542
Occupancy (Note 11A)	22,091	15,876	97,294	19,660	20,854	13,880	189,655	498,840	9,657	508,497	698,152	676,376
Travel	29,551	10,624	53,580	103,114	48,060	58,069	302,998	30,708	17,762	48,470	351,468	213,349
Conferences, conventions and meetings	215,955	10	41,272	316,951	-	111,949	686,137	660	121,408	122,068	808,205	117,598
Insurance	-	-	-	-	-	-	-	145,741	-	145,741	145,741	139,957
Depreciation and amortization (Note 6)	52,460	27,098	563,180	51,774	91,685	41,908	828,105	133,838	25,821	159,659	987,764	803,492
Payments to subrecipients	-	-	9,660,441	-	-	-	9,660,441	-	-	-	9,660,441	11,458,538
Equipment rental and maintenance	201,078	39,216	166,080	607,562	96,952	107,283	1,218,171	138,827	42,195	181,022	1,399,193	779,289
Printing and publications	49,028	56,260	16,566	29,187	1,902	18,344	171,287	80	15,509	15,589	186,876	137,521
Telephone	18,591	7,289	40,153	56,029	13,350	16,503	149,915	51,351	11,110	62,461	212,376	159,691
Bank charges/credit card fees	67,270	4,205	64,085	121,917	25,637	63	283,177	79,489	5,544	85,033	368,210	302,119
Miscellaneous and dues	-	105,314	51,807	16,060	6,891	826,414	1,006,486	78,225	2,570,994	2,649,219	3,655,705	2,352,193
Total Other than Personal Services	1,269,111	854,848	13,124,731	2,019,896	926,948	2,019,635	20,215,169	1,574,837	3,309,660	4,884,497	25,099,666	22,979,099
TOTAL EXPENSES	\$ 2,967,381	\$ 2,194,715	\$ 19,674,601	\$ 3,651,618	\$ 2,554,019	\$ 3,174,595	\$ 34,216,929	\$ 5,195,334	\$ 4,312,639	\$ 9,507,973	\$ 43,724,902	\$ 41,052,458

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

	Program Services						Supporting Services				Total 2020
	Membership	Publications	Industry Technology Groups	Meetings and Technical Programming	Education Services	Other Program Expenses	Total Program Services	General and Administration	Fundraising	Total Supporting Services	
Salaries	\$ 1,197,670	\$ 1,162,152	\$ 4,854,556	\$ 1,410,506	\$ 1,227,259	\$ 532,418	\$ 10,384,561	\$ 2,659,132	\$ 891,259	\$ 3,550,391	\$ 13,934,952
Payroll taxes and employee benefits (Note 8)	385,127	365,502	1,544,810	433,610	386,793	136,269	3,252,111	701,676	184,620	886,296	4,138,407
Total Salaries and Related Costs	<u>1,582,797</u>	<u>1,527,654</u>	<u>6,399,366</u>	<u>1,844,116</u>	<u>1,614,052</u>	<u>668,687</u>	<u>13,636,672</u>	<u>3,360,808</u>	<u>1,075,879</u>	<u>4,436,687</u>	<u>18,073,359</u>
Grants and other assistance	87,007	361	78,031	1,335	25	147,672	314,431	121	53,790	53,911	368,342
Legal fees	-	-	31,833	-	-	-	31,833	30,415	-	30,415	62,248
Professional fundraising services	-	-	-	-	-	-	-	-	56,000	56,000	56,000
Other professional fees	151,102	336,488	2,160,892	550,491	351,551	299,642	3,850,166	136,045	395,821	531,866	4,382,032
Advertising and promotion	54,754	52,285	31,090	55,927	22,250	2,150	218,456	-	12,216	12,216	230,672
Office expenses	72,985	190,564	35,694	35,194	26,261	16,649	377,347	57,735	18,045	75,780	453,127
Information technology	81,374	-	18,417	-	-	-	269,013	-	-	-	269,013
Royalty	-	-	17,542	-	-	-	-	-	-	-	17,542
Occupancy (Note 11A)	19,366	16,483	85,203	24,166	24,170	7,509	176,897	489,445	10,034	499,479	676,376
Travel	8,911	1,247	95,402	55,037	17,517	2,931	181,045	30,963	1,341	32,304	213,349
Conferences, conventions and meetings	10,537	-	49,731	18,307	21,211	8,720	108,506	5,959	3,133	9,092	117,598
Insurance	-	-	-	-	-	-	-	139,957	-	139,957	139,957
Depreciation and amortization (Note 6)	25,904	12,534	444,928	35,805	72,536	14,565	606,272	172,165	25,055	197,220	803,492
Payments to subrecipients	-	-	11,458,538	-	-	-	11,458,538	-	-	-	11,458,538
Equipment rental and maintenance	96,341	39,438	121,946	260,227	115,638	27,189	660,779	93,465	25,045	118,510	779,289
Printing and publications	6,960	60,396	20,620	4,464	33,726	10,748	136,914	-	607	607	137,521
Telephone	15,422	6,983	38,365	26,611	15,512	9,375	112,268	38,755	8,668	47,423	159,691
Bank charges/credit card fees	48,965	3,473	47,622	87,885	18,435	161	206,541	91,489	4,089	95,578	302,119
Miscellaneous and dues	-	92,024	-	39,722	81,232	131,085	344,063	91,098	1,917,032	2,008,130	2,352,193
Total Other than Personal Services	<u>679,628</u>	<u>812,276</u>	<u>14,735,854</u>	<u>1,195,171</u>	<u>800,064</u>	<u>847,618</u>	<u>19,070,611</u>	<u>1,377,612</u>	<u>2,530,876</u>	<u>3,908,488</u>	<u>22,979,099</u>
TOTAL EXPENSES	<u>\$ 2,262,425</u>	<u>\$ 2,339,930</u>	<u>\$ 21,135,220</u>	<u>\$ 3,039,287</u>	<u>\$ 2,414,116</u>	<u>\$ 1,516,305</u>	<u>\$ 32,707,283</u>	<u>\$ 4,738,420</u>	<u>\$ 3,606,755</u>	<u>\$ 8,345,175</u>	<u>\$ 41,052,458</u>

**AMERICAN INSTITUTE OF CHEMICAL ENGINEERS
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 10,236,312	\$ 8,291,160
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Net realized and unrealized gains on investments	(3,362,627)	(2,449,279)
Depreciation and amortization	987,764	803,492
Endowment contributions	(782,072)	(409,896)
SBA PPP loan forgiveness	(2,497,800)	-
Bad debt expense	72,967	246,200
Subtotal	4,654,544	6,481,677
Changes in operating assets and liabilities:		
Decrease or (increase) in assets:		
Accounts receivable	5,570,228	(3,180,313)
Contributions receivable	(2,575,823)	(6,676,458)
Prepaid expenses and other	(848,605)	191,581
Increase (decrease) in liabilities:		
Accounts payable	754,542	(1,315,373)
Accounts payable to subrecipients	(2,052,472)	573,032
Deferred revenue	39,527	(6,454)
Accrued expenses:		
Employee vacation and other benefits	(45,053)	155,400
Pension and other postretirement benefit costs	(1,056,148)	794,624
Other	(514,842)	607,299
Net Cash Provided by (Used in) Operating Activities	3,925,898	(2,374,985)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(4,680,075)	(7,170,290)
Proceeds from the sale of investments	2,920,554	6,521,956
Purchases of property and equipment	(564,238)	(873,593)
Net Cash Used in Investing Activities	(2,323,759)	(1,521,927)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Endowment contributions	782,072	409,896
Proceeds from SBA PPP loan	-	2,497,800
Net Cash Provided by Financing Activities	782,072	2,907,696
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,384,211	(989,216)
Cash and cash equivalents - beginning of year	2,826,303	3,815,519
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 5,210,514	\$ 2,826,303
Supplemental Disclosure of Cash Flow Information:		
Noncash Financing Activity:		
SBA PPP loan forgiveness	\$ 2,497,800	\$ -

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

**AMERICAN INSTITUTE OF CHEMICAL ENGINEERS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

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 1% and 2% reserve allowance for bad debt as of December 31, 2021 and 2020, respectively. The reserve allowance for bad debt amounted to approximately \$125,000 and \$195,000 as of December 31, 2021 and 2020, 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, 2021 and 2020, respectively.

**AMERICAN INSTITUTE OF CHEMICAL ENGINEERS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

As of December 31, 2021 and 2020, AIChE received conditional grants from governmental and other agencies in the aggregate amount of approximately \$20,600,000 and \$22,400,000, respectively, that have not been recognized in the accompanying financial statements as they have not been earned.

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, 2021 and 2020, AIChE determined that an allowance of approximately \$73,000 and \$174,000, 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 amortization 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 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. *Reclassification*

Certain line items of the December 31, 2020 statement of activities and statement of functional expenses have been reclassified to conform to the December 31, 2021 presentation. Such reclassifications have no effect on previously reported net assets.

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:

	2021	2020
Cash and cash equivalents	\$ 5,210,514	\$ 2,826,303
Accounts receivable	3,118,191	6,683,716
Contributions receivable due in less than one year	4,206,098	2,708,898
Operating investments	15,775,741	17,291,474
	\$ 28,310,544	\$ 29,510,391

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
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

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>2021</u>	<u>2020</u>
Mutual Funds		
U.S. Large Cap/Mid Cap	\$ 12,434,894	\$ 9,564,736
U.S. Small Cap	3,884,693	2,970,062
Diversified Foreign Equity	10,370,340	8,346,221
U.S. Core Bonds	11,021,081	11,547,596
Global Bonds	939,458	1,291,773
Money Market Mutual Funds	<u>857,771</u>	<u>665,701</u>
Total Mutual Funds	39,508,237	34,386,089
Equity securities – domestic	<u>13,318</u>	<u>13,318</u>
Total investments	<u>\$ 39,521,555</u>	<u>\$ 34,399,407</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>2021</u>	<u>2020</u>
Interest and dividends	\$ 686,056	\$ 619,538
Net realized and unrealized gains	3,362,627	2,449,279
Investment fees	<u>(97,589)</u>	<u>(79,764)</u>
	<u>\$ 3,951,094</u>	<u>\$ 2,989,053</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.

**AMERICAN INSTITUTE OF CHEMICAL ENGINEERS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 5 – CONTRIBUTIONS RECEIVABLE

Contributions receivable consisted of the following as of December 31:

	<u>2021</u>	<u>2020</u>
Amounts due in:		
Less than one year	\$ 4,206,098	\$ 2,708,898
One to five years	<u>8,309,228</u>	<u>7,282,500</u>
Gross contributions receivable	12,515,326	9,991,398
Less: allowance for uncollectible contributions	(125,153)	(194,828)
Less: discount to present value at 0.15% and 1.55%	<u>(57,604)</u>	<u>(14,626)</u>
	<u>\$ 12,332,569</u>	<u>\$ 9,781,944</u>

NOTE 6 – PROPERTY AND EQUIPMENT

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

	<u>2021</u>	<u>2020</u>	<u>Estimated Useful Lives</u>
Furniture and fixtures	\$ 489,655	\$ 480,055	3-5 Years
Computer and office equipment	7,297,528	6,742,890	3-10 Years
Leasehold improvements	<u>192,454</u>	<u>192,454</u>	15 Years
Total cost	7,979,637	7,415,399	
Less: accumulated depreciation/amortization	<u>(5,487,117)</u>	<u>(4,499,353)</u>	
Net book value	<u>\$ 2,492,520</u>	<u>\$ 2,916,046</u>	

Depreciation and amortization expense amounted to \$987,764 and \$803,492 for the years ended December 31, 2021 and 2020, 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.

For the year ended December 31, 2020, AIChE incurred sufficient qualifying expenses and met the criteria for forgiveness. Debt forgiveness amounting to \$2,497,800 is recorded as income in the accompanying statement of activities for the year ended December 31, 2021. The loan was forgiven by the SBA on July 29, 2021.

**AMERICAN INSTITUTE OF CHEMICAL ENGINEERS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

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 \$305,319 and \$286,093 for the years ended December 31, 2021 and 2020, 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 \$995,896 and \$960,750 for the years ended December 31, 2021 and 2020, respectively.

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

	<u>2021</u>	<u>2020</u>
Change in benefit obligation:		
Benefit obligation at beginning of year	\$ 12,983,177	\$ 11,940,251
Interest cost	334,309	414,098
Actuarial (gain) loss	(282,312)	1,353,470
Settlements	(753,971)	-
Benefits paid	<u>(352,061)</u>	<u>(724,642)</u>
Benefit obligation at end of year	11,929,142	12,983,177
Fair value of plan assets	<u>9,854,045</u>	<u>9,906,470</u>
Funded status	<u>\$ (2,075,097)</u>	<u>\$ (3,076,707)</u>

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

	<u>2021</u>	<u>2020</u>
Net loss	<u>\$ (2,214,768)</u>	<u>\$ (3,469,819)</u>

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

	<u>2021</u>	<u>2020</u>
Interest cost	\$ 334,309	\$ 414,098
Expected return on plan assets	(579,348)	(600,756)
Amortization of net loss	<u>492,249</u>	<u>313,291</u>
	<u>\$ 247,210</u>	<u>\$ 126,633</u>

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NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 8 – PENSION PLANS (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>2021</u>	<u>2020</u>
Net (gain) loss	\$ (622,819)	\$ 1,041,311
Effect of settlement on gain (loss)	(139,983)	-
Amortization of net loss	<u>(492,249)</u>	<u>(313,291)</u>
Total recognized in change in net assets without donor restrictions	<u>\$ (1,255,051)</u>	<u>\$ 728,020</u>
Total recognized in net periodic pension cost and change in net assets without donor restrictions	<u>\$ (867,858)</u>	<u>\$ 854,653</u>

An accounting event occurred which resulted in a settlement as of December 31, 2021 resulting from the lump sum payments distributed during the year.

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>2021</u>	<u>2020</u>
Discount rate used for net periodic benefit cost	3.15%	3.65%
Discount rate used for pension obligation	3.15%	2.75%
Expected return on plan assets	6.70%	6.35%

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 \$21,000 to its pension plan in 2022.

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:

2022	\$ 1,232,966
2023	888,021
2024	413,846
2025	939,811
2026	688,928
5 years thereafter	3,683,008

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

	<u>2021</u>	<u>2020</u>
Equity securities	61%	56%
Debt securities	37%	43%
Cash equivalents	<u>2%</u>	<u>1%</u>
	<u>100%</u>	<u>100%</u>

**AMERICAN INSTITUTE OF CHEMICAL ENGINEERS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 8 – PENSION PLANS (Continued)

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>2021</u>	<u>2020</u>
Investments:		
Mutual Funds		
U.S. Large Cap/Mid Cap	\$ 2,595,134	\$ 2,391,329
U.S. Small Cap	840,198	675,004
Diversified Foreign Equity	2,603,297	2,427,963
U.S. Core Bonds	3,469,058	4,165,969
Global Bonds	140,432	137,728
Money Market Mutual Funds	<u>205,916</u>	<u>108,477</u>
Total assets at fair value	<u>\$ 9,854,045</u>	<u>\$ 9,906,470</u>

The composition of AIChE’s plan assets is a target asset mix allocated 54% to equities, 44% to fixed-income securities and 2% to cash and cash equivalents. 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 return objectives. Volatility will be reduced by assuring that the plan assets remain diversified by asset class, economic sector, industry, and/or market capitalization. The target asset mix is developed and periodically reviewed based on rolling three to seven-year strategic investment horizons. Assets are generally rebalanced back to their respective targets to ensure the actual asset allocations remain an accurate reflection of the desired risk profile.

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, 2021 and 2020, the accumulated postretirement benefit obligation related to the HRAs was \$129,743 and \$140,175, respectively.

**AMERICAN INSTITUTE OF CHEMICAL ENGINEERS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 9 – POSTRETIREMENT OTHER THAN PENSIONS (Continued)

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

	<u>2021</u>	<u>2020</u>
Change in benefit obligation:		
Benefit obligation at beginning of year	\$ 806,142	\$ 762,443
Service cost	1,133	1,044
Interest cost	21,272	26,582
Actuarial (gain) loss	(49,002)	42,437
Benefits paid	<u>(27,941)</u>	<u>(26,364)</u>
Benefit obligation at end of year	<u>751,604</u>	<u>806,142</u>
Funded status	<u>\$ (751,604)</u>	<u>\$ (806,142)</u>

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

	<u>2021</u>	<u>2020</u>
Prior service credit	\$ 51,307	\$ 124,470
Gain	<u>196,165</u>	<u>163,316</u>
	<u>\$ 247,472</u>	<u>\$ 287,786</u>

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

	<u>2021</u>	<u>2020</u>
Service cost	\$ 1,133	\$ 1,044
Interest cost	21,272	26,582
Amortization of prior service credit	(73,163)	(119,092)
Amortization of net gain	<u>(16,153)</u>	<u>(32,022)</u>
Net periodic benefit income	<u>\$ (66,911)</u>	<u>\$ (123,488)</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>2021</u>	<u>2020</u>
Actuarial (gain) loss	\$ (49,002)	\$ 42,437
Amortization of prior service credit	73,163	119,092
Amortization of net gain	<u>16,153</u>	<u>32,022</u>
Total recognized in change in net assets without donor restrictions	<u>\$ 40,314</u>	<u>\$ 193,551</u>
Total recognized in net periodic pension cost and change in net assets without donor restrictions	<u>\$ (26,597)</u>	<u>\$ 70,063</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 \$36,000 and \$51,000, respectively.

**AMERICAN INSTITUTE OF CHEMICAL ENGINEERS
NOTES TO FINANCIAL STATEMENTS
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NOTE 9 – POSTRETIREMENT OTHER THAN PENSIONS (Continued)

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>2021</u>	<u>2020</u>
Discount rate used for net periodic benefit cost	2.75%	3.65%
Discount rate used for benefit obligations	3.15%	2.75%

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:

2022	\$ 64,552
2023	79,210
2024	48,183
2025	46,902
2026	45,597
5 years thereafter	209,713

NOTE 10 – NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>2021</u>	<u>2020</u>
Subject to expenditures for specific purpose and the passage of time		
Award programs for scholastic achievements	\$ 383,644	\$ 256,511
Educational and professional development	18,055,013	12,378,691
Public and government outreach and other	<u>233,476</u>	<u>181,122</u>
Subtotal	<u>18,672,133</u>	<u>12,816,324</u>
Subject to endowment spending policy and appropriation of income		
Award programs for scholastic achievements	2,792,349	2,122,489
Educational and professional development	852,138	767,276
Public and government outreach and other	<u>1,140,339</u>	<u>1,112,989</u>
Subtotal	<u>4,784,826</u>	<u>4,002,754</u>
Total net assets with donor restrictions	<u>\$ 23,456,959</u>	<u>\$ 16,819,078</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>2021</u>	<u>2020</u>
Award programs for scholastic achievements	\$ 38,814	\$ 120,302
Educational and professional development	2,293,599	1,590,691
Public and government outreach and other	<u>28,046</u>	<u>6,339</u>
	<u>\$ 2,360,459</u>	<u>\$ 1,717,332</u>

**AMERICAN INSTITUTE OF CHEMICAL ENGINEERS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

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 on December 31, 2025 and has annual base rental charges of approximately \$34,000 over the lease term with no escalations.

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, 2021 and 2020 is a liability of \$472,195 and \$493,315, 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, 2021 are approximately as follows:

2022	\$ 554,000
2023	554,000
2024	599,000
2025	617,000
2026	617,000
Thereafter	<u>1,414,000</u>
	<u>\$ 4,355,000</u>

Rent expense, including real estate taxes and porters' wage escalation (or de-escalation) charges, for the years ended December 31, 2021 and 2020 amounted to approximately \$667,000 and \$649,000, 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, 2021 and 2020. 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 significant 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 2021 and 2020 that are under contract, it would incur approximately \$8.7 million and \$9.4 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, were not covered by insurance claims. As of December 31, 2020, accounts receivable, net included balances receivable from insurance claims of approximately \$3.9 million which were fully collected in 2021.

**AMERICAN INSTITUTE OF CHEMICAL ENGINEERS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 11 – COMMITMENTS AND CONTINGENCIES (Continued)

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, 2022. 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, 2021 and 2020 and May 3, 2022, there were no borrowings.

D. *Uncertainty in Income Taxes*

AIChE believes it had no uncertain tax positions as of December 31, 2021 and 2020 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 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.

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:

	2021	2020
Subsidized activities include the governance of AIChE, public and governmental outreach programs, and support for the chemical engineering profession	\$ 3,070,891	\$ 1,327,355
Financial services	103,704	188,950
	\$ 3,174,595	\$ 1,516,305

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, 2021 and 2020, 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, 2021 and 2020, the present value of AIChE's share of the trusts was \$141,101 and \$139,151, 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 \$241,000 and \$243,000, respectively, as of December 31, 2021 and 2020.

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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-yearbook 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.

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, 2021 and 2020.

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NOTE 15 – ENDOWMENTS (Continued)

AIChE's endowment funds are invested in a portfolio with a target asset mix allocated 32% to fixed-income securities, 65% to equity securities, and 3% to cash and cash equivalents, 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>2021</u>	<u>2020</u>
Original donor-restricted gift amount and amount required to be maintained in perpetuity by donor	\$ 4,784,826	\$ 4,002,754
Accumulated investment gains	<u>676,036</u>	<u>449,909</u>
Total endowment activity	<u>\$ 5,460,862</u>	<u>\$ 4,452,663</u>

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

	<u>2021</u>	<u>2020</u>
Activity:		
Investment activity:		
Interest and dividends	\$ 70,197	\$ 60,259
Realized/unrealized gains	<u>344,063</u>	<u>238,228</u>
Total investment activity	414,260	298,487
Contributions	782,072	409,896
Amount appropriated for expenditure	<u>(188,133)</u>	<u>(160,037)</u>
Total activity	1,008,199	548,346
Endowment net assets, beginning of year	<u>4,452,663</u>	<u>3,904,317</u>
Endowment net assets, end of year	<u>\$ 5,460,862</u>	<u>\$ 4,452,663</u>

Endowment net assets of \$5,460,862 and \$4,452,663 as of December 31, 2021 and 2020, respectively, are included with investments in the accompanying statements of financial position.

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, per insured financial institution. As of December 31, 2021 and 2020, there was approximately \$4,897,000 and \$2,367,000, 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.

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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.

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

	<u>2021</u>	<u>2020</u>
Industry Technology Groups (ITG)		
REVENUE AND SUPPORT:		
Federal Government grants	\$ 13,862,646	\$ 15,663,237
Corporate membership dues	5,420,523	4,921,091
Meeting registrations, sponsorships and exhibits	1,457,069	1,294,673
Product data licensing	516,530	442,303
Other	<u>1,790,882</u>	<u>1,723,969</u>
TOTAL OPERATING REVENUE AND SUPPORT - ITG	<u>\$ 23,047,650</u>	<u>\$ 24,045,273</u>

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NOTE 17 – REVENUE AND SUPPORT (Continued)

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>2021</u>	<u>2020</u>
Education Services		
REVENUE AND SUPPORT:		
In-company courses	\$ 758,483	\$ 228,570
Public courses	814,282	501,015
Online training	870,073	589,036
Other	<u>217,787</u>	<u>175,676</u>
 TOTAL REVENUE AND SUPPORT – EDUCATION SERVICES	 <u>\$ 2,660,625</u>	 <u>\$ 1,494,297</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, 2021 and 2020, respectively.

In 2021, RAPID received approval of a no-cost extension through January 12, 2023. The term “no cost” means no additional funding will be forthcoming, but the extension will allow additional time to spend down existing funds and ensure that all deliverables can be met.

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.

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, 2021 and 2020, accounts receivable included approximately \$6,312,000 and \$8,277,000, respectively, due from the U.S. Department of Energy and liabilities included a balance due to subrecipients of approximately \$4,484,000 and \$6,536,000, 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, 2022, the date the financial statements were available to be issued.