

INTERNATIONAL UNION OF
PURE AND APPLIED CHEMISTRY

Financial Statements

December 31, 1999 and 1998

(With Independent Auditors' Report Thereon)

Independent Auditors' Report

The Executive Committee
International Union of Pure and Applied Chemistry:

We have audited the accompanying statements of financial position of the International Union of Pure and Applied Chemistry ("IUPAC") as of December 31, 1999 and 1998, and the related statements of activities, cash flows, and functional expenses for the years then ended. These financial statements are the responsibility of IUPAC's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the International Union of Pure and Applied Chemistry as of December 31, 1999 and 1998, and the changes in its net assets and its cash flows for the years then ended in conformity with generally accepted accounting principles.

Batchelor, Tillery & Roberts, LLP

Raleigh, North Carolina
February 24, 2000

INTERNATIONAL UNION OF PURE
AND APPLIED CHEMISTRY

Statements of Financial Position

December 31, 1999 and 1998

	<u>1999</u>	<u>1998</u>
<u>Assets</u>		
Current assets:		
Cash and cash equivalents	\$ 542,567	209,506
Subscriptions receivable (net of allowance for doubtful accounts of \$27,000 in 1999 and \$22,000 in 1998)	38,145	139,116
Publication income receivable	401,729	361,000
Prepaid expenses and other assets	<u>1,758</u>	<u>66,918</u>
Total current assets	984,199	776,540
Furniture, fixtures, and equipment, net	60,383	53,854
Investments	<u>3,940,707</u>	<u>3,434,242</u>
Total assets	\$ <u>4,985,289</u>	<u>4,264,636</u>
<u>Liabilities and Net Assets</u>		
Current liabilities:		
Accounts payable and accrued expenses	30,706	169,086
Prepaid subscriptions	<u>533,291</u>	<u>30,567</u>
Total current liabilities	<u>563,997</u>	<u>199,653</u>
Commitments		
Net assets:		
Unrestricted	4,397,565	4,039,324
Temporarily restricted	18,068	20,000
Permanently restricted	<u>5,659</u>	<u>5,659</u>
Total net assets	<u>4,421,292</u>	<u>4,064,983</u>
Total liabilities and net assets	\$ <u>4,985,289</u>	<u>4,264,636</u>

See accompanying notes to financial statements.

INTERNATIONAL UNION OF PURE
AND APPLIED CHEMISTRY

Statements of Activities

Year ended December 31, 1999, with Comparative Totals for 1998

	1999			1998 Total
	Unrestricted	Temporarily restricted	Permanently restricted	
Support:				
Grants and contributions	\$ 31,000	-	-	65,000
National subscriptions and service charges	689,650	-	-	658,455
Affiliate membership program	74,436	-	-	58,969
Net assets released from restrictions	<u>1,932</u>	<u>(1,932)</u>	<u>-</u>	<u>-</u>
Total support	<u>797,018</u>	<u>(1,932)</u>	<u>-</u>	<u>782,424</u>
Other revenues:				
Publications	431,505	-	-	394,608
Investment income	413,225	-	-	257,827
Other	<u>27,793</u>	<u>-</u>	<u>-</u>	<u>17,126</u>
Total other revenues	<u>872,523</u>	<u>-</u>	<u>-</u>	<u>669,561</u>
Total support and other revenues	<u>1,669,541</u>	<u>(1,932)</u>	<u>-</u>	<u>1,451,985</u>
Expenses:				
Program	777,505	-	-	495,653
Management and general	<u>533,795</u>	<u>-</u>	<u>-</u>	<u>452,927</u>
Total expenses	<u>1,311,300</u>	<u>-</u>	<u>-</u>	<u>948,580</u>
Increase (decrease) in net assets	358,241	(1,932)	-	503,405
Net assets, beginning of year	<u>4,039,324</u>	<u>20,000</u>	<u>5,659</u>	<u>3,561,578</u>
Net assets, end of year	\$ <u>4,397,565</u>	<u>18,068</u>	<u>5,659</u>	<u>4,064,983</u>

(Continued)

INTERNATIONAL UNION OF PURE
AND APPLIED CHEMISTRY

Statements of Activities

Year ended December 31, 1998

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Support:				
Grants and contributions	\$ 45,000	20,000	-	65,000
National subscriptions and service charges	658,455	-	-	658,455
Affiliate membership program	58,969	-	-	58,969
Net assets released from restrictions	<u>11,395</u>	<u>(11,395)</u>	-	-
Total support	<u>773,819</u>	<u>8,605</u>	-	<u>782,424</u>
Other revenues:				
Publications	394,608	-	-	394,608
Investment income	257,827	-	-	257,827
Other	<u>17,126</u>	-	-	<u>17,126</u>
Total other revenues	<u>669,561</u>	-	-	<u>669,561</u>
Total support and other revenues	<u>1,443,380</u>	<u>8,605</u>	-	<u>1,451,985</u>
Expenses:				
Program	495,653	-	-	495,653
Management and general	<u>452,927</u>	-	-	<u>452,927</u>
Total expenses	<u>948,580</u>	-	-	<u>948,580</u>
Increase in net assets	494,800	8,605	-	503,405
Net assets, beginning of year, restated	<u>3,544,524</u>	<u>11,395</u>	<u>5,659</u>	<u>3,561,578</u>
Net assets, end of year	\$ <u>4,039,324</u>	<u>20,000</u>	<u>5,659</u>	<u>4,064,983</u>

See accompanying notes to financial statements.

INTERNATIONAL UNION OF PURE
AND APPLIED CHEMISTRY

Statements of Cash Flows

Years ended December 31, 1999 and 1998

	<u>1999</u>	<u>1998</u>
Cash flows from operating activities:		
Increase in net assets	\$ 356,309	503,405
Adjustments to reconcile increase in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	11,911	9,305
Bad debt expense	5,640	11,200
Realized losses (gains) on investments	72,866	(431,205)
Unrealized (gains) losses on investments	(383,355)	264,017
Changes in operating assets and liabilities:		
Subscriptions receivable	95,331	(62,116)
Publication income receivable	(40,729)	(361,000)
Other current assets	65,160	(41,365)
Accounts payable and accrued expenses	(138,380)	42,664
Prepaid subscriptions	<u>502,724</u>	<u>30,167</u>
Net cash provided by (used in) operating activities	<u>547,477</u>	<u>(34,928)</u>
Cash flows from investing activities:		
Purchases of furniture, fixtures, and equipment	(18,440)	(14,174)
Proceeds from sales of investments	433,399	1,660,605
Purchases of investments	<u>(629,375)</u>	<u>(1,871,739)</u>
Net cash used in investing activities	<u>(214,416)</u>	<u>(225,308)</u>
Net increase (decrease) in cash and cash equivalents	333,061	(260,236)
Cash and cash equivalents, beginning of year	<u>209,506</u>	<u>469,742</u>
Cash and cash equivalents, end of year	\$ <u>542,567</u>	<u>209,506</u>

See accompanying notes to financial statements.

INTERNATIONAL UNION OF PURE
AND APPLIED CHEMISTRY

Statements of Functional Expenses

Year ended December 31, 1999, with Comparative Totals for 1998

	1999			1998 <u>Total</u>
	<u>Program</u>	<u>Management and general</u>	<u>Total</u>	
Administrative costs	\$ 44,680	3,062	47,742	50,393
Audit and accounting	-	20,453	20,453	20,130
Bad debts	-	5,640	5,640	11,200
Contracted services	8,905	48,205	57,110	39,956
Contributions	19,262	-	19,262	22,598
Depreciation	-	11,911	11,911	9,305
Insurance	-	10,877	10,877	5,835
Maintenance	-	50	50	1,106
Office supplies and expenses	-	32,329	32,329	22,873
Payroll taxes and benefits	-	18,926	18,926	10,857
Postage	11,802	18,826	30,628	28,834
Printing and publications	36,290	43,039	79,329	117,515
Rent	-	17,641	17,641	16,167
Salaries	-	249,105	249,105	155,652
Telephone	-	11,273	11,273	8,999
Travel and subsistence	656,525	35,111	691,636	415,068
Utilities	-	5,243	5,243	8,326
Vehicle expense	-	-	-	221
Miscellaneous	<u>41</u>	<u>2,104</u>	<u>2,145</u>	<u>3,545</u>
	\$ <u>777,505</u>	<u>533,795</u>	<u>1,311,300</u>	<u>948,580</u>

(Continued)

INTERNATIONAL UNION OF PURE
AND APPLIED CHEMISTRY

Statement of Functional Expenses

Year ended December 31, 1998

	<u>Program</u>	<u>Management and general</u>	<u>Total</u>
Administrative costs	\$ 47,876	2,517	50,393
Audit and accounting	-	20,130	20,130
Bad debts	-	11,200	11,200
Contracted services	548	39,408	39,956
Contributions	22,598	-	22,598
Depreciation	-	9,305	9,305
Insurance	-	5,835	5,835
Maintenance	-	1,106	1,106
Office supplies and expenses	-	22,873	22,873
Payroll taxes and benefits	-	10,857	10,857
Postage	5,418	23,416	28,834
Printing and publications	85,972	31,543	117,515
Rent	-	16,167	16,167
Salaries	-	155,652	155,652
Telephone	-	8,999	8,999
Travel and subsistence	333,241	81,827	415,068
Utilities	-	8,326	8,326
Vehicle expense	-	221	221
Miscellaneous	-	3,545	3,545
	<u>\$ 495,653</u>	<u>452,927</u>	<u>948,580</u>

See accompanying notes to financial statements.

INTERNATIONAL UNION OF PURE
AND APPLIED CHEMISTRY

Notes to Financial Statements

December 31, 1999 and 1998

(1) Nature of Organization and Significant Accounting Policies

The International Union of Pure and Applied Chemistry (IUPAC), founded in 1919, is a voluntary nongovernmental, nonprofit association of forty-three national adhering organizations representing the chemists of their countries. Additionally, there are fifteen observer countries, thirty-two associated organizations, and more than one hundred forty company associates.

The objectives of IUPAC are to promote continuing cooperation among the chemists of the member countries, to study topics of international importance to pure and applied chemistry which need standardization or codification, to cooperate with other international organizations which deal with topics of a chemical nature, and to contribute to the advancement of pure and applied chemistry in all its aspects.

The significant accounting policies of IUPAC are as follows:

Support, Revenues, and Expenses

IUPAC derives its revenues primarily from national subscriptions, publication income, and investment income. Support, revenues, and expenses are recorded on the accrual basis, and revenue received for future subscriptions is deferred until the applicable year.

Contributions received are measured at their fair values and are reported as an increase in net assets. IUPAC reports contributions of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets or if they are designated as support for future periods. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Donor restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support.

Cash and Cash Equivalents

Cash and cash equivalents includes commercial checking and money market accounts. At year end and throughout the year, IUPAC had on deposit with two financial institutions amounts in excess of FDIC insurance limits. IUPAC has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

Investments

Investments in marketable securities are stated at fair market value. Investment income (including gains and losses on investments, interest, and dividends) is included in the statement of activities as an increase in unrestricted net assets.

INTERNATIONAL UNION OF PURE
AND APPLIED CHEMISTRY

Notes to Financial Statements, Continued

December 31, 1999 and 1998

(1) Nature of Organization and Significant Accounting Policies, Continued

Furniture, Fixtures, and Equipment

Furniture, fixtures, and equipment are recorded at cost. Depreciation is provided over the estimated useful lives of the assets using the straight-line method.

Income Taxes

IUPAC is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and applicable state statutes.

Concentrations of Credit and Market Risk

Financial instruments that potentially expose IUPAC to concentrations of credit and market risk consist primarily of cash equivalents, investments, and subscriptions receivable. Cash equivalents and investments are held by Merrill Lynch, and no single investment exceeds fifteen percent of total investments. Subscriptions receivable are amounts due from national organizations, observer countries, company associates, associated organizations, and affiliated members.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure 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.

(2) Furniture, Fixtures, and Equipment

	<u>1999</u>	<u>1998</u>
Furniture, fixtures, and equipment consist of the following:		
Equipment	\$ 42,568	35,331
Furniture and fixtures	38,621	27,418
Leasehold improvements	<u>4,471</u>	<u>4,471</u>
	85,660	67,220

Less accumulated depreciation and amortization	(25,277)	(13,366)
	\$ <u>60,383</u>	<u>53,854</u>

INTERNATIONAL UNION OF PURE
AND APPLIED CHEMISTRY

Notes to Financial Statements, Continued

December 31, 1999 and 1998

(3) Investments

IUPAC's investments are held by Merrill Lynch. The following table presents the fair value of those investments (investments that represent five percent or more of net assets are separately identified):

	<u>1999</u>	<u>1998</u>
	<u>Number of shares/par</u>	<u>Fair value</u>
Corporate bonds (5.75% - 8.00%), with various maturities through October, 2008	\$ <u>1,252,000</u>	<u>1,268,708</u>
Equity securities:		
ML Basic Value Portfolio, Class O	7,337	229,427
ML Euro Equity Portfolio, Class O	15,434	452,064
Equity Income Fund, S & P 500 Trust 2	183,049	445,008
GAM Select European Fund, Class A	-	296,564
Equity Income Fund, S&P Midcap Trust	158,053	192,453
Other	-	<u>549,979</u>
Total equity securities		<u>2,165,495</u>
	\$ <u>3,940,707</u>	<u>3,434,242</u>

The carrying amount of investments totaled \$3,220,847 and \$3,097,737 as of December 31, 1999 and 1998, respectively.

Investment income consists of the following:

	<u>1999</u>	<u>1998</u>
Dividends and interest	\$ 102,736	90,639
Realized (losses)gains	(72,866)	431,205
Unrealized gains (losses)	<u>383,355</u>	<u>(264,017)</u>

\$ 413,225 257,827

INTERNATIONAL UNION OF PURE
AND APPLIED CHEMISTRY

Notes to Financial Statements, Continued

December 31, 1999 and 1998

(4) Leases

IUPAC leases its facilities under an operating lease, which began in March, 1997. This lease has a term of ten years with options to extend the term of the lease for successive one year periods not to exceed ten additional years. Rental expense amounted to \$22,884 and \$23,068 in 1999 and 1998, respectively.

Future estimated minimum rental expenses are as follows:

<u>Year ending December 31,</u>	
2000	\$ 23,275
2001	23,275
2002	23,275
2003	23,275
Thereafter	<u>75,643</u>
	\$ <u>168,743</u>

IUPAC subleases a portion of its facilities under an agreement which became effective October 1, 1997, for a term of five years and three months. Rental income under this sublease was \$10,340 for both 1999 and 1998. Future minimum rental income under this sublease is as follows:

<u>Year ending December 31,</u>	
2000	\$ 10,340
2001	10,340
2002	<u>10,340</u>
	\$ <u>31,020</u>

(5) Net Assets

Temporarily restricted assets consists of the ICSU grant for the Endocrine Disrupters Project. The balance of this grant was \$18,068 and \$20,000 as of December 31 1999 and 1998, respectively.

Permanently restricted assets consists of the Paulo Fransozini Endowment Fund of \$5,659. Income earned by this fund is restricted for awards to science students to attend particular IUPAC meetings.