

INTERNATIONAL UNION OF
PURE AND APPLIED CHEMISTRY

Financial Statements

December 31, 2000 and 1999

(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, 2000 and 1999, 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 auditing standards generally accepted in the United States. 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, 2000 and 1999, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States.

Batchelor, Tillery & Roberts, LLP

February 23, 2001

INTERNATIONAL UNION OF PURE
AND APPLIED CHEMISTRY

Statements of Financial Position

December 31, 2000 and 1999

	<u>2000</u>	<u>1999</u>
<u>Assets</u>		
Current assets:		
Cash and cash equivalents	\$ 734,831	542,567
Subscriptions receivable (net of allowance for doubtful accounts of \$28,000 in 2000 and \$27,000 in 1999)	39,482	38,145
Other receivables	14,494	5,239
Inventories	45,910	-
Publication income receivable	5,746	396,490
Prepaid expenses and other assets	<u>31,537</u>	<u>1,758</u>
Total current assets	872,000	984,199
Furniture, fixtures, and equipment, net	53,777	60,383
Investments	<u>4,335,753</u>	<u>3,940,707</u>
Total assets	\$ <u>5,261,530</u>	<u>4,985,289</u>
<u>Liabilities and Net Assets</u>		
Current liabilities:		
Accounts payable and accrued expenses	97,377	30,706
Prepaid subscriptions	<u>560,087</u>	<u>533,291</u>
Total current liabilities	<u>657,464</u>	<u>563,997</u>
Commitments		
Net assets:		
Unrestricted	4,580,339	4,397,565
Temporarily restricted	18,068	18,068
Permanently restricted	<u>5,659</u>	<u>5,659</u>
Total net assets	<u>4,604,066</u>	<u>4,421,292</u>
Total liabilities and net assets	\$ <u>5,261,530</u>	<u>4,985,289</u>

See accompanying notes to financial statements.

INTERNATIONAL UNION OF PURE
AND APPLIED CHEMISTRY

Statements of Activities

Year ended December 31, 2000, with Comparative Totals for 1999

	2000			Total	1999 Total
	Unrestricted	Temporarily restricted	Permanently restricted		
Support:					
Grants and contributions	\$ 7,000	-	-	7,000	31,000
National subscriptions and service charges	677,591	-	-	677,591	689,650
Affiliate membership program	71,957	-	-	71,957	74,436
Net assets released from restrictions	-	-	-	-	-
Total support	<u>756,548</u>	<u>-</u>	<u>-</u>	<u>756,548</u>	<u>795,086</u>
Other revenues:					
Publications	727,982	-	-	727,982	431,505
Investment income	23,779	-	-	23,779	413,225
Other	<u>44,088</u>	<u>-</u>	<u>-</u>	<u>44,088</u>	<u>27,793</u>
Total other revenues	<u>795,849</u>	<u>-</u>	<u>-</u>	<u>795,849</u>	<u>872,523</u>
Total support and other revenues	<u>1,552,397</u>	<u>-</u>	<u>-</u>	<u>1,552,397</u>	<u>1,667,609</u>
Expenses:					
Program	745,575	-	-	745,575	777,505
Management and general	<u>624,048</u>	<u>-</u>	<u>-</u>	<u>624,048</u>	<u>533,795</u>
Total expenses	<u>1,369,623</u>	<u>-</u>	<u>-</u>	<u>1,369,623</u>	<u>1,311,300</u>
Increase in net assets	182,774	-	-	182,774	356,309
Net assets, beginning of year	<u>4,397,565</u>	<u>18,068</u>	<u>5,659</u>	<u>4,421,292</u>	<u>4,064,983</u>
Net assets, end of year	<u>\$ 4,580,339</u>	<u>18,068</u>	<u>5,659</u>	<u>4,604,066</u>	<u>4,421,292</u>

(Continued)

INTERNATIONAL UNION OF PURE
AND APPLIED CHEMISTRY

Statement of Activities

Year ended December 31, 1999

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Support:				
Grants and contributions	\$ 31,000	-	-	31,000
National subscriptions and service charges	689,650	-	-	689,650
Affiliate membership program	74,436	-	-	74,436
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>795,086</u>
Other revenues:				
Publications	431,505	-	-	431,505
Investment income	413,225	-	-	413,225
Other	<u>27,793</u>	<u>-</u>	<u>-</u>	<u>27,793</u>
Total other revenues	<u>872,523</u>	<u>-</u>	<u>-</u>	<u>872,523</u>
Total support and other revenues	<u>1,669,541</u>	<u>(1,932)</u>	<u>-</u>	<u>1,667,609</u>
Expenses:				
Program	777,505	-	-	777,505
Management and general	<u>533,795</u>	<u>-</u>	<u>-</u>	<u>533,795</u>
Total expenses	<u>1,311,300</u>	<u>-</u>	<u>-</u>	<u>1,311,300</u>
Increase (decrease) in net assets	358,241	(1,932)	-	356,309
Net assets, beginning of year	<u>4,039,324</u>	<u>20,000</u>	<u>5,659</u>	<u>4,064,983</u>
Net assets, end of year	\$ <u>4,397,565</u>	<u>18,068</u>	<u>5,659</u>	<u>4,421,292</u>

See accompanying notes to financial statements.

INTERNATIONAL UNION OF PURE
AND APPLIED CHEMISTRY

Statements of Cash Flows

Years ended December 31, 2000 and 1999

	<u>2000</u>	<u>1999</u>
Cash flows from operating activities:		
Increase in net assets	\$ 182,774	356,309
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	14,158	11,911
Bad debt expense	378	5,640
Realized (gains) losses on investments	(141,804)	72,866
Unrealized losses (gains) on investments	246,683	(383,355)
Changes in operating assets and liabilities:		
Subscriptions receivable	(1,715)	95,331
Inventories	(45,910)	-
Publication income receivable	390,744	(40,729)
Other current assets	(39,034)	65,160
Accounts payable and accrued expenses	66,671	(138,380)
Prepaid subscriptions	26,796	502,724
Net cash provided by operating activities	<u>699,741</u>	<u>547,477</u>
Cash flows from investing activities:		
Purchases of furniture, fixtures, and equipment	(7,552)	(18,440)
Proceeds from sales of investments	796,192	433,399
Purchases of investments	(1,296,117)	(629,375)
Net cash used in investing activities	<u>(507,477)</u>	<u>(214,416)</u>
Net increase in cash and cash equivalents	192,264	333,061
Cash and cash equivalents, beginning of year	<u>542,567</u>	<u>209,506</u>
Cash and cash equivalents, end of year	\$ <u>734,831</u>	<u>542,567</u>

See accompanying notes to financial statements.

INTERNATIONAL UNION OF PURE
AND APPLIED CHEMISTRY

Statements of Functional Expenses

Year ended December 31, 2000, with Comparative Totals for 1999

	<u>2000</u>			<u>1999</u> <u>Total</u>
	<u>Program</u>	<u>Management and general</u>	<u>Total</u>	
Administrative costs	\$ 55,907	8,200	64,107	47,742
Audit and accounting	-	27,480	27,480	20,453
Bad debts	-	378	378	5,640
Contracted services	52,048	72,126	124,174	57,110
Contributions	25,923	-	25,923	19,262
Depreciation and amortization	-	14,158	14,158	11,911
Insurance	-	14,402	14,402	10,877
Maintenance	-	510	510	50
Office supplies and expenses	-	37,561	37,561	32,329
Payroll taxes and benefits	-	20,615	20,615	18,926
Postage	9,463	20,965	30,428	30,628
Printing and publications	220,747	13,493	234,240	79,329
Building operations expense	-	17,775	17,775	17,641
Salaries	-	273,901	273,901	249,105
Telephone	-	9,743	9,743	11,273
Travel and subsistence	381,462	83,052	464,514	691,636
Utilities	-	5,616	5,616	5,243
Miscellaneous	25	4,073	4,098	2,145
	<u>\$ 745,575</u>	<u>624,048</u>	<u>1,369,623</u>	<u>1,311,300</u>

(Continued)

INTERNATIONAL UNION OF PURE
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Statement of Functional Expenses

Year ended December 31, 1999

	<u>Program</u>	<u>Management and general</u>	<u>Total</u>
Administrative costs	\$ 44,680	3,062	47,742
Audit and accounting	-	20,453	20,453
Bad debts	-	5,640	5,640
Contracted services	8,905	48,205	57,110
Contributions	19,262	-	19,262
Depreciation and amortization	-	11,911	11,911
Insurance	-	10,877	10,877
Maintenance	-	50	50
Office supplies and expenses	-	32,329	32,329
Payroll taxes and benefits	-	18,926	18,926
Postage	11,802	18,826	30,628
Printing and publications	36,290	43,039	79,329
Building operations expense	-	17,641	17,641
Salaries	-	249,105	249,105
Telephone	-	11,273	11,273
Travel and subsistence	656,525	35,111	691,636
Utilities	-	5,243	5,243
Miscellaneous	<u>41</u>	<u>2,104</u>	<u>2,145</u>
	<u>\$ 777,505</u>	<u>533,795</u>	<u>1,311,300</u>

See accompanying notes to financial statements.

INTERNATIONAL UNION OF PURE
AND APPLIED CHEMISTRY

Notes to Financial Statements

December 31, 2000 and 1999

(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 sixteen associate national adhering organizations, thirty-five 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.

Inventories

Inventories, consisting of various publications, are stated at the lower of cost or market, with cost determined on the weighted-average method.

INTERNATIONAL UNION OF PURE
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Notes to Financial Statements, Continued

December 31, 2000 and 1999

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

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.

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 thirteen percent of total investments. Subscriptions receivable are amounts due from national adhering organizations.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States 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.

INTERNATIONAL UNION OF PURE
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Notes to Financial Statements, Continued

December 31, 2000 and 1999

(2) Furniture, Fixtures, and Equipment

	<u>2000</u>	<u>1999</u>
Furniture, fixtures, and equipment consist of the following:		
Equipment	\$ 49,087	42,568
Furniture and fixtures	39,654	38,621
Leasehold improvements	<u>4,471</u>	<u>4,471</u>
	93,212	85,660
Less accumulated depreciation and amortization	<u>(39,435)</u>	<u>(25,277)</u>
	<u>\$ 53,777</u>	<u>60,383</u>

(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>2000</u>		<u>1999</u>
	<u>Number of shares/par</u>	<u>Fair value</u>	<u>Fair value</u>
Corporate bonds (5.25% - 8.00%), with various maturities through October, 2010	\$ <u>1,472,000</u>	<u>1,508,695</u>	<u>1,268,708</u>
Equity securities:			
ML Basic Value Portfolio, Class A	6,797	253,256	210,681
ML Basic Value Portfolio, Class O	-	-	251,145
ML European Equity Portfolio, Class O	15,434	559,791	514,882
Equity Income Fund, S & P 500 Trust 2	186,233	463,589	561,963
Equity Income Fund, S&P Midcap Trust	190,227	291,352	251,304
Other	-	<u>1,259,070</u>	<u>882,024</u>
Total equity securities		<u>2,827,058</u>	<u>2,671,999</u>
		<u>\$ 4,335,753</u>	<u>3,940,707</u>

The carrying amount of investments totaled \$3,862,576 and \$3,220,847 as of December 31, 2000 and 1999, respectively.

INTERNATIONAL UNION OF PURE
AND APPLIED CHEMISTRY

Notes to Financial Statements, Continued

December 31, 2000 and 1999

(3) Investments, Continued

Investment income consists of the following:

	<u>2000</u>	<u>1999</u>
Dividends and interest	\$ 128,658	102,736
Realized gains (losses)	141,804	(72,866)
Unrealized (losses) gains	<u>(246,683)</u>	<u>383,355</u>
	<u>\$ 23,779</u>	<u>413,225</u>

(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 \$23,391 and \$22,884 in 2000 and 1999, respectively.

Future estimated minimum rental expenses are as follows:

<u>Year ending December 31,</u>	
2001	\$ 23,375
2002	23,375
2003	23,375
2004	23,375
Thereafter	<u>52,593</u>
	<u>\$ 146,093</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 2000 and 1999. Future minimum rental income under this sublease is as follows:

<u>Year ending December 31,</u>	
2001	\$ 10,340
2002	<u>10,340</u>
	<u>\$ 20,680</u>

INTERNATIONAL UNION OF PURE
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Notes to Financial Statements, Continued

December 31, 2000 and 1999

(5) Net Assets

Temporarily restricted net assets consist of the ICSU grant for the Endocrine Disrupters Project. The balance of this grant was \$18,068 as of December 31, 2000 and 1999.

Permanently restricted net assets consist 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.