

INTERNATIONAL UNION OF
PURE AND APPLIED CHEMISTRY

Financial Statements

December 31, 2001 and 2000

(With Independent Auditors' Report Thereon)

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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, 2001 and 2000, 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 of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit 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, 2001 and 2000, 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 of America.

Batchelor, Tillery & Roberts, LLP

March 25, 2002

INTERNATIONAL UNION OF PURE
AND APPLIED CHEMISTRY

Statements of Financial Position

December 31, 2001 and 2000

	<u>2001</u>	<u>2000</u>
<u>Assets</u>		
Current assets:		
Cash and cash equivalents	\$ 596,756	734,831
Subscriptions receivable (net of allowance for doubtful accounts of \$16,000 in 2001 and \$28,000 in 2000)	21,450	39,482
Other receivables	27,076	14,494
Inventories	29,582	45,910
Publication income receivable	-	5,746
Prepaid expenses and other assets	<u>12,293</u>	<u>31,537</u>
Total current assets	687,157	872,000
Furniture, fixtures, and equipment, net	54,831	53,777
Investments	<u>4,131,905</u>	<u>4,335,753</u>
Total assets	\$ <u>4,873,893</u>	<u>5,261,530</u>
<u>Liabilities and Net Assets</u>		
Current liabilities:		
Accounts payable and accrued expenses	75,028	97,377
Prepaid subscriptions	<u>576,397</u>	<u>560,087</u>
Total current liabilities	<u>651,425</u>	<u>657,464</u>
Commitments		
Net assets:		
Unrestricted	4,211,809	4,580,339
Temporarily restricted	5,000	18,068
Permanently restricted	<u>5,659</u>	<u>5,659</u>
Total net assets	<u>4,222,468</u>	<u>4,604,066</u>
Total liabilities and net assets	\$ <u>4,873,893</u>	<u>5,261,530</u>

See accompanying notes to financial statements.

INTERNATIONAL UNION OF PURE
AND APPLIED CHEMISTRY

Statements of Activities

Years ended December 31, 2001 and 2000

	2001			Total	2000 Total
	Unrestricted	Temporarily restricted	Permanently restricted		
Support:					
Grants and contributions	\$ 12,000	5,000	-	17,000	7,000
National subscriptions and service charges	698,623	-	-	698,623	677,591
Affiliate membership program	72,767	-	-	72,767	71,957
Net assets released from restrictions	<u>18,068</u>	<u>(18,068)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total support	<u>801,458</u>	<u>(13,068)</u>	<u>-</u>	<u>788,390</u>	<u>756,548</u>
Other revenues:					
Publications, net	406,174	-	-	406,174	502,339
Investment (loss) income, net	(95,809)	-	-	(95,809)	23,779
Other	<u>42,313</u>	<u>-</u>	<u>-</u>	<u>42,313</u>	<u>44,088</u>
Total other revenues	<u>352,678</u>	<u>-</u>	<u>-</u>	<u>352,678</u>	<u>570,206</u>
Total support and other revenues	<u>1,154,136</u>	<u>(13,068)</u>	<u>-</u>	<u>1,141,068</u>	<u>1,326,754</u>
Expenses:					
Program	829,347	-	-	829,347	519,932
Management and general	<u>693,319</u>	<u>-</u>	<u>-</u>	<u>693,319</u>	<u>624,048</u>
Total expenses	<u>1,522,666</u>	<u>-</u>	<u>-</u>	<u>1,522,666</u>	<u>1,143,980</u>
(Decrease) increase in net assets	(368,530)	(13,068)	-	(381,598)	182,774
Net assets, beginning 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>
Net assets, end of year	\$ <u>4,211,809</u>	<u>5,000</u>	<u>5,659</u>	<u>4,222,468</u>	<u>4,604,066</u>

(Continued)

INTERNATIONAL UNION OF PURE
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Statements of Activities, Continued

Years ended December 31, 2001 and 2000

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Support:				
Grants and contributions	\$ 7,000	-	-	7,000
National subscriptions and service charges	677,591	-	-	677,591
Affiliate membership program	<u>71,957</u>	<u>-</u>	<u>-</u>	<u>71,957</u>
Total support	<u>756,548</u>	<u>-</u>	<u>-</u>	<u>756,548</u>
Other revenues:				
Publications, net	502,339	-	-	502,339
Investment income, net	23,779	-	-	23,779
Other	<u>44,088</u>	<u>-</u>	<u>-</u>	<u>44,088</u>
Total other revenues	<u>570,206</u>	<u>-</u>	<u>-</u>	<u>570,206</u>
Total support and other revenues	<u>1,326,754</u>	<u>-</u>	<u>-</u>	<u>1,326,754</u>
Expenses:				
Program	519,932	-	-	519,932
Management and general	<u>624,048</u>	<u>-</u>	<u>-</u>	<u>624,048</u>
Total expenses	<u>1,143,980</u>	<u>-</u>	<u>-</u>	<u>1,143,980</u>
Increase in net assets	182,774	-	-	182,774
Net assets, beginning of year	<u>4,397,565</u>	<u>18,068</u>	<u>5,659</u>	<u>4,421,292</u>
Net assets, end of year	\$ <u>4,580,339</u>	<u>18,068</u>	<u>5,659</u>	<u>4,604,066</u>

See accompanying notes to financial statements.

INTERNATIONAL UNION OF PURE
AND APPLIED CHEMISTRY

Statements of Cash Flows

Years ended December 31, 2001 and 2000

	<u>2001</u>	<u>2000</u>
Cash flows from operating activities:		
(Decrease) increase in net assets	\$ (381,598)	182,774
Adjustments to reconcile (decrease) increase in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	16,748	14,158
Bad debt expense	-	378
Realized losses (gains) on investments	33,956	(141,804)
Unrealized losses on investments	199,194	246,683
Changes in operating assets and liabilities:		
Subscriptions receivable	18,032	(1,715)
Inventories	16,328	(45,910)
Publication income receivable	5,746	390,744
Other current assets	6,662	(39,034)
Accounts payable and accrued expenses	(22,349)	66,671
Prepaid subscriptions	<u>16,310</u>	<u>26,796</u>
Net cash (used in) provided by operating activities	<u>(90,971)</u>	<u>699,741</u>
Cash flows from investing activities:		
Purchases of furniture, fixtures, and equipment	(17,802)	(7,552)
Proceeds from sales of investments	741,622	796,192
Purchases of investments	(770,924)	(1,296,117)
Net cash used in investing activities	<u>(47,104)</u>	<u>(507,477)</u>
Net (decrease) increase in cash and cash equivalents	(138,075)	192,264
Cash and cash equivalents, beginning of year	<u>734,831</u>	<u>542,567</u>
Cash and cash equivalents, end of year	\$ <u>596,756</u>	<u>734,831</u>

See accompanying notes to financial statements.

INTERNATIONAL UNION OF PURE
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Statements of Functional Expenses

Years ended December 31, 2001 and 2000

	2001			2000 <u>Total</u>
	<u>Program</u>	<u>Management and general</u>	<u>Total</u>	
Administrative costs	\$ 57,929	45,002	102,931	64,107
Audit and accounting	-	32,689	32,689	27,480
Bad debts (recovery) expense	-	(7,893)	(7,893)	378
Contracted services	-	49,142	49,142	72,126
Contributions	24,778	-	24,778	25,923
Depreciation and amortization	-	16,748	16,748	14,158
Insurance	-	18,988	18,988	14,402
Prizes and awards	-	52,230	52,230	-
Maintenance	-	8,711	8,711	510
Office supplies and expenses	-	41,054	41,054	37,561
Payroll taxes and benefits	-	21,552	21,552	20,615
Postage	4,120	20,481	24,601	30,428
Printing and publications	24,706	16,998	41,704	60,645
Building operations	-	17,775	17,775	17,775
Salaries	-	286,918	286,918	273,901
Telephone	-	10,561	10,561	9,743
Travel and subsistence	717,814	50,944	768,758	464,514
Utilities	-	5,904	5,904	5,616
Miscellaneous	-	5,515	5,515	4,098
	\$ <u>829,347</u>	<u>693,319</u>	<u>1,522,666</u>	<u>1,143,980</u>

(Continued)

INTERNATIONAL UNION OF PURE
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Statements of Functional Expenses, Continued

Years ended December 31, 2001 and 2000

	<u>Program</u>	<u>Management and general</u>	<u>Total</u>
Administrative costs	\$ 55,907	8,200	64,107
Audit and accounting	-	27,480	27,480
Bad debts	-	378	378
Contracted services	-	72,126	72,126
Contributions	25,923	-	25,923
Depreciation and amortization	-	14,158	14,158
Insurance	-	14,402	14,402
Maintenance	-	510	510
Office supplies and expenses	-	37,561	37,561
Payroll taxes and benefits	-	20,615	20,615
Postage	9,463	20,965	30,428
Printing and publications	47,152	13,493	60,645
Building operations	-	17,775	17,775
Salaries	-	273,901	273,901
Telephone	-	9,743	9,743
Travel and subsistence	381,462	83,052	464,514
Utilities	-	5,616	5,616
Miscellaneous	<u>25</u>	<u>4,073</u>	<u>4,098</u>
	\$ <u>519,932</u>	<u>624,048</u>	<u>1,143,980</u>

See accompanying notes to financial statements.

INTERNATIONAL UNION OF PURE
AND APPLIED CHEMISTRY

Notes to Financial Statements

December 31, 2001 and 2000

(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-four national adhering organizations representing the chemists of their countries. Additionally, there are twenty associate national adhering organizations, thirty-three associated organizations, and more than one hundred ten 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 a financial institution 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
AND APPLIED CHEMISTRY

Notes to Financial Statements, Continued

December 31, 2001 and 2000

(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 Wachovia Bank, and no single investment exceeds ten 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 of America 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.

Reclassifications

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements. These reclassifications had no effect on the change in net assets.

INTERNATIONAL UNION OF PURE
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Notes to Financial Statements, Continued

December 31, 2001 and 2000

(2) Furniture, Fixtures, and Equipment

	<u>2001</u>	<u>2000</u>
Furniture, fixtures, and equipment consist of the following:		
Equipment	\$ 53,623	49,087
Furniture and fixtures	41,294	39,654
Leasehold improvements	<u>16,097</u>	<u>4,471</u>
	111,014	93,212
Less accumulated depreciation and amortization	<u>(56,183)</u>	<u>(39,435)</u>
	<u>\$ 54,831</u>	<u>53,777</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>2001</u>		<u>2000</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 February, 2011	\$ <u>1,866,000</u>	<u>2,050,519</u>	<u>1,508,695</u>
Equity securities:			
ML Basic Value Portfolio, Class A	6,797	255,060	253,256
ML European Equity Portfolio, Class O	9,455	286,675	559,791
Defined Asset Fund, S&P 500 Trust 2	142,105	296,488	463,589
Defined Asset Fund, S&P Midcap Trust	243,552	342,579	291,352
Other	-	<u>900,584</u>	<u>1,259,070</u>
Total equity securities		<u>2,081,386</u>	<u>2,827,058</u>
		<u>\$ 4,131,905</u>	<u>4,335,753</u>

The carrying amount of investments totaled \$3,857,922 and \$3,862,576 as of December 31, 2001 and 2000, respectively.

INTERNATIONAL UNION OF PURE
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Notes to Financial Statements, Continued

December 31, 2001 and 2000

(3) Investments, Continued

Investment income, net consists of the following:

	<u>2001</u>	<u>2000</u>
Dividends and interest	\$ 137,341	128,658
Realized (losses) gains	(33,956)	141,804
Unrealized losses	(199,194)	(246,683)
	\$ <u>(95,809)</u>	<u>23,779</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 \$23,678 and \$23,391 in 2001 and 2000, respectively.

Future estimated minimum rental expenses are as follows:

<u>Year ending December 31,</u>	
2002	\$ 23,375
2003	23,375
2004	23,375
2005	23,375
Thereafter	<u>29,202</u>
	\$ <u>122,702</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 2001 and 2000. The sublease expires September 30, 2002.

(5) Net Assets

Temporarily restricted net assets consist of ICSU grants. The balance of \$5,000 as of December 31, 2001 was restricted until 2002. The balance of \$18,068 as of December 31, 2000 was restricted for the Endocrine Disrupters Project.

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.