

**INTERNATIONAL UNION OF
PURE AND APPLIED CHEMISTRY**

Financial Statements

December 31, 2007 and 2006

(With Independent Auditors' Report Thereon)

BATCHELOR, TILLERY & ROBERTS, LLP

CERTIFIED PUBLIC ACCOUNTANTS
POST OFFICE BOX 18068
RALEIGH, NORTH CAROLINA 27619

RONALD A. BATCHELOR
ANN H. TILLERY
FRANKLIN T. ROBERTS
WM. JAMES BLACK, JR.
SCOTT E. CABANISS

3605 GLENWOOD AVENUE, SUITE 350
RALEIGH, NORTH CAROLINA 27612
TELEPHONE (919) 787-8212
FACSIMILE (919) 783-6724

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, 2007 and 2006, 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of IUPAC's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 IUPAC as of December 31, 2007 and 2006, 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

June 11, 2008

INTERNATIONAL UNION OF PURE
AND APPLIED CHEMISTRY

Statements of Financial Position

December 31, 2007 and 2006

<u>Assets</u>	<u>2007</u>	<u>2006</u>
Current assets:		
Cash and cash equivalents	\$ 768,224	808,140
Subscriptions receivable (net of allowance for doubtful accounts of \$74,100 in 2007 and \$56,300 in 2006)	67,350	88,558
Inventories	12,373	7,632
Prepaid expenses and other assets	<u>5,572</u>	<u>12,647</u>
Total current assets	853,519	916,977
Furniture, fixtures, and equipment, net	24,130	17,406
Investments, at market value	<u>5,861,427</u>	<u>5,551,193</u>
	<u>\$ 6,739,076</u>	<u>6,485,576</u>
 <u>Liabilities and Net Assets</u> 		
Current liabilities:		
Accounts payable and accrued expenses	41,010	47,803
Unearned subscriptions	<u>815,316</u>	<u>632,759</u>
Total current liabilities	<u>856,326</u>	<u>680,562</u>
Commitments		
Net assets:		
Unrestricted	5,613,367	5,581,926
Temporarily restricted	77,026	30,731
Permanently restricted	<u>192,357</u>	<u>192,357</u>
Total net assets	<u>5,882,750</u>	<u>5,805,014</u>
	<u>\$ 6,739,076</u>	<u>6,485,576</u>

See accompanying notes to financial statements.

INTERNATIONAL UNION OF PURE
AND APPLIED CHEMISTRY

Statements of Activities

Year ended December 31, 2007, with comparative totals for 2006

	2007			Total	2006
	Unrestricted	Temporarily restricted	Permanently restricted		
Support:					
Grants and contributions	\$ 135,493	100,000	-	235,493	63,435
National subscriptions and service charges	730,596	-	-	730,596	730,032
Affiliate membership program	<u>75,117</u>	<u>-</u>	<u>-</u>	<u>75,117</u>	<u>90,961</u>
Total support	941,206	100,000	-	1,041,206	884,428
Net assets released from restrictions	<u>64,417</u>	<u>(64,417)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total support and net assets released from restrictions	<u>1,005,623</u>	<u>35,583</u>	<u>-</u>	<u>1,041,206</u>	<u>884,428</u>
Other revenue:					
Publications	820,431	-	-	820,431	826,490
Investment income, net	<u>587,059</u>	<u>10,712</u>	<u>-</u>	<u>597,771</u>	<u>632,345</u>
Total other revenue	<u>1,407,490</u>	<u>10,712</u>	<u>-</u>	<u>1,418,202</u>	<u>1,458,835</u>
Total support and other revenue	<u>2,413,113</u>	<u>46,295</u>	<u>-</u>	<u>2,459,408</u>	<u>2,343,263</u>
Expenses:					
Program and publications	1,685,479	-	-	1,685,479	1,059,579
Management and general	<u>696,193</u>	<u>-</u>	<u>-</u>	<u>696,193</u>	<u>766,734</u>
Total expenses	<u>2,381,672</u>	<u>-</u>	<u>-</u>	<u>2,381,672</u>	<u>1,826,313</u>
Increase in net assets	31,441	46,295	-	77,736	516,950
Net assets, beginning of year	<u>5,581,926</u>	<u>30,731</u>	<u>192,357</u>	<u>5,805,014</u>	<u>5,288,064</u>
Net assets, end of year	\$ <u>5,613,367</u>	<u>77,026</u>	<u>192,357</u>	<u>5,882,750</u>	<u>5,805,014</u>

(Continued)

INTERNATIONAL UNION OF PURE
AND APPLIED CHEMISTRY

Statements of Activities, Continued

Year ended December 31, 2006

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Support:				
Grants and contributions	\$ 18,935	19,500	25,000	63,435
National subscriptions and service charges	730,032	-	-	730,032
Affiliate membership program	<u>90,961</u>	<u>-</u>	<u>-</u>	<u>90,961</u>
Total support	839,928	19,500	25,000	884,428
Net assets released from restrictions	<u>26,484</u>	<u>(14,484)</u>	<u>(12,000)</u>	<u>-</u>
Total support and net assets released from restrictions	<u>866,412</u>	<u>5,016</u>	<u>13,000</u>	<u>884,428</u>
Other revenue:				
Publications	826,490	-	-	826,490
Investment income, net	<u>620,018</u>	<u>12,327</u>	<u>-</u>	<u>632,345</u>
Total other revenue	<u>1,446,508</u>	<u>12,327</u>	<u>-</u>	<u>1,458,835</u>
Total support and other revenue	<u>2,312,920</u>	<u>17,343</u>	<u>13,000</u>	<u>2,343,263</u>
Expenses:				
Program and publications	1,059,579	-	-	1,059,579
Management and general	<u>766,734</u>	<u>-</u>	<u>-</u>	<u>766,734</u>
Total expenses	<u>1,826,313</u>	<u>-</u>	<u>-</u>	<u>1,826,313</u>
Increase in net assets	486,607	17,343	13,000	516,950
Net assets, beginning of year	<u>5,095,319</u>	<u>13,388</u>	<u>179,357</u>	<u>5,288,064</u>
Net assets, end of year	\$ <u>5,581,926</u>	<u>30,731</u>	<u>192,357</u>	<u>5,805,014</u>

See accompanying notes to financial statements.

INTERNATIONAL UNION OF PURE
AND APPLIED CHEMISTRY

Statements of Cash Flows

Years ended December 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Cash flows from operating activities:		
Increase in net assets	\$ 77,736	516,950
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	6,330	9,020
Bad debt expense	17,797	8,358
Realized gains on investments	(19,107)	(877,513)
Unrealized (gains) losses on investments	(154,882)	484,553
Changes in operating assets and liabilities:		
Subscriptions receivable	3,411	(7,578)
Inventories	(4,741)	(417)
Prepaid expenses and other assets	7,075	9,633
Accounts payable and accrued expenses	(6,793)	10,504
Unearned subscriptions	<u>182,557</u>	<u>242,513</u>
Net cash provided by operating activities	<u>109,383</u>	<u>396,023</u>
Cash flows from investing activities:		
Purchases of furniture, fixtures and equipment	(13,054)	(2,384)
Proceeds from sales of investments	144,992	2,376,032
Purchases of investments	<u>(281,237)</u>	<u>(2,793,437)</u>
Net cash used in investing activities	<u>(149,299)</u>	<u>(419,789)</u>
Net decrease in cash and cash equivalents	(39,916)	(23,766)
Cash and cash equivalents, beginning of year	<u>808,140</u>	<u>831,906</u>
Cash and cash equivalents, end of year	\$ <u>768,224</u>	<u>808,140</u>

See accompanying notes to financial statements.

INTERNATIONAL UNION OF PURE
AND APPLIED CHEMISTRY

Statements of Functional Expenses

Year ended December 31, 2007, with comparative totals for 2006

	2007			<u>2006</u>
	<u>Program and publications</u>	<u>Management and general</u>	<u>Total</u>	
Administrative and project costs	\$ 298,603	16,137	314,740	89,573
Audit and accounting	-	29,804	29,804	33,614
Bad debts	-	17,797	17,797	8,358
Building operations	-	23,370	23,370	17,775
Contracted services	469,195	7,594	476,789	425,776
Contributions	35,134	-	35,134	25,499
Depreciation and amortization	-	6,330	6,330	9,020
Insurance	-	2,960	2,960	2,647
Maintenance	-	1,364	1,364	1,422
Office supplies and expenses	-	38,810	38,810	25,913
Payroll taxes and benefits	-	68,817	68,817	71,054
Postage	66,294	14,087	80,381	102,337
Printing and publications	4,788	10,756	15,544	70,125
Prizes and awards	19,520	-	19,520	1,414
Salaries	-	343,398	343,398	353,863
Travel and subsistence	791,945	97,608	889,553	567,019
Utilities	-	17,044	17,044	19,876
Miscellaneous	-	317	317	1,028
	<u>\$ 1,685,479</u>	<u>696,193</u>	<u>2,381,672</u>	<u>1,826,313</u>

(Continued)

INTERNATIONAL UNION OF PURE
AND APPLIED CHEMISTRY

Statements of Functional Expenses, Continued

Year ended December 31, 2006

	<u>Program and publications</u>	<u>Management and general</u>	<u>Total</u>
Administrative and project costs	\$ 72,421	17,152	89,573
Audit and accounting	-	33,614	33,614
Bad debts	-	8,358	8,358
Building operations	-	17,775	17,775
Contracted services	387,238	38,538	425,776
Contributions	25,499	-	25,499
Depreciation and amortization	-	9,020	9,020
Insurance	-	2,647	2,647
Maintenance	-	1,422	1,422
Office supplies and expenses	-	25,913	25,913
Payroll taxes and benefits	-	71,054	71,054
Postage	88,151	14,186	102,337
Printing and publications	47,135	22,990	70,125
Prizes and awards	1,414	-	1,414
Salaries	-	353,863	353,863
Travel and subsistence	437,721	129,298	567,019
Utilities	-	19,876	19,876
Miscellaneous	-	1,028	1,028
	<u>\$ 1,059,579</u>	<u>766,734</u>	<u>1,826,313</u>

See accompanying notes to financial statements.

INTERNATIONAL UNION OF PURE
AND APPLIED CHEMISTRY

Notes to Financial Statements

December 31, 2007 and 2006

(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 fifty-one national adhering organizations representing the chemists of their countries. Additionally, there are seventeen associate national adhering organizations, thirty-one associated organizations, and eighty-six 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 of accounting, 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 include 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 of \$100,000. 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.

Allowance for Doubtful Accounts

An allowance is provided for uncollectible receivables equal to the losses that are estimated to be incurred in the collection of all receivables. The allowance is based on historical collection experience combined with a review of the current status of the existing receivables.

INTERNATIONAL UNION OF PURE
AND APPLIED CHEMISTRY

Notes to Financial Statements, Continued

December 31, 2007 and 2006

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

Inventories

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

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 a change in unrestricted net assets, except for earnings on permanently restricted net assets which are reported as temporarily restricted.

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.

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. Accordingly, actual results could differ from those estimates.

Reclassifications

Certain 2006 amounts have been reclassified to conform to the 2007 presentation. These reclassifications had no impact on total net assets or total increase in net assets as previously reported.

INTERNATIONAL UNION OF PURE
AND APPLIED CHEMISTRY

Notes to Financial Statements, Continued

December 31, 2007 and 2006

(2) Furniture, Fixtures, and Equipment

Furniture, fixtures, and equipment consist of the following:

	<u>2007</u>	<u>2006</u>
Equipment	\$ 61,215	54,828
Furniture and fixtures	48,877	48,877
Leasehold improvements	<u>16,097</u>	<u>16,097</u>
	126,189	119,802
Less accumulated depreciation and amortization	<u>(102,059)</u>	<u>(102,396)</u>
	<u>\$ 24,130</u>	<u>17,406</u>

(3) Investments

IUPAC's investments are held by Wachovia Securities. The following table presents the fair market value of those investments (no individual investment represents five percent or more of net assets):

	<u>2007</u>		<u>2006</u>
	<u>Number of shares/par</u>	<u>Fair value</u>	<u>Fair value</u>
Preferred fixed rate cap security (5.88%), matures June 2033	6,000	\$ 118,080	144,000
Corporate bonds (3.50% - 7.38%), with various maturities through October 2016	\$ 1,925,000	1,953,710	1,972,638
Foreign bonds (5.25%-5.75%), with various maturities through April 2015	\$ 970,000	1,356,454	1,255,545
Government bond (4.75%), due January 2013	\$ 100,000	147,221	136,705
Certificates of deposit (4.80% - 4.85%), with various maturities through February 2008	\$ 200,000	200,041	244,154
Mutual funds	-	<u>2,085,921</u>	<u>1,798,151</u>
		<u>\$ 5,861,427</u>	<u>5,551,193</u>

The cost of investments totaled \$5,493,000 and \$5,337,648 as of December 31, 2007 and 2006, respectively.

INTERNATIONAL UNION OF PURE
AND APPLIED CHEMISTRY

Notes to Financial Statements, Continued

December 31, 2007 and 2006

(3) Investments, Continued

Investment income, net, consists of the following:

	<u>2007</u>	<u>2006</u>
Dividends and interest	\$ 423,782	239,385
Realized gains	19,107	877,513
Unrealized gains (losses)	<u>154,882</u>	<u>(484,553)</u>
	<u>\$ 597,771</u>	<u>632,345</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. Building operating expenses totaled \$27,584 and \$25,168 in 2007 and 2006, respectively.

Future estimated minimum rental expenses consist of \$28,964 for the year ending December 31, 2008.

(5) Net Assets

Temporarily restricted net assets as of December 31, 2007 and 2006 consist of interest earned on permanently restricted net assets and several grants not fully expended as of those dates.

Permanently restricted net assets consist of the Paulo Fransozini Endowment Fund totaling \$5,659, the CHEMRAWN VII Fund totaling \$48,698, and the Samsung General Chemicals Endowment Fund totaling \$138,000, as of December 31, 2007 and 2006. Income earned by the Paulo Fransozini Endowment Fund is restricted for awards to science students to attend particular IUPAC meetings. Income earned by the CHEMRAWN VII Fund is restricted for awards to support the work of the CHEMRAWN VII Future Actions Committee. Income earned by the Samsung General Chemicals Endowment Fund is restricted for awards to students and researchers in the field of polymer science and support of educational projects of the IUPAC Macromolecular Division. Such income is recorded as temporarily restricted when earned. Expenses of \$12,000 were paid out of the Samsung General Chemicals Endowment Fund during 2006 in accordance with the grant agreement.

INTERNATIONAL UNION OF PURE
AND APPLIED CHEMISTRY

Notes to Financial Statements, Continued

December 31, 2007 and 2006

(6) 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 Wachovia Bank, N.A. and Wachovia Securities, and no single investment exceeds ten percent of total investments. Subscriptions receivable are amounts due from national adhering organizations. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts.

Beginning in 2004, national adhering organizations were billed their annual national subscriptions in their national foreign currency. As a result, IUPAC has assumed the risk of changes in the foreign currency rates in relation to the United States dollar on these billings. IUPAC has made purchases of certain foreign currency-denominated investments in an effort to reduce the risk of foreign currency exchange losses on these billings when collected.

(7) Retirement Plans

IUPAC has established a defined contribution retirement plan. The plan covers all employees and offers 100% vesting after one year of service. IUPAC made no contributions to the plan in 2007 or 2006.