

INTERNATIONAL UNION OF
PURE AND APPLIED CHEMISTRY

Financial Statements

December 31, 2008 and 2007

(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, 2008 and 2007, 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, 2008 and 2007, 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

May 27, 2009

INTERNATIONAL UNION OF PURE
AND APPLIED CHEMISTRY

Statements of Financial Position

December 31, 2008 and 2007

| <u>Assets</u> | <u>2008</u> | <u>2007</u> |
|---|---------------------|------------------|
| Current assets: | | |
| Cash and cash equivalents | \$ 883,312 | 768,224 |
| Subscriptions receivable (net of allowance for doubtful accounts of \$35,000 in 2008 and \$74,100 in 2007) | 60,150 | 67,350 |
| Inventories | 16,323 | 12,373 |
| Prepaid expenses and other assets | <u>27,026</u> | <u>5,572</u> |
| Total current assets | 986,811 | 853,519 |
| Furniture, fixtures, and equipment, net | 19,414 | 24,130 |
| Investments, at market value | <u>4,501,238</u> | <u>5,861,427</u> |
| | <u>\$ 5,507,463</u> | <u>6,739,076</u> |
| <u>Liabilities and Net Assets</u> | | |
| Current liabilities: | | |
| Accounts payable and accrued expenses | 104,666 | 41,010 |
| Unearned subscriptions | <u>755,165</u> | <u>815,316</u> |
| Total current liabilities | <u>859,831</u> | <u>856,326</u> |
| Commitments | | |
| Net assets: | | |
| Unrestricted | 4,421,622 | 5,613,367 |
| Temporarily restricted | 33,653 | 77,026 |
| Permanently restricted | <u>192,357</u> | <u>192,357</u> |
| Total net assets | <u>4,647,632</u> | <u>5,882,750</u> |
| | <u>\$ 5,507,463</u> | <u>6,739,076</u> |

See accompanying notes to financial statements.

INTERNATIONAL UNION OF PURE
AND APPLIED CHEMISTRY

Statements of Activities

Year ended December 31, 2008, with comparative totals for 2007

| | 2008 | | | Total | 2007 |
|--|--------------|---------------------------|---------------------------|-------------|-----------|
| | Unrestricted | Temporarily restricted | Permanently restricted | | |
| Support: | | | | | |
| Grants and contributions | \$ 47,455 | - | - | 47,455 | 235,493 |
| National subscriptions and service charges | 770,326 | - | - | 770,326 | 730,596 |
| Affiliate membership program | 78,178 | - | - | 78,178 | 75,117 |
| Total support | 895,959 | - | - | 895,959 | 1,041,206 |
| Net assets released from restrictions | 54,239 | (54,239) | - | - | - |
| Total support and net assets released from restrictions | 950,198 | (54,239) | - | 895,959 | 1,041,206 |
| Other revenue (expense): | | | | | |
| Publications | 849,500 | - | - | 849,500 | 820,431 |
| Investment return, net | (981,126) | 10,866 | - | (970,260) | 597,771 |
| Total other revenue (expense) | (131,626) | 10,866 | - | (120,760) | 1,418,202 |
| Total support and other revenue | 818,572 | (43,373) | - | 775,199 | 2,459,408 |
| Expenses: | | | | | |
| Program and publications | 1,235,419 | - | - | 1,235,419 | 1,685,479 |
| Management and general | 774,898 | - | - | 774,898 | 696,193 |
| Total expenses | 2,010,317 | - | - | 2,010,317 | 2,381,672 |
| (Decrease) increase in net assets | (1,191,745) | (43,373) | - | (1,235,118) | 77,736 |
| Net assets, beginning of year | 5,613,367 | 77,026 | 192,357 | 5,882,750 | 5,805,014 |
| Net assets, end of year | \$ 4,421,622 | 33,653 | 192,357 | 4,647,632 | 5,882,750 |

(Continued)

INTERNATIONAL UNION OF PURE
AND APPLIED CHEMISTRY

Statements of Activities, Continued

Year ended December 31, 2007

| | <u>Unrestricted</u> | <u>Temporarily restricted</u> | <u>Permanently restricted</u> | <u>Total</u> |
|--|---------------------|-----------------------------------|-----------------------------------|------------------|
| Support: | | | | |
| Grants and contributions | \$ 135,493 | 100,000 | - | 235,493 |
| National subscriptions and service charges | 730,596 | - | - | 730,596 |
| Affiliate membership program | <u>75,117</u> | <u>-</u> | <u>-</u> | <u>75,117</u> |
| Total support | 941,206 | 100,000 | - | 1,041,206 |
| Net assets released from restrictions | <u>64,417</u> | <u>(64,417)</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> |
| Other revenue: | | | | |
| Publications | 820,431 | - | - | 820,431 |
| Investment return, net | <u>587,059</u> | <u>10,712</u> | <u>-</u> | <u>597,771</u> |
| Total other revenue | <u>1,407,490</u> | <u>10,712</u> | <u>-</u> | <u>1,418,202</u> |
| Total support and other revenue | <u>2,413,113</u> | <u>46,295</u> | <u>-</u> | <u>2,459,408</u> |
| Expenses: | | | | |
| Program and publications | 1,685,479 | - | - | 1,685,479 |
| Management and general | <u>696,193</u> | <u>-</u> | <u>-</u> | <u>696,193</u> |
| Total expenses | <u>2,381,672</u> | <u>-</u> | <u>-</u> | <u>2,381,672</u> |
| Increase in net assets | 31,441 | 46,295 | - | 77,736 |
| Net assets, beginning of year | <u>5,581,926</u> | <u>30,731</u> | <u>192,357</u> | <u>5,805,014</u> |
| Net assets, end of year | \$ <u>5,613,367</u> | <u>77,026</u> | <u>192,357</u> | <u>5,882,750</u> |

See accompanying notes to financial statements.

INTERNATIONAL UNION OF PURE
AND APPLIED CHEMISTRY

Statements of Cash Flows

Years ended December 31, 2008 and 2007

| | <u>2008</u> | <u>2007</u> |
|--|--------------------------|-----------------------|
| Cash flows from operating activities: | | |
| (Decrease) increase in net assets | \$ (1,235,118) | 77,736 |
| Adjustments to reconcile (decrease) increase in net assets to net cash provided by operating activities: | | |
| Depreciation and amortization | 6,569 | 6,330 |
| Bad debt (recovery) expense | (39,163) | 17,797 |
| Realized gains on investments | (61,370) | (19,107) |
| Unrealized losses (gains) on investments | 1,348,083 | (154,882) |
| Changes in operating assets and liabilities: | | |
| Subscriptions receivable | 46,363 | 3,411 |
| Inventories | (3,950) | (4,741) |
| Prepaid expenses and other assets | (21,454) | 7,075 |
| Accounts payable and accrued expenses | 63,656 | (6,793) |
| Unearned subscriptions | <u>(60,151)</u> | <u>182,557</u> |
| Net cash provided by operating activities | <u>43,465</u> | <u>109,383</u> |
| Cash flows from investing activities: | | |
| Purchases of furniture, fixtures, and equipment | (1,853) | (13,054) |
| Proceeds from sales of investments | 658,688 | 144,992 |
| Purchases of investments | <u>(585,212)</u> | <u>(281,237)</u> |
| Net cash provided by (used in) investing activities | <u>71,623</u> | <u>(149,299)</u> |
| Net increase (decrease) in cash and cash equivalents | 115,088 | (39,916) |
| Cash and cash equivalents, beginning of year | <u>768,224</u> | <u>808,140</u> |
| Cash and cash equivalents, end of year | \$ <u><u>883,312</u></u> | <u><u>768,224</u></u> |

See accompanying notes to financial statements.

INTERNATIONAL UNION OF PURE
AND APPLIED CHEMISTRY

Statements of Functional Expenses

Year ended December 31, 2008, with comparative totals for 2007

| | 2008 | | | |
|----------------------------------|-----------------------------|---------------------------|------------------|------------------|
| | Program and publications | Management and general | Total | 2007 |
| Administrative and project costs | \$ 147,885 | 72,463 | 220,348 | 314,740 |
| Audit and accounting | - | 28,929 | 28,929 | 29,804 |
| Bad debts (recoveries) | - | (39,163) | (39,163) | 17,797 |
| Building operations | - | 34,799 | 34,799 | 23,370 |
| Contracted services | 495,307 | 22,277 | 517,584 | 476,789 |
| Contributions | 42,391 | - | 42,391 | 35,134 |
| Depreciation and amortization | - | 6,569 | 6,569 | 6,330 |
| Insurance | - | 3,265 | 3,265 | 2,960 |
| Maintenance | - | 814 | 814 | 1,364 |
| Office supplies and expenses | - | 27,830 | 27,830 | 38,810 |
| Payroll taxes and benefits | - | 78,194 | 78,194 | 68,817 |
| Postage | 81,654 | 11,272 | 92,926 | 80,381 |
| Printing and publications | 3,961 | 31,123 | 35,084 | 15,544 |
| Prizes and awards | 10,523 | - | 10,523 | 19,520 |
| Return of unused grant | 31,871 | - | 31,871 | - |
| Salaries | - | 353,585 | 353,585 | 343,398 |
| Travel and subsistence | 421,827 | 125,905 | 547,732 | 889,553 |
| Utilities | - | 16,992 | 16,992 | 17,044 |
| Miscellaneous | - | 44 | 44 | 317 |
| | \$ <u>1,235,419</u> | <u>774,898</u> | <u>2,010,317</u> | <u>2,381,672</u> |

(Continued)

INTERNATIONAL UNION OF PURE
AND APPLIED CHEMISTRY

Statements of Functional Expenses, Continued

Year ended December 31, 2007

| | Program and <u>publications</u> | Management <u>and general</u> | <u>Total</u> |
|----------------------------------|------------------------------------|----------------------------------|------------------|
| Administrative and project costs | \$ 298,603 | 16,137 | 314,740 |
| Audit and accounting | - | 29,804 | 29,804 |
| Bad debts | - | 17,797 | 17,797 |
| Building operations | - | 23,370 | 23,370 |
| Contracted services | 469,195 | 7,594 | 476,789 |
| Contributions | 35,134 | - | 35,134 |
| Depreciation and amortization | - | 6,330 | 6,330 |
| Insurance | - | 2,960 | 2,960 |
| Maintenance | - | 1,364 | 1,364 |
| Office supplies and expenses | - | 38,810 | 38,810 |
| Payroll taxes and benefits | - | 68,817 | 68,817 |
| Postage | 66,294 | 14,087 | 80,381 |
| Printing and publications | 4,788 | 10,756 | 15,544 |
| Prizes and awards | 19,520 | - | 19,520 |
| Salaries | - | 343,398 | 343,398 |
| Travel and subsistence | 791,945 | 97,608 | 889,553 |
| Utilities | - | 17,044 | 17,044 |
| Miscellaneous | - | 317 | 317 |
| | <u>\$ 1,685,479</u> | <u>696,193</u> | <u>2,381,672</u> |

See accompanying notes to financial statements.

INTERNATIONAL UNION OF PURE
AND APPLIED CHEMISTRY

Notes to Financial Statements

December 31, 2008 and 2007

(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-two national adhering organizations representing the chemists of their countries. Additionally, there are fourteen associate national adhering organizations, thirty-one associated organizations, and eighty-two 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:

(a) 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.

(b) Endowment Funds

The Executive Committee of IUPAC has interpreted relevant state law as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, IUPAC classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by IUPAC in a manner consistent with the relevant endowment fund. IUPAC considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

INTERNATIONAL UNION OF PURE
AND APPLIED CHEMISTRY

Notes to Financial Statements, Continued

December 31, 2008 and 2007

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

(b) Endowment Funds, Continued

- (1) The duration and preservation of the fund
- (2) The purposes of the organization and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the organization
- (7) The investment policies of the organization.

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the organization to retain as a fund of perpetual duration. In accordance with accounting principles generally accepted in the United States of America ("GAAP"), deficiencies of this nature are reported in unrestricted net assets.

Return Objectives and Risk Parameters

IUPAC has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity or for a donor-specified period(s), as well as any board-designated funds. Under this policy, as approved by the Executive Committee, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of a benchmark portfolio and its respective market index, while assuming a moderate level of investment risk. IUPAC expects its endowment funds, over time, to provide an average rate of return of approximately 4.5% annually. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, IUPAC relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The organization targets a diversified asset allocation for its entire investment portfolio that places an emphasis on mutual funds, bonds and cash equivalents to achieve its long-term return objectives within prudent risk constraints.

INTERNATIONAL UNION OF PURE
AND APPLIED CHEMISTRY

Notes to Financial Statements, Continued

December 31, 2008 and 2007

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

(b) Endowment Funds, Continued

Spending Policy and How the Investment Objectives Relate to Spending Policy

IUPAC has a policy of appropriating for distribution each year the interest income allocated to each of its endowment funds, with such allocation approximating a 5% return for 2008. In establishing this policy, management of IUPAC considered the long-term expected return on its endowment. This is consistent with the organization's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

(c) 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 \$250,000. 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.

(d) 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.

(e) Inventories

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

(f) 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.

INTERNATIONAL UNION OF PURE
AND APPLIED CHEMISTRY

Notes to Financial Statements, Continued

December 31, 2008 and 2007

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

(g) Fair Value Measurements

On January 1, 2008, IUPAC adopted the provisions of SFAS No. 157, Fair Value Measurements ("SFAS 157"), for fair value measurements. SFAS 157 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. SFAS 157 also establishes a framework for measuring fair value and expands disclosures about fair value measurements.

SFAS 157 establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3: one or more significant inputs or significant value drivers are unobservable or based on market assumptions

(h) 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.

(i) 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.

In June 2006, the FASB issued Interpretation No. 48, "Accounting for Uncertainty in Income Taxes – an Interpretation of FASB Statement No. 109" ("FIN 48"). FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with SFAS 109, "Accounting for Income Taxes". FIN 48 created a single model to address accounting for uncertain income tax positions and established a minimum recognition threshold a tax position must meet before being recognized in the financial statements.

INTERNATIONAL UNION OF PURE
AND APPLIED CHEMISTRY

Notes to Financial Statements, Continued

December 31, 2008 and 2007

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

(i) Income Taxes, Continued

The evaluation of a tax position under FIN 48 is a two-step process. The first step is the recognition process to determine if it is more likely than not that a tax position will be sustained upon examination by the appropriate taxing authority, based on the technical merits of the position. The second step is a measurement process whereby a tax position that meets the more likely than not recognition threshold is calculated to determine the amount of benefit/expense to recognize in the financial statements. The tax position is measured at the largest amount of benefit/expense that is more likely than not of being realized upon ultimate settlement.

If there are changes in net assets as a result of the initial application of FIN 48, these will be accounted for as an adjustment to the opening balance of net assets. Additional disclosures about the amounts of such tax liabilities will be required also. In December 2008, the FASB delayed the effective date of FIN 48 for certain nonpublic enterprises to annual financial statements for fiscal years beginning after December 15, 2008. IUPAC has deferred adoption of FIN 48 until its 2009 financial statements. Because IUPAC is generally exempt from income taxes, management anticipates that adoption of FIN 48 will not have a material impact on its financial statements.

(j) 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 changes in net assets during the reporting period. Accordingly, actual results could differ from those estimates.

(k) Reclassifications

Certain 2007 amounts have been reclassified to conform to the 2008 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, 2008 and 2007

(2) Furniture, Fixtures, and Equipment

Furniture, fixtures, and equipment consist of the following:

| | <u>2008</u> | <u>2007</u> |
|--|------------------|------------------|
| Equipment | \$ 63,068 | 61,215 |
| Furniture and fixtures | 48,877 | 48,877 |
| Leasehold improvements | <u>16,097</u> | <u>16,097</u> |
| | 128,042 | 126,189 |
| Less accumulated depreciation and amortization | <u>(108,628)</u> | <u>(102,059)</u> |
| | <u>\$ 19,414</u> | <u>24,130</u> |

(3) Investments

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

| | 2008 | | | |
|--|-------------------------|---------------------|------------------|------------------|
| | Number of shares/par | Level 1 | Level 2 | Total |
| Mutual funds | - | \$ 1,187,792 | - | 1,187,792 |
| Preferred fixed rate cap security (5.88%), matures June 2033 | 6,000 | - | 116,100 | 116,100 |
| Corporate bonds (3.50% - 7.38%), with various maturities through October 2016 | \$ 2,125,000 | - | 1,883,895 | 1,883,895 |
| Foreign bonds (5.25%-5.75%), with various maturities through April 2015 | \$ 870,000 | - | 1,169,421 | 1,169,421 |
| Government bond (4.75%), due January 2013 | \$ 100,000 | - | <u>144,030</u> | <u>144,030</u> |
| | | <u>\$ 1,187,792</u> | <u>3,313,446</u> | <u>4,501,238</u> |

INTERNATIONAL UNION OF PURE
AND APPLIED CHEMISTRY

Notes to Financial Statements, Continued

December 31, 2008 and 2007

(3) Investments, Continued

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

The cost of investments totaled \$5,480,893 and \$5,493,000 as of December 31, 2008 and 2007, respectively.

Investment return, net, consists of the following:

| | 2008 | 2007 |
|-----------------------------|---------------------|----------------|
| Dividends and interest | \$ 261,729 | 423,782 |
| Realized gains (losses) | 61,369 | (19,669) |
| Unrealized (losses) gains | (1,348,083) | 154,882 |
| Foreign exchange rate gains | <u>54,725</u> | <u>38,776</u> |
| | <u>\$ (970,260)</u> | <u>597,771</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 \$34,799 and \$27,584 in 2008 and 2007, respectively.

Future estimated minimum rental expenses consist of \$28,964 for the year ending December 31, 2009.

INTERNATIONAL UNION OF PURE
AND APPLIED CHEMISTRY

Notes to Financial Statements, Continued

December 31, 2008 and 2007

(5) Net Assets

Temporarily restricted net assets as of December 31, 2008 and 2007 consist of interest earned on permanently restricted net assets and one grant not fully expended as of December 31, 2007.

Permanently restricted net assets include donor-restricted endowment funds and 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, 2008 and 2007. 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.

The following represents changes in endowment net assets (all donor-restricted endowment funds) for 2008 (does not include temporarily restricted net assets of \$44,439 related to a grant as of December 31, 2007):

| | <u>Temporarily restricted</u> | <u>Permanently restricted</u> | <u>Total</u> |
|---|-----------------------------------|-----------------------------------|----------------|
| Endowment net assets, December 31, 2007 | \$ 32,587 | 192,357 | 224,944 |
| Investment interest income | 10,866 | - | 10,866 |
| Appropriation of endowment assets for expenditure | <u>(9,800)</u> | <u>-</u> | <u>(9,800)</u> |
| Endowment net assets, December 31, 2008 | \$ <u>33,653</u> | <u>192,357</u> | <u>226,010</u> |

INTERNATIONAL UNION OF PURE
AND APPLIED CHEMISTRY

Notes to Financial Statements, Continued

December 31, 2008 and 2007

(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 five 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.

National adhering organizations are billed their annual national subscriptions in their national foreign currency. As a result, IUPAC assumes 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 2008 or 2007.