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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, 1998 and 1997, 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, 1998 and 1997, 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*

February 12, 1999

## Balance Sheet

Assets	
Fixed Assets (2)	53 855
Cash in Banks (3)	209 506
Marketable Securities (4)	3 434 242
Subscriptions and Service Charges	
Outstanding (5)	139 116
Other Receivables (6)	378 353
Prepaid Expenses	49 564
	<u>4 264 636</u>
Liabilities	
Capital - General	3 544 524
Accounts Payable	169 086
Paulo Franzosini Fund	5 659
Temporarily Restricted Net Asset - ICSU Grant	20 000
Prepaid Subscriptions (7)	30 567
Excess of Income over Expenses	494 800
	<u>4 264 636</u>

## Schedule of Income and Expenses

Income	
National Subscriptions and Service Charges	658 455
Interest and Dividends	90 639
Other Income	13 370
Publications	388 508
Affiliate Membership Program	58 989
Restricted Income (8)	51 395
Total Income	<u>1 261 356</u>
Expenses	
Governance Expense (9)	49 621
Administrative Expense (10)	425 318
Accounting Transactions (11)	20 997
Operations Expense:	
Standing Committees	109 674
Divisions	238 563
Chemistry International	28 277
General Assembly	8 028
Representatives on Other Bodies	12 023
Contingencies	-
Total Operations	<u>396 565</u>
Restricted Expenses (12)	41 243
Total Expenses	<u>933 744</u>
Net Income from Operations	327 612
Realized Gains on Securities	431 205
Unrealized Gains (Losses) on Securities	(264 017)
Net Income	<u>494 800</u>

## Notes to Financial Statements

### 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 43 national adhering organizations representing the chemists of their countries. Additionally, there are 15 observer countries, 32 associated organizations, and more than 140 company associates. The official headquarters of IUPAC are in Zurich, and the administrative headquarters are in Research Triangle Park, North Carolina.

- Basis of Presentation:* In accordance with the accrual basis of accounting, subscriptions and service charges are recorded when earned, and expenses are recorded when incurred.
- Fixed Assets:* Furniture, fixtures, and equipment and leasehold improvements are recorded at cost. Depreciation is provided over the estimated useful lives of the assets and is computed on the straight-line method.
- Leases:* Rents paid under operating leases are charged to expense on a straight-line basis over the period of the lease.
- Foreign Currencies:* Transactions in foreign currencies are recorded at the exchange rate ruling at the date of the transaction. Foreign currency differences are recorded as income or expense.
- Marketable Securities:* Investments in marketable securities are measured at fair value in the balance sheet. Investment income, including gains and losses on investments, interest, and dividends, is included in the schedule of income and expenses. Interest on bonds is recognized as income as received.
- Committed Expenses:* The IUPAC Council meets every two years at the General Assembly to set budgets for the following two years. Starting in 1994, seventy per cent of the budgeted expenses are charged to income and expense accounts in the first year following the General Assembly and thirty per cent in the General Assembly year.
- Income Taxes:* The legal domicile of the Union is accepted by the Canton of Zurich as an association under Swiss law. As such, the Union is exempt from any taxation on any net income arising from its activities.

### 2. Fixed Assets

Equipment, Furniture and Fixtures, and Leasehold Improvements	67 221
Accumulated Depreciation	<u>(13 366)</u>
	<u>53 855</u>

### 3. Cash in Banks

Merrill Lynch - Cash	(5 652)
Merrill Lynch - Money Market	44 145
Wachovia	171 013
	<u>209 506</u>

#### 4. Marketable Securities

Cost	3 097 737
Unrealized Profit	<u>336 505</u>
Market Value	<u>3 434 242</u>

#### Designated Funds:

Reserve Fund	2 500 837
Southern Hemisphere Sinking Fund	150 000
Endowment Fund	563 603
Endowment Reserve Fund	<u>219 802</u>
	<u>3 434 242</u>

#### 5. Subscriptions and Service Charges Outstanding

National Organizations	151 323
Observer Countries	350
Company Associates	9 005
Associated Organizations	150
Affiliate Member Program	<u>288</u>
	161 116
Allowance for Uncollectable Accounts	<u>(22 000)</u>
	<u>139 116</u>

#### National Organizations - 1998:

Belgium	14 900
Brazil	9 300
China - Beijing	32 600
Denmark	5 800
France	30 223
Greece	4 000
Pakistan	2 900
Puerto Rico	12 500
Spain	19 100
United States of America	<u>20 000</u>
	151 323

#### Observer Countries - 1998:

Bangladesh	50
Hong Kong	50
Peru	50
Philippines	50
Romania	50
Singapore	50
Sri Lanka	<u>50</u>
	350

#### Company Associates - 1998:

El-Nasr Pharmaceutical	450
Kato Soap and Detergents	450
Mining and Refractories	450
Institute for Reference Materials	900
Janssen Pharmaceuticals	450
Copene Petroquimica Nordeste	450
Shanghai Research Institute	450
Synthesis A/S	450
Haldor Topsoe A/S	850
Zambon Group	450
Isu Chemical Co	450
Eka Nobel AB	450
Thai Plastic & Chemical Co Ltd.	450
United Kingdom	1 655
United States	650
	<u>9 005</u>

#### Associated Organizations - 1998:

Calorimetry Conference	50
Federation of Asian Chemical Societies	50
Intl. Association of Colloid & Interf.	<u>50</u>
	150

#### AMP - 1998:

New Zealand Institute of Chemistry	<u>288</u>
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Allowance for Uncollectible Accounts	<u>(22 000)</u>
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Total Subscriptions Outstanding	<u>139 116</u>
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#### 6. Other Receivables

Blackwell	361 000
Montell Canada	4 050
IUTOX	6 225
Various - Publications	260
Merrill Lynch	<u>6 818</u>
	<u>378 353</u>

#### 7. Prepaid Subscriptions

AMP	169
Associated Organizations	300
NAOs:	
Russia	6 468
Kuwait	30
Korea	800
Netherlands	18 800
Czech Republic	<u>4 000</u>
	<u>30 567</u>

#### 8. Restricted Income

Blackwell Science Travel Grant	20 000
ICSU	20 000
JCAMP	1 730
Royal Society Contributions to Developing Countries	<u>9 665</u>
Total Restricted Income	<u>51 395</u>

#### 9. Governance Expense

Officers	19 959
SDIC	7 064
Contributions to ICSU & ICSTI Committees	<u>22 598</u>
	<u>49 621</u>

#### 10. Administrative Expense

General:	
Secretariat	296 622
Accounting, Audit, and Bank Fees	29 151
Handbook 1998/99	20 454
Compendia Books	20 576
Total General	366 803
Publications	9 374
Affiliate Members Program	<u>49 141</u>
Total Administrative Expense	<u>425 318</u>

<i>11. Accounting Transactions</i>	
Exchange Rate Differences	492
Bad Debt Provision	11 200
Depreciation	9 305
Total Accounting Transactions	<u>20 997</u>

<i>12. Restricted Expenses</i>	
ICSU	13 611
Blackwell Travel Grant - CPEP	6 119
JCAMP-DX	1 848
Royal Society Contributions	9 665
UNESCO Grant	10 000
	<u>41 243</u>

**Schedule of Income and Expenses—Budget and Actual**

	Budget 1998	Actual 12/31/98	Over/ (Under)
<b>INCOME</b>			
National Subscriptions	665 000	654 605	(10 395)
Service Charges	12 000	3 850	(8 150)
Interest and Dividends	110 000	90 639	(19 361)
Restricted Income	-	31 395	31 395
Other Income	11 000	13 370	2 370
	<u>798,000</u>	<u>793 859</u>	<u>(4 141)</u>

Publications:			
Blackwell	330 000	361 301	31 301

Other Publishers	10 000	27 207	17 207
BS Grant	20 000	20 000	-
	<u>360 000</u>	<u>408 508</u>	<u>48 508</u>
AMP:			
Contributions	60 000	58 969	(1 031)
Royalties	1 000	-	(1 000)
Ties and Scarves	100	20	(80)
	<u>61 100</u>	<u>58 989</u>	<u>(2 111)</u>

Total Operating Income	1 219 100	1 261 356	42 256
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**EXPENSES**

Governance Expense:			
Officers	8 000	19 959	11 959
SDIC	-	7 064	7 064
Contributions to ICSU & ICSU Committees	<u>22 000</u>	<u>22 598</u>	<u>598</u>
	<u>30 000</u>	<u>49 621</u>	<u>19 621</u>

Administrative:			
General:			
Secretariat	327 100	296 622	(30 478)
Accounting, Audit, and Bank Fees	15 000	29 151	14 151
Handbook 1998/99	-	20 454	20 454
Compendia Books	7 500	20 576	13 076
	<u>349 600</u>	<u>366 803</u>	<u>17 203</u>
Publications	30 000	9 374	(20 626)

**Standing Committee Expenditures**

	1999	Actual 1998	1998/99	Budget 1998/99	Over (Under)
Executive Committee:					
Administrative	\$ -	\$ 780.49	\$ 780.49		
Leaflets and Printing	-	1 755.07	1 755.07		
Subsistence	-	1 102.57	1 102.57		
Travel	-	10 212.39	10 212.39		
Total	-	<u>13 850.52</u>	<u>13 850.52</u>	\$ 27 600.00	\$ (13 749.48)

Bureau:					
Administrative	-	352.50	352.50		
CPEC	-	4 556.09	4 556.09		
Leaflets and Printing	-	124.00	124.00		
Postage	-	311.50	311.50		
Subsistence	-	15 565.37	15 565.37		
Travel	-	23 968.03	23 968.03		
Total	-	<u>44 877.49</u>	<u>44 877.49</u>	30 600.00	14 277.49

CHEMRAWN:					
Administrative	-	615.08	615.08		
Subsistence	-	6 580.72	6 580.72		
Travel	-	11 634.57	11 634.57		
Total	-	<u>18 830.37</u>	<u>18 830.37</u>	22 900.00	(4 069.63)

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## Standing Committee Expenditures (continued)

	Actual			Budget 1998/99	Over (Under)
	1999	1998	1998/99		
CPEP:					
Administrative	-	355.90	355.90		
Subsistence	-	3 335.00	3 335.00		
Travel	-	4 443.83	4 443.83		
Expense Recovery	-	(1 000.00)	(1 000.00)		
Total	-	<u>7 134.73</u>	<u>7 134.73</u>	10 500.00	(3 365.27)
CTC:					
Administrative	-	2 047.56	2 047.56		
Subsistence	-	1 075.33	1 075.33		
Travel	-	(2 156.32)	(2 156.32)		
Expense Recovery	-	(418.38)	(418.38)		
Total	-	<u>548.19</u>	<u>548.19</u>	14 300.00	(13 751.81)
Finance Committee:					
Administrative	-	455.24	455.24		
Leaflets and Printing	-	95.00	95.00		
Subsistence	-	1 066.21	1 066.21		
Travel	-	2 619.83	2 619.83		
Total	-	<u>4 236.28</u>	<u>4 236.28</u>	10 400.00	(6 163.72)
IDCNS:					
Administrative	-	1 307.82	1 307.82		
Subsistence	-	4 251.67	4 251.67		
Travel	-	7 892.56	7 892.56		
Total	-	<u>13 452.05</u>	<u>13 452.05</u>	13 400.00	52.05
JCBN:					
Administrative	-	209.88	209.88		
Subsistence	-	2 820.00	2 820.00		
Travel	-	3 714.85	3 714.85		
Total	-	<u>6 744.73</u>	<u>6 744.73</u>	10 200.00	(3 455.27)
Contingency	-	-	-	11 550.00	(11 550.00)
Total Standing Committees	\$ -	\$ <u>109 674.36</u>	\$ <u>109 674.36</u>	\$ 151 450.00	\$ (41 775.64)

## Schedule of Marketable Securities

Quantity	Security Description	Cost Per Books	Estimated Market Value	Unrealized Gain/Loss
CORPORATE				
BONDS:				
50 000	KOREA DEVELOPMENT BANK NOTES 7.0%, July 15, 1999	51 162.34	49 416.00	(1 746.34)
100 000	NIPPON TELEGRAPH & TELEPHONE 7.75%, NOV 18, 1999	109 652.78	101 625.00	(8 027.78)
100 000	SALOMON INCORPORATED NOTES 7.25%, JAN 15, 2000	105 108.88	101 722.00	(3 386.88)
100 000	SOUTHWESTERN BELL TEL CO NOTES 6.125%, MARCH 1, 2000	100 950.39	100 996.00	45.61
100 000	CIBA-GEIGY CORP 5.875%, MARCH 23, 2000	100 260.00	100 375.00	115.00

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**Schedule of Marketable Securities (continued)**

Quantity	Security Description	Cost Per Books	Estimated Market Value	Unrealized Gain/Loss
110 000	NM CHRYSLER FNCL CORP BE 5.875%, MARCH 19, 2001	110 000.000	110 393.00	393.00
110 000	EURO INVT BANK 6.125%, OCT 28, 2002	115 060.00	113 298.00	(1 762.00)
125 000	COUNCIL OF EUROPE 5.750%, JAN 14, 2003	129 062.50	126 880.00	(2 182.50)
100,000	ABBEY NATIONAL TREAS 6.50%, MAY 12, 2003	107 913.89	103 627.00	(4 286.89)
125 000	NM FORD MOTOR CDT CO BE 6.14%, MAY 23, 2005	125 000.00	127 463.00	2 463.00
180 000	CABLE & WIRELESS COM PLC NOTES 6.625%, MAR 6, 2005	184 470.05	181 452.00	(3 018.05)
2 000	NAB EXCHANGEABLE PFD TR 8.00% PERPETUAL NON-CUM	<u>50 000.00</u>	<u>51 500.00</u>	<u>1 500.00</u>
	TOTAL CORPORATE BONDS	<u>1 288 640.83</u>	<u>1 268 747.00</u>	<u>(19 893.83)</u>
MUTUAL FUNDS - EQUITY:				
5 007	AETNA EUROPEAN EQUITY FUND CLASS A	62 237.37	102 893.00	40 655.63
112 548	EQUITY INCOME FUND S&P MIDCAP TRUST DEFINED ASSET FUND (.1513 fractional share)	214 254.27	192 453.00	(21 801.27)
166 050	EQUITY INCOME FUND S&P 500 TRUST 2 DEFINED ASSET FUND (0.129 fractional share)	426 701.46	445 008.00	18 306.54
1 980	GAM SELECT EUROPEAN FUND CLASS A	345 450.60	296 564.00	(48 886.60)
	MFS MERIDIAN EMERGING GROWTH (.6340 fractional share)	-	17.00	17.00
6 247	ML BASIC VALUE CLASS A (.9960 fractional share)	150 231.30	193 407.00 30.00	43 175.70 30.00
7 337	ML BASIC VALUE PORT CL O	123 180.76	229 427.00	106 246.24
15 434	ML EURO EQUITY PORT CLASS O (.1310 fractional share)	247 020.59	452 061.00 3.00	205 040.41 3.00
2 760	PARVEST USA FD	<u>170 181.60</u>	<u>173 079.00</u>	<u>2 897.40</u>
	TOTAL MUTUAL FUNDS - EQUITY	<u>1 739 257.95</u>	<u>2 084 942.00</u>	<u>345 684.05</u>
MUTUAL FUNDS - FIXED INCOME				
6 230	MLBS USD FIXED INCOME PORTFOLIO CL B	<u>69 838.30</u>	<u>80 553.00</u>	<u>10 714.70</u>
	TOTAL MUTUAL FUNDS - FIXED INCOME	<u>69 838.30</u>	<u>80 553.00</u>	<u>10 714.70</u>
	TOTAL PORTFOLIO	<u>3 097 737.08</u>	<u>3 434 242.00</u>	<u>336 504.92</u>