

INTERNATIONAL UNION OF
PURE AND APPLIED CHEMISTRY

Financial Statements

December 31, 2018 and 2017

(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
MICHELLE W. LEMANSKI
JARED L. PILAND

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 financial statements of International Union of Pure and Applied Chemistry ("IUPAC"), which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

New Accounting Standard

As discussed in note 1, IUPAC adopted the Financial Accounting Standards Board's Accounting Standards Update ("ASU") 2016-14, *Not-for-Profit Entities (Topic 958) - Presentation of Financial Statements of Not-for-Profit Entities* as of and for the year ended December 31, 2018. The requirements of the ASU have been applied retrospectively to all periods presented. Our opinion is not modified with respect to this matter.

Batchelor, Tillery & Roberts, LLP

April 1, 2019

INTERNATIONAL UNION OF PURE
AND APPLIED CHEMISTRY

Statements of Financial Position

December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
<u>Assets</u>		
Current assets:		
Cash and cash equivalents	\$ 379,832	305,094
Subscriptions and other receivables	176,691	305,638
Prepaid expenses and other current assets	<u>27,759</u>	<u>5,728</u>
Total current assets	584,282	616,460
Investments, at market value	3,729,826	4,097,527
Furniture, fixtures, and equipment, net	175,536	192,078
Deposits	<u>3,565</u>	<u>3,565</u>
	<u>\$ 4,493,209</u>	<u>4,909,630</u>
<u>Liabilities and Net Assets</u>		
Current liabilities:		
Accounts payable and accrued expenses	151,916	269,337
Unearned subscriptions	158,978	50,827
Line of credit	<u>311,094</u>	<u>-</u>
Total current liabilities	621,988	320,164
Line of credit, noncurrent	<u>-</u>	<u>350,000</u>
Total liabilities	<u>621,988</u>	<u>670,164</u>
Commitments		
Net assets:		
Without donor restrictions	3,558,103	3,923,300
With donor restrictions	<u>313,118</u>	<u>316,166</u>
Total net assets	<u>3,871,221</u>	<u>4,239,466</u>
	<u>\$ 4,493,209</u>	<u>4,909,630</u>

See accompanying notes to financial statements.

INTERNATIONAL UNION OF PURE
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Statements of Activities

Year ended December 31, 2018, with comparative totals for 2017

	2018		Total	2017
	Without donor restrictions	With donor restrictions		
Support:				
Grants and contributions	\$ 20,000	-	20,000	18,195
National subscriptions and service charges	906,172	-	906,172	916,048
Affiliate membership program	24,911	-	24,911	30,044
Total support	951,083	-	951,083	964,287
Other revenue:				
Publications	247,776	-	247,776	257,887
Investment return, net	(257,303)	6,589	(250,714)	413,370
Other income	29,030	-	29,030	430
Total other revenue	19,503	6,589	26,092	671,687
Total support and other revenue	970,586	6,589	977,175	1,635,974
Net assets released from restrictions	9,637	(9,637)	-	-
	980,223	(3,048)	977,175	1,635,974
Expenses:				
Program and publications	624,498	-	624,498	795,867
Management and general	720,922	-	720,922	687,414
Total expenses	1,345,420	-	1,345,420	1,483,281
(Decrease) increase in net assets	(365,197)	(3,048)	(368,245)	152,693
Net assets, beginning of year	3,923,300	316,166	4,239,466	4,086,773
Net assets, end of year	\$ 3,558,103	313,118	3,871,221	4,239,466

(Continued)

INTERNATIONAL UNION OF PURE
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Statements of Activities, Continued

Year ended December 31, 2017

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Support:			
Grants and contributions	\$ -	18,195	18,195
National subscriptions and service charges	916,048	-	916,048
Affiliate membership program	<u>30,044</u>	<u>-</u>	<u>30,044</u>
Total support	<u>946,092</u>	<u>18,195</u>	<u>964,287</u>
Other revenue:			
Publications	257,887	-	257,887
Investment return, net	408,031	5,339	413,370
Other income	<u>430</u>	<u>-</u>	<u>430</u>
Total other revenue	<u>666,348</u>	<u>5,339</u>	<u>671,687</u>
Total support and other revenue	1,612,440	23,534	1,635,974
Net assets released from restrictions	<u>11,835</u>	<u>(11,835)</u>	<u>-</u>
	<u>1,624,275</u>	<u>11,699</u>	<u>1,635,974</u>
Expenses:			
Program and publications	795,867	-	795,867
Management and general	<u>687,414</u>	<u>-</u>	<u>687,414</u>
Total expenses	<u>1,483,281</u>	<u>-</u>	<u>1,483,281</u>
Increase in net assets	140,994	11,699	152,693
Net assets, beginning of year	<u>3,782,306</u>	<u>304,467</u>	<u>4,086,773</u>
Net assets, end of year	\$ <u><u>3,923,300</u></u>	<u><u>316,166</u></u>	<u><u>4,239,466</u></u>

See accompanying notes to financial statements.

INTERNATIONAL UNION OF PURE
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Statements of Functional Expenses

Year ended December 31, 2018, with comparative totals for 2017

	2018			
	<u>Program and publications</u>	<u>Management and general</u>	<u>Total</u>	<u>2017</u>
Travel and subsistence	\$ 428,771	4,490	433,261	656,371
Salaries	-	410,304	410,304	422,794
Contracted services	119,484	1,435	120,919	80,667
Payroll taxes and benefits	-	102,099	102,099	117,652
Building operations	-	62,890	62,890	63,092
Depreciation and amortization	-	45,185	45,185	38,684
Office supplies and expenses	-	43,605	43,605	36,491
Prizes and awards	40,551	-	40,551	28,749
Contributions	27,609	-	27,609	25,962
Professional fees	-	15,481	15,481	17,682
Interest	-	12,136	12,136	7,469
Bad debt expense (recoveries)	-	10,484	10,484	(35,536)
Insurance	-	6,392	6,392	7,233
Postage	5,562	378	5,940	5,738
Utilities	-	5,125	5,125	6,702
Printing and publications	2,521	-	2,521	2,101
Miscellaneous	-	918	918	1,430
	\$ 624,498	720,922	1,345,420	1,483,281

(Continued)

INTERNATIONAL UNION OF PURE
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Statements of Functional Expenses, Continued

Year ended December 31, 2017

	<u>Program and publications</u>	<u>Management and general</u>	<u>Total</u>
Travel and subsistence	\$ 653,406	2,965	656,371
Salaries	-	422,794	422,794
Payroll taxes and benefits	-	117,652	117,652
Contracted services	80,667	-	80,667
Building operations	-	63,092	63,092
Depreciation and amortization	-	38,684	38,684
Office supplies and expenses	-	36,491	36,491
Prizes and awards	28,749	-	28,749
Contributions	25,962	-	25,962
Professional fees	-	17,682	17,682
Interest	-	7,469	7,469
Insurance	-	7,233	7,233
Utilities	-	6,702	6,702
Postage	4,982	756	5,738
Printing and publications	2,101	-	2,101
Bad debt recoveries	-	(35,536)	(35,536)
Miscellaneous	-	1,430	1,430
	<u>\$ 795,867</u>	<u>687,414</u>	<u>1,483,281</u>

See accompanying notes to financial statements.

INTERNATIONAL UNION OF PURE
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Statements of Cash Flows

Years ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:		
(Decrease) increase in net assets	\$ (368,245)	152,693
Adjustments to reconcile (decrease) increase in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	45,185	38,684
Realized and unrealized losses (gains) on investments	348,714	(295,649)
Changes in operating assets and liabilities:		
Subscriptions and other receivables	128,947	(213,621)
Prepaid expenses and other current assets	(22,031)	(2,010)
Accounts payable and accrued expenses	(117,421)	120,727
Unearned subscriptions	<u>108,151</u>	<u>29,004</u>
Net cash provided by (used in) operating activities	<u>123,300</u>	<u>(170,172)</u>
Cash flows from investing activities:		
Proceeds from sales and maturities of investments	2,187,174	1,189,557
Purchases of investments	(2,168,187)	(1,102,354)
Purchases of furniture, fixtures, and equipment	<u>(28,643)</u>	<u>(42,770)</u>
Net cash (used in) provided by investing activities	<u>(9,656)</u>	<u>44,433</u>
Cash flows used in financing activities -		
Net (repayments of) borrowings from line of credit	<u>(38,906)</u>	<u>250,000</u>
Net increase in cash and cash equivalents	74,738	124,261
Cash and cash equivalents, beginning of year	<u>305,094</u>	<u>180,833</u>
Cash and cash equivalents, end of year	\$ <u><u>379,832</u></u>	<u><u>305,094</u></u>
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ <u><u>12,136</u></u>	<u><u>7,832</u></u>

See accompanying notes to financial statements.

INTERNATIONAL UNION OF PURE
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Notes to Financial Statements

December 31, 2018 and 2017

(1) Nature of Organization and Significant Accounting Policies

International Union of Pure and Applied Chemistry (“IUPAC”), founded in 1919, is a voluntary nongovernmental, nonprofit association of fifty-four national adhering organizations representing the chemists of their countries. Additionally, there is one Associate National Adhering Organization, thirty-one company associates, and thirty-two associated organizations.

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, net assets with donor restrictions are reclassified to net assets without donor restrictions 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 support without donor restrictions.

(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 net assets with donor restrictions (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the 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 endowment fund is classified as net assets with donor restrictions 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:

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Notes to Financial Statements, Continued

December 31, 2018 and 2017

(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 IUPAC 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 IUPAC

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 net assets with donor restrictions. There were no such deficiencies as of December 31, 2018 and 2017.

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 IUPAC 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 6.0% 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). IUPAC 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.

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Notes to Financial Statements, Continued

December 31, 2018 and 2017

(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 2.50% and 2.00% return for 2018 and 2017, respectively. In establishing this policy, management of IUPAC considered the long-term expected return on its endowment. This is consistent with IUPAC'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 certain times throughout the year, IUPAC may have on deposit with a financial institution amounts in excess of FDIC insurance limit 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. Management did not deem it necessary to record an allowance in 2018 or 2017.

(e) Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. Relevant accounting standards establish 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. Three levels of inputs 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 that are unobservable or based on market assumptions

INTERNATIONAL UNION OF PURE
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Notes to Financial Statements, Continued

December 31, 2018 and 2017

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

(f) Investments

Investments in marketable securities are stated at fair market value. The fair values of equity securities and mutual funds are based on quoted prices in active markets (Level 1). The fair values of bonds and fixed rate securities are based on information from pricing services and yields currently available on comparable securities (Level 2). Investment income (including gains and losses on investments, interest, and dividends) is included in the statements of activities as a change in net assets without donor restrictions, except for earnings on net assets with donor restrictions. Investments are not included in current assets in the statements of financial position as they are not anticipated to be liquidated in the coming year.

(g) Furniture, Fixtures, and Equipment

Furniture, fixtures, and equipment are recorded at cost if purchased and fair value if contributed. Depreciation and amortization is provided over the estimated useful lives of the assets, ranging from 3 to 7 years, using the straight-line method.

(h) 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.

(i) 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.

(j) Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly certain costs have been allocated among the programs and supporting services benefited.

(k) Reclassifications

Certain reclassifications have been made to the 2017 financial statements in order to conform to the 2018 presentation. These reclassifications had no impact on net assets or the change in net assets as previously reported.

INTERNATIONAL UNION OF PURE
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Notes to Financial Statements, Continued

December 31, 2018 and 2017

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

(l) Adoption of New Accounting Pronouncement

For the year ended December 31, 2018, IUPAC adopted the Financial Accounting Standards Board's Accounting Standards Update (ASU) No. 2016-14 - *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. This update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return between not-for-profit entities. The changes required by the update have been applied retrospectively to all periods presented. A key change required by ASU 2016-14 is the description of the net asset classes used in these financial statements. Amounts previously reported as unrestricted net assets are now reported as net assets without donor restrictions and amounts previously reported as temporarily restricted net assets and permanently restricted net assets are now reported as net assets with donor restrictions. In addition, information regarding liquidity and availability of resources is presented in the notes to the financial statements.

(2) Information Regarding Liquidity and Availability

IUPAC regularly monitors the availability of resources required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. For purposes of analyzing resources available to meet general expenditures over a 12-month period, IUPAC considers all expenditures related to its ongoing activities, as well as the conduct of services undertaken to support those activities to be general expenditures.

IUPAC's financial assets as of December 31, 2018 consist of cash, cash held in investment accounts, accounts receivable and liquid investments minus line of credit outstanding balance and donor-restricted funds, and total \$2,768,353, all of which are available to meet general expenditures within one year of the financial statement date.

	<u>2018</u>
Financial assets, at year end:	
Cash and cash equivalents	\$ 379,832
Investments	3,729,826
Subscriptions and other receivables	<u>176,691</u>
Total financial assets	4,286,349
Less:	
Investments with liquidity horizons greater than one year	(893,784)
Line of credit balance	(311,094)
Donor-restricted funds	<u>(313,118)</u>
Financial assets available to meet cash needs for general expenditures within one year	\$ <u>2,768,353</u>

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Notes to Financial Statements, Continued

December 31, 2018 and 2017

(3) Investments

All investments are held by BB&T Securities as of December 31, 2018 and 2017. The following tables present the fair value of those investments (individual investments representing ten percent or more of net assets are separately identified):

		2018		
		Fair value measurements using:		
	Number of shares/par	Level 1	Level 2	Total
Mutual funds and equities	-	\$ 2,725,374	-	2,725,374
Corporate bonds (2.00% - 5.00%), with various maturities through December 2027	1,024,000	-	1,004,452	1,004,452
		\$ 2,725,374	1,004,452	3,729,826
		2017		
		Fair value measurements using:		
	Number of shares/par	Level 1	Level 2	Total
Mutual funds and equities:				
Federated Floating Rate Strategic Income	53,101	\$ 528,357	-	528,357
Oppenheimer International Bond Fund	79,995	476,769	-	476,769
Other	-	2,206,102	-	2,206,102
		3,211,228	-	3,211,228
Corporate bonds (2.00% - 5.00%), with various maturities through December 2027	890,000	-	886,299	886,299
		\$ 3,211,228	886,299	4,097,527

The cost of investments totaled \$3,860,928 and \$3,858,103 as of December 31, 2018 and 2017, respectively.

INTERNATIONAL UNION OF PURE
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Notes to Financial Statements, Continued

December 31, 2018 and 2017

(3) Investments, Continued

Investment return, net, consists of the following:

	<u>2018</u>	<u>2017</u>
Dividends and interest	\$ 138,960	150,050
Realized gains	29,062	66,384
Unrealized (losses) gains	(377,776)	229,265
Investment management fees	(43,964)	(41,912)
Foreign exchange rate gains	<u>3,004</u>	<u>9,583</u>
	<u>\$ (250,714)</u>	<u>413,370</u>

(4) Furniture, Fixtures, and Equipment

Furniture, fixtures, and equipment consist of the following:

	<u>2018</u>	<u>2017</u>
Equipment	\$ 25,473	25,473
Furniture and fixtures	33,290	33,290
Website	220,744	149,716
Construction in progress - database/website	<u>-</u>	<u>42,385</u>
	279,507	250,864
Less accumulated depreciation and amortization	<u>(103,971)</u>	<u>(58,786)</u>
	<u>\$ 175,536</u>	<u>192,078</u>

(5) Line of Credit

On September 26, 2017, IUPAC executed a line of credit agreement whereby IUPAC may borrow up to \$350,000. Borrowings under this agreement bear interest at a variable rate equal to the bank's prime rate minus 0.50% per annum (5.00% and 4.50% as of December 31, 2018 and 2017, respectively). Principal and interest are due in full at maturity on September 20, 2019. The line is secured by the investment securities of IUPAC. A total of \$311,094 and \$350,000 was outstanding as of December 31, 2018 and 2017, respectively.

(6) Net Assets

As of December 31, 2018 and 2017, net assets with donor restrictions consist of endowment funds, interest earned on those endowment funds, and seven grants in 2018 and 2017 that were not fully expended.

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Notes to Financial Statements, Continued

December 31, 2018 and 2017

(6) Net Assets, Continued

Net assets with donor restrictions include endowment funds totaling \$204,357 and consisting of the Paulo Fransozini Endowment Fund totaling \$5,659, the CHEMRAWN VII Fund totaling \$48,698, and the Hanwha Total Petrochemical Endowment Fund totaling \$150,000, as of December 31, 2018 and 2017. 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 Hanwha Total Petrochemical 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 income with donor restrictions when earned.

The following represents changes in endowment net assets (all donor-restricted endowment funds) for 2018 and 2017 (does not include net assets with donor restrictions of \$43,560 related to seven grants as of December 31, 2018 and \$43,860 related to seven grants as of December 31, 2017):

	<u>With donor restrictions</u>
Endowment net assets, December 31, 2016	\$ 266,967
Investment interest income	<u>5,339</u>
Endowment net assets, December 31, 2017	272,306
Investment interest income	6,589
Appropriation of endowment assets for expenditure	<u>(9,337)</u>
Endowment net assets, December 31, 2018	\$ <u>269,558</u>

Net assets with donor restrictions are summarized as follows:

	<u>2018</u>	<u>2017</u>
Subject to expenditure for specified purpose:		
Grants:		
Women in Chemistry	\$ 22,542	22,542
Travel expenses - ICSU	12,104	12,104
Other	<u>8,914</u>	<u>9,214</u>
	43,560	43,860
Earnings on endowment funds	<u>65,201</u>	<u>67,949</u>
	108,761	111,809
Endowment funds	<u>204,357</u>	<u>204,357</u>
	\$ <u>313,118</u>	<u>316,166</u>

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Notes to Financial Statements, Continued

December 31, 2018 and 2017

(7) 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 are held by Branch Banking & Trust Company, and investments are held by BB&T Securities. 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.

In 2017, national adhering organizations were billed their annual national subscriptions in their national foreign currency. As a result, IUPAC assumed the risk of changes in the foreign currency rates in relation to the United States dollar on these billings. IUPAC 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.

In 2018, IUPAC changed the billing policy to bill annual subscriptions in U.S. dollars.

As of December 31, 2018 and 2017, approximately 89% and 82%, respectively, of IUPAC's subscriptions and other receivables were due from two entities.

(8) 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 2018 or 2017.

(9) Leases

IUPAC entered into a lease for new office space beginning in February 2015 for a term of seventy-six months with a five-year renewal option. Building rent expenses totaled \$49,713 for 2018 and 2017.

IUPAC leases office equipment under operating lease agreements that expire at various dates through 2020. Equipment lease expense totaled \$7,947 and \$7,658 for 2018 and 2017, respectively.

Future minimum rental payments required under these operating leases are as follows:

<u>Year ending December 31,</u>	
2019	\$ 59,656
2020	57,450
2021	<u>24,075</u>
	\$ <u>141,181</u>

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Notes to Financial Statements, Continued

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(10) Subsequent Events

The date to which events occurring after December 31, 2018, the date of the most recent statement of financial position, have been evaluated for possible adjustment to the financial statements or disclosure is April 1, 2019, the date the financial statements were available to be issued.