

Item 13.1: Biennial Report of Treasurer

After eight years of service my term as Treasurer will be over at the end of this year. I have enjoyed a fine cooperation in IUPAC, I received much help from John Jost and his staff and last but not least from the Finance Committee. I would like to thank everyone who made my work fruitful and was so helpful in keeping our financial situation in “good health”.

From the Report of the Finance Committee, Item 13.2, you will see that we have adequate reserves for the mid-term outlook.

After a slow start with the project system it seems that we have reached steady-state of new and completed projects. This can be seen in the increase in Program expenses from 2005 to 2006. This is an important step in the process of implementing the changes after 1999.

The Finance Committee proposed and the Executive Committee approved the recovery of commitments from completed and abandoned projects. The funds will be added to the newly approved Strategic Opportunities Fund. The Strategic Opportunities Fund will be used to fund projects submitted to Divisions and Standing Committees that are viewed as being especially significant for achievement of IUPAC’s Strategic Plan.

Unfortunately some of our National Adhering Organizations could not fulfill their financial obligations and we regret that the Executive Committee has had to impose sanctions. This subject will be discussed in Item 15. The change to billing National Subscription in local currency has reduced the problems due to exchange rates but not eliminated problems of fund raising with third parties, specifically state organizations.

Some very generous grants such as the additional donation from Samsung Total Petrochemical Co., Ltd. and the donation to support the IUPAC-Richter prize, were very encouraging contributions.

Some of the Divisions have had problems with planning and budgeting and we are proposing small adjustments in the allocations for the next Biennium.

Unfortunately we cannot fund all the requests made, but we have the reserves to provide funding if strategic opportunities arise.

Income

National Subscriptions

As mentioned above, action was taken by the Executive Committee to sanction those NAOs more than two years in arrears in their National Subscriptions. As of 1 June 2007 Brazil and Argentina had not paid their 2005 National Subscriptions and Chile and Belarus have not paid their 2006 National Subscriptions in full. All National Adhering Organizations with overdue obligations are made aware of the consequences. We have to observe a normal payment cycle in the name of fairness. We are thankful that most of the National Adhering Organizations pay on time.

Publications and other income sources

Pure and Applied Chemistry: Despite the continued decline in the number of institutional subscribers, increases in the subscription rate have maintained the Union’s net income from *PAC* at about the same level.

Item 13.1: Biennial Report of Treasurer

Income from Investments

This item consists of both dividends and interest and gains or losses on our portfolio. The latter component is of course highly variable. The performance of our investment portfolio will be discussed in Item 13.2.

Grants

This is a highly variable item and in 2004-6 was lower than in the immediately preceding years because of unusual events in the earlier years, namely the donation from Samsung Total Petrochemical and contributions to fund the Workshop on the impact of advances in science and technology on the Chemical Weapons Convention.

Expenses

As usual, expenses in 2006 were lower than the previous year due to the expenses of the General Assembly coming in 2005.

Summary and Conclusions

It is important to recall that it is not the purpose of IUPAC to accumulate reserves *per se*. Especially if we recognize the difficulties some of the NAOs experience in paying their contribution to our organization in time. However, it is in part the income from the investment of our reserves that has enabled IUPAC to keep the increases in total National Subscriptions to the low levels of the past few years.

In the past IUPAC has seen very difficult financial times. It is of high importance that IUPAC can now support the organizations, the project system, and have the financial flexibility to fund strategic opportunities.

Acknowledgement and Outlook

The work of the Treasurer was only possible thanks to the great cooperation and help of the Executive Director and the Finance Committee.

Setting priorities and making choices is important for the future. IUPAC will have to search for more contributions and grants from third parties to support specific activities for the benefit of a better Chemistry in a better world.

Christoph Buxtorf

Audited Financial Statements
2004-2006

	2004	2005	2006
Support			
Grants and contributions	83,478	49,132	63,435
National Subscriptions	726,650	715,034	730,032
Affiliate Membership Program	71,650	63,014	90,961
Total Support	<u>881,778</u>	<u>827,180</u>	<u>884,428</u>
Other Revenues			
Publications	838,462	775,927	826,490
Investment income	523,793	129,272	632,345
Other	3,050	5,177	-
Total Other Revenues	<u>1,365,305</u>	<u>910,376</u>	<u>1,458,835</u>
Total Support and Other Revenues	<u>2,247,083</u>	<u>1,737,556</u>	<u>2,343,263</u>
Expenses			
Program	919,768	1,327,689	1,059,579
Management and general	765,954	668,936	766,734
Total expenses	<u>1,685,722</u>	<u>1,996,625</u>	<u>1,826,313</u>
Increase (Decrease) in net assets	561,361	(259,069)	516,950
Net assets, beginning of year	<u>4,985,772</u>	<u>5,547,133</u>	<u>5,288,064</u>
Net assets , end of year	<u>5,547,133</u>	<u>5,288,064</u>	<u>5,805,014</u>

Item 13.2: Report of Finance Committee

The overall IUPAC portfolio performed well in 2006 with an overall return of almost 14 %. IUPAC's investments are invested in both Euro and USD denominated securities (equities and bonds) with a total value of USD 5 551 193. The split between USD denominated investments versus Euro denominated investments is 72.5 % USD vs. 27.5 % Euro. The split of equities vs. bonds is 28.6 % vs 71.4 %. This conservative posture has served us well in the past two years by minimizing the impact of the fall in equity prices in 2005. The Finance Committee has decided to move the portfolio closer to 30 % equities over the course of 2007. The IUPAC portfolio is not managed to maximize investment gains but rather to both generate current income and to preserve our capital. The graph on the next page shows the value of the portfolio for the years 1996 through 2006. The increase in the portfolio is due to both gains from investments and additions to the portfolio from operating income. The Investment Policy of the Union is specified in an Investment Policy document issued by the Finance committee and available on the IUPAC web site < <http://www.iupac.org/standing/fc.html>>.

For management purposes the investment portfolio is composed of a number of Designated and Special Funds. The table below shows the amounts in each Fund.

<u>Designated and Special Funds</u>	
Biennial Operating Reserve Fund	2,746,852
General Assembly Special Fund	200,000
Endowment Fund	2,400,000
Samsung Fund	147,559
Fransozini Fund	5,649
CHEMRAWN VII Future Actions Fund	<u>51,133</u>
Total Designated and Special Funds	<u><u>5,551,193</u></u>

The use of these Funds is specified in a Fund Policy document issued by the Finance committee and available on the IUPAC web site <<http://www.iupac.org/standing/fc.html>>

The Biennial Operating Reserve Fund is set at approximately twice the operating expenses of the Union for the current biennium, less publications expense.

The General Assembly Special Fund is used to pay for General Assemblies in high cost locations.

The income from the Endowment Fund is used pay for the IUPAC Prize and the support provided to Conferences in developing countries.

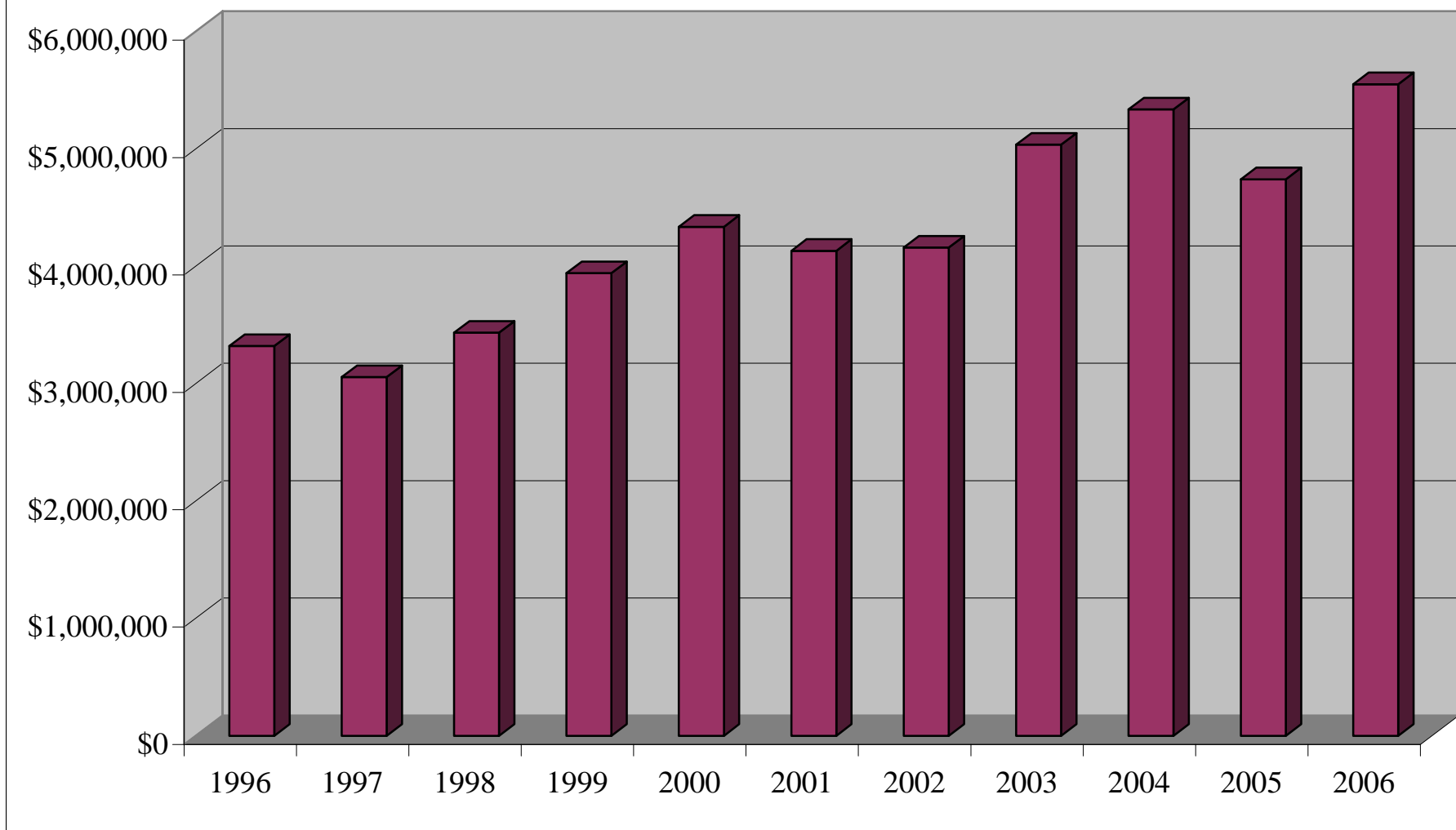
The Samsung Fund was contributed by the Samsung Total Petrochemical Co.; the income from this Fund supports the education activities of the Polymer Division.

The Fransozini Fund was donated by the will of Prof. Fransozini; the income from this Fund supports the Fransozini Awards of the Analytical Division.

The CHEMRAWN VII Future Actions Fund was funded by the surplus generated from CHEMRAWN VII; the income from this Fund supports the activities of the CHEMRAWN VII Future Actions Committee.

Hans-Luzius Senti

Portfolio Value



INTERNATIONAL UNION OF
PURE AND APPLIED CHEMISTRY

Financial Statements

December 31, 2006 and 2005

(With Independent Auditors' Report Thereon)

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Independent Auditors' Report

The Executive Committee
International Union of Pure and Applied Chemistry:

We have audited the accompanying statements of financial position of the International Union of Pure and Applied Chemistry ("IUPAC") as of December 31, 2006 and 2005, 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, 2006 and 2005, 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

April 24, 2007

INTERNATIONAL UNION OF PURE
AND APPLIED CHEMISTRY

Statements of Financial Position

December 31, 2006 and 2005

<u>Assets</u>	<u>2006</u>	<u>2005</u>
Current assets:		
Cash and cash equivalents	\$ 808,140	831,906
Subscriptions receivable (net of allowance for doubtful accounts of \$56,300 in 2006 and \$48,000 in 2005)	88,558	89,338
Other receivables	1,832	6,099
Inventories	7,632	7,215
Prepaid expenses and other assets	<u>10,815</u>	<u>16,181</u>
Total current assets	916,977	950,739
Furniture, fixtures, and equipment, net	17,406	24,042
Investments, at market value	<u>5,551,193</u>	<u>4,740,828</u>
	<u>\$ 6,485,576</u>	<u>5,715,609</u>
 <u>Liabilities and Net Assets</u> 		
Current liabilities:		
Accounts payable and accrued expenses	47,803	37,299
Unearned subscriptions	<u>632,759</u>	<u>390,246</u>
Total current liabilities	<u>680,562</u>	<u>427,545</u>
Commitments		
Net assets:		
Unrestricted	5,581,926	5,095,319
Temporarily restricted	30,731	13,388
Permanently restricted	<u>192,357</u>	<u>179,357</u>
Total net assets	<u>5,805,014</u>	<u>5,288,064</u>
	<u>\$ 6,485,576</u>	<u>5,715,609</u>

See accompanying notes to financial statements.

INTERNATIONAL UNION OF PURE
AND APPLIED CHEMISTRY

Statements of Activities

Year ended December 31, 2006, with comparative totals for 2005

	2006			Total	2005
	Unrestricted	Temporarily restricted	Permanently restricted		
Support:					
Grants and contributions	\$ 18,935	19,500	25,000	63,435	49,132
National subscriptions and service charges	730,032	-	-	730,032	715,034
Affiliate membership program	90,961	-	-	90,961	63,014
Net assets released from restrictions	<u>26,484</u>	<u>(14,484)</u>	<u>(12,000)</u>	<u>-</u>	<u>-</u>
Total support	<u>866,412</u>	<u>5,016</u>	<u>13,000</u>	<u>884,428</u>	<u>827,180</u>
Other revenue:					
Publications	826,490	-	-	826,490	775,927
Investment income, net	620,018	12,327	-	632,345	129,272
Other	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,177</u>
Total other revenue	<u>1,446,508</u>	<u>12,327</u>	<u>-</u>	<u>1,458,835</u>	<u>910,376</u>
Total support and other revenue	<u>2,312,920</u>	<u>17,343</u>	<u>13,000</u>	<u>2,343,263</u>	<u>1,737,556</u>
Expenses:					
Program and publications	1,059,579	-	-	1,059,579	1,327,689
Management and general	<u>766,734</u>	<u>-</u>	<u>-</u>	<u>766,734</u>	<u>668,936</u>
Total expenses	<u>1,826,313</u>	<u>-</u>	<u>-</u>	<u>1,826,313</u>	<u>1,996,625</u>
Increase (decrease) in net assets	486,607	17,343	13,000	516,950	(259,069)
Net assets, beginning of year	<u>5,095,319</u>	<u>13,388</u>	<u>179,357</u>	<u>5,288,064</u>	<u>5,547,133</u>
Net assets, end 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>

(Continued)

INTERNATIONAL UNION OF PURE
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Statements of Activities, Continued

Year ended December 31, 2005

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Support:				
Grants and contributions	\$ 49,132	-	-	49,132
National subscriptions and service charges	715,034	-	-	715,034
Affiliate membership program	63,014	-	-	63,014
Net assets released from restrictions	<u>20,000</u>	<u>(20,000)</u>	<u>-</u>	<u>-</u>
Total support	<u>847,180</u>	<u>(20,000)</u>	<u>-</u>	<u>827,180</u>
Other revenue:				
Publications	775,927	-	-	775,927
Investment income, net	122,447	6,825	-	129,272
Other	<u>5,177</u>	<u>-</u>	<u>-</u>	<u>5,177</u>
Total other revenue	<u>903,551</u>	<u>6,825</u>	<u>-</u>	<u>910,376</u>
Total support and other revenue	<u>1,750,731</u>	<u>(13,175)</u>	<u>-</u>	<u>1,737,556</u>
Expenses:				
Program and publications	1,327,689	-	-	1,327,689
Management and general	<u>668,936</u>	<u>-</u>	<u>-</u>	<u>668,936</u>
Total expenses	<u>1,996,625</u>	<u>-</u>	<u>-</u>	<u>1,996,625</u>
Decrease in net assets	(245,894)	(13,175)	-	(259,069)
Net assets, beginning of year	<u>5,341,213</u>	<u>26,563</u>	<u>179,357</u>	<u>5,547,133</u>
Net assets, end of year	\$ <u>5,095,319</u>	<u>13,388</u>	<u>179,357</u>	<u>5,288,064</u>

See accompanying notes to financial statements.

INTERNATIONAL UNION OF PURE
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Statements of Cash Flows

Years ended December 31, 2006 and 2005

	<u>2006</u>	<u>2005</u>
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ 516,950	(259,069)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	9,020	10,568
Bad debt expense	8,358	32
Realized gains on investments	(877,513)	(88,533)
Unrealized losses on investments	484,553	212,247
Changes in operating assets and liabilities:		
Subscriptions receivable	(7,578)	34,995
Other receivables	4,267	8,120
Inventories	(417)	4,285
Prepaid expenses	5,366	14,200
Accounts payable and accrued expenses	10,504	(23,702)
Unearned subscriptions	<u>242,513</u>	<u>(301,164)</u>
Net cash provided by (used in) operating activities	<u>396,023</u>	<u>(388,021)</u>
Cash flows from investing activities:		
Purchases of furniture, fixtures and equipment	(2,384)	(9,115)
Proceeds from sales of investments	2,376,032	622,002
Purchases of investments	<u>(2,793,437)</u>	<u>(150,018)</u>
Net cash (used in) provided by investing activities	<u>(419,789)</u>	<u>462,869</u>
Net (decrease) increase in cash and cash equivalents	(23,766)	74,848
Cash and cash equivalents, beginning of year	<u>831,906</u>	<u>757,058</u>
Cash and cash equivalents, end of year	\$ <u>808,140</u>	<u>831,906</u>

See accompanying notes to financial statements.

INTERNATIONAL UNION OF PURE
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Statements of Functional Expenses

Year ended December 31, 2006, with comparative totals for 2005

	2006			2005
	Program and publications	Management and general	Total	
Administrative costs	\$ 72,421	17,152	89,573	193,742
Audit and accounting	-	33,614	33,614	23,648
Bad debts	-	8,358	8,358	32
Building operations	-	17,775	17,775	17,775
Contracted services	387,238	38,538	425,776	426,874
Contributions	25,499	-	25,499	30,521
Depreciation and amortization	-	9,020	9,020	10,568
Insurance	-	2,647	2,647	2,792
Maintenance	-	1,422	1,422	1,300
Office supplies and expenses	-	25,913	25,913	33,428
Payroll taxes and benefits	-	71,054	71,054	65,735
Postage	88,151	14,186	102,337	59,418
Printing and publications	47,135	22,990	70,125	49,029
Prizes and awards	1,414	-	1,414	38,081
Salaries	-	353,863	353,863	343,352
Travel and subsistence	437,721	129,298	567,019	682,110
Utilities	-	19,876	19,876	16,770
Miscellaneous	-	1,028	1,028	1,450
	\$ 1,059,579	766,734	1,826,313	1,996,625

(Continued)

INTERNATIONAL UNION OF PURE
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Statements of Functional Expenses, Continued

Year ended December 31, 2005

	Program and <u>publications</u>	Management <u>and general</u>	<u>Total</u>
Administrative costs	\$ 177,721	16,021	193,742
Audit and accounting	-	23,648	23,648
Bad debts	-	32	32
Building operations	-	17,775	17,775
Contracted services	413,508	13,366	426,874
Contributions	30,521	-	30,521
Depreciation and amortization	-	10,568	10,568
Insurance	-	2,792	2,792
Maintenance	-	1,300	1,300
Office supplies and expenses	-	33,428	33,428
Payroll taxes and benefits	-	65,735	65,735
Postage	48,244	11,174	59,418
Printing and publications	24,157	24,872	49,029
Prizes and awards	38,081	-	38,081
Salaries	-	343,352	343,352
Travel and subsistence	595,457	86,653	682,110
Utilities	-	16,770	16,770
Miscellaneous	-	1,450	1,450
	<u>\$ 1,327,689</u>	<u>668,936</u>	<u>1,996,625</u>

See accompanying notes to financial statements.

INTERNATIONAL UNION OF PURE
AND APPLIED CHEMISTRY

Notes to Financial Statements

December 31, 2006 and 2005

(1) Nature of Organization and Significant Accounting Policies

The International Union of Pure and Applied Chemistry (IUPAC), founded in 1919, is a voluntary nongovernmental, nonprofit association of forty-five national adhering organizations representing the chemists of their countries. Additionally, there are twenty associate national adhering organizations, thirty-three associated organizations, and more than one hundred ten company associates.

The objectives of IUPAC are to promote continuing cooperation among the chemists of the member countries, to study topics of international importance to pure and applied chemistry which need standardization or codification, to cooperate with other international organizations which deal with topics of a chemical nature, and to contribute to the advancement of pure and applied chemistry in all its aspects.

The significant accounting policies of IUPAC are as follows:

Support, Revenues, and Expenses

IUPAC derives its revenues primarily from national subscriptions, publication income, and investment income. Support, revenues, and expenses are recorded on the accrual basis 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. 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, 2006 and 2005

(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 2005 amounts have been reclassified to conform to the 2006 presentation. These reclassifications had no impact on total net assets or total decrease in net assets as previously reported.

INTERNATIONAL UNION OF PURE
AND APPLIED CHEMISTRY

Notes to Financial Statements, Continued

December 31, 2006 and 2005

(2) Furniture, Fixtures, and Equipment

Furniture, fixtures, and equipment consist of the following:

	<u>2006</u>	<u>2005</u>
Equipment	\$ 54,828	52,444
Furniture and fixtures	48,877	48,877
Leasehold improvements	<u>16,097</u>	<u>16,097</u>
	119,802	117,418
Less accumulated depreciation and amortization	<u>(102,396)</u>	<u>(93,376)</u>
	<u>\$ 17,406</u>	<u>24,042</u>

(3) Investments

IUPAC's investments were held by Merrill Lynch during most of 2005, until they were transferred to Wachovia Securities. The following table presents the fair market value of those investments (investments that represent five percent or more of net assets are separately identified):

	<u>2006</u>		<u>2005</u>
	<u>Number of shares/par</u>	<u>Fair value</u>	<u>Fair value</u>
Preferred fixed rate cap security (5.875%), matures June 2033	<u>6,000</u>	\$ <u>144,000</u>	-
Corporate bonds (3.5% - 7.375%), with various maturities through October 2016	\$ <u>1,925,000</u>	<u>1,972,638</u>	<u>2,776,943</u>
Foreign bonds (5.25%-5.75%), with various maturities through April 2015	\$ <u>970,000</u>	<u>1,255,545</u>	-
Government bond (4.75%), due January 2013	\$ <u>100,000</u>	<u>136,705</u>	-
Certificates of deposit (4.80% - 4.85%), with various maturities through February 2008	\$ <u>245,000</u>	<u>244,154</u>	-
Equity securities:			
Unit Investment Trust, S&P Midcap 400 Index	-	-	373,817
MLIIF European Value Portfolio, Class A2	-	-	442,131
MLIIF UA Basic Portfolio, Class A2	-	-	300,699
Other	-	<u>1,798,151</u>	<u>847,238</u>
Total equity securities		<u>1,798,151</u>	<u>1,963,885</u>
		<u>\$ 5,551,193</u>	<u>4,740,828</u>

INTERNATIONAL UNION OF PURE
AND APPLIED CHEMISTRY

Notes to Financial Statements, Continued

December 31, 2006 and 2005

(3) Investments, Continued

The cost of investments totaled \$5,337,648 and \$4,042,729 as of December 31, 2006 and 2005, respectively.

Investment income, net, consists of the following:

	<u>2006</u>	<u>2005</u>
Dividends and interest	\$ 239,385	252,986
Realized gains	877,513	88,533
Unrealized losses	<u>(484,553)</u>	<u>(212,247)</u>
	<u>\$ 632,345</u>	<u>129,272</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 \$25,168 and \$21,861 in 2006 and 2005, respectively.

Future estimated minimum rental expenses consist of \$22,575 for the year ending December 31, 2007.

(5) Net Assets

Temporarily restricted net assets as of December 31, 2006 and 2005 consist of interest earned on the Samsung General Chemicals Endowment Fund 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 and \$125,000, as of December 31, 2006 and 2005, respectively. 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.

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Notes to Financial Statements, Continued

December 31, 2006 and 2005

(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.

Item 13.4: Recommendation on Appointment of Auditors for 2007 and 2008

Bureau has recommended to Council the appointment of Batchelor, Tillery & Roberts, LLP, of Raleigh, North Carolina, USA as IUPAC Auditors for 2007 and 2008.

Council is asked to approve this recommendation.