2013
Management's Statement of Responsibility
and
Audited Financial Statements

Management's Statement of Responsibility
February 28, 2014

The management of the American Chemical Society (ACS) is responsible for the preparation, integrity, and fair presentation of the consolidated financial statements. The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States and, as such, include amounts based on estimates and judgments by management.

The consolidated financial statements have been audited by the independent accounting firm KPMG LLP, which was given unrestricted access to all financial records and related data, including minutes of all meetings of the Board of Directors. Their report, which follows, expresses their opinion as to whether the consolidated financial statements, considered in their entirety, fairly present the Society's financial position, operating results, and cash flows in conformity with accounting principles generally accepted in the United States. Management believes that all representations made to the independent auditors during their audit were valid and appropriate.

The Society maintains a system of internal controls over financial reporting which is designed to provide reasonable assurance to the Society's management and the ACS Board of Directors that assets are safeguarded, transactions are executed in accordance with management's authorization, and accounting records support the preparation of reliable published financial statements. The Society's internal controls are maintained through the establishment and communication of accounting and financial policies and procedures and by the selection and training of qualified personnel. There are, however, inherent limitations in the effectiveness of any system of internal controls, including the possibility of human error and the circumvention of controls. Accordingly, even an effective internal control system can provide only reasonable assurance with respect to financial statement preparation. Furthermore, the effectiveness of an internal control system can change with circumstances.

The Audit Committee of the ACS Board of Directors has a charter in place that outlines the Committee's responsibilities, which include engaging the independent auditors, reviewing accounting, auditing, internal control, and financial reporting matters, and meeting with management and the independent auditors to ensure that each is carrying out their responsibilities. Recommendations made by the independent auditors are considered and appropriate action is taken with respect to these recommendations. The independent auditors have unrestricted access to the Audit Committee.

Madeleine Jacobs
Executive Director & CEO

Brian A. Bernstein
Treasurer & CFO

AMERICAN CHEMICAL SOCIETY

Consolidated Financial Statements

December 31, 2013 and 2012

(With Independent Auditors' Report Thereon)

KPMG LLP
Suite 12000
1801 K Street, NW
Washington, DC 20006

Independent Auditors' Report

The Board of Directors
American Chemical Society:

We have audited the accompanying consolidated financial statements of the American Chemical Society and its subsidiaries, which comprise the consolidated statements of financial position as of December 31, 2013 and 2012, and the related consolidated statements of activities, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly in all material respects, the financial position of the American Chemical Society and its subsidiaries as of December 31, 2013 and 2012, and the results of their operations and their cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

KPMG LLP

February 28, 2014

American Chemical Society
Consolidated Statements of Financial Position
As of December 31

(in thousands)

	2013			2012
	Additional Consolidating Information			
	ACS Programs	Petroleum Research Fund	Total	Total
ASSETS				
Current Assets				
Cash and Cash Equivalents	$ 23,173	$ 14,496	$ 37,669	$ 86,601
Accounts and Pledges Receivable, Net	107,634	-	107,634	106,091
Inventories	2,114	-	2,114	1,953
Interfund (Payable) Receivable	(13,466)	13,466	-	-
Other	11,902	30	11,932	13,529
Total Current Assets	131,357	27,992	159,349	208,174
Non-Current Assets				
Buildings, Land, and Other Property, Net	107,570	12	107,582	109,467
Investments	483,689	531,915	1,015,604	863,085
Postretirement Benefits and Other	8,924	-	8,924	7,331
Total Non-Current Assets	600,183	531,927	1,132,110	979,883
Total Assets	$ 731,540	$ 559,919	$ 1,291,459	$ 1,188,057
LIABILITIES AND NET ASSETS				
Current Liabilities				
Accounts Payable	$ 27,801	$ 34	27,835	$ 27,153
Accrued Expenses	39,641	12,124	51,765	48,675
Deferred Revenues	165,202	-	165,202	160,514
Current Portion of Long-Term Debt	820	-	820	785
Postretirement Benefits and Other	3,228	-	3,228	3,224
Total Current Liabilities	236,692	12,158	248,850	240,351
Non-Current Liabilities				
Deferred Revenues	2,932	-	2,932	935
Long-Term Debt	840	-	840	1,646
Postretirement Benefits and Other	138,484	4,489	142,973	219,303
Total Non-Current Liabilities	142,256	4,489	146,745	221,884
Total Liabilities	378,948	16,647	395,595	462,235
Net Assets				
Unrestricted	250,730	-	250,730	138,796
Temporarily Restricted	28,431	470,772	499,203	447,543
Permanently Restricted	73,431	72,500	145,931	139,483
Total Net Assets	352,592	543,272	895,864	725,822
Total Liabilities and Net Assets	$ 731,540	$ 559,919	$ 1,291,459	$ 1,188,057

See accompanying notes to the consolidated financial statements

American Chemical Society
Consolidated Statements of Activities
For the Years Ended December 31
(in thousands)

	2013			2012
	Additional Consolidating Information			
	ACS Programs	Petroleum Research Fund	Total	Total
Change in Unrestricted Net Assets - Operations				
Revenues				
Electronic Services	$ 429,988	$ -	$ 429,988	$ 421,862
Member Insurance Premiums, Refunds, and Fees	15,310	-	15,310	11,464
Dues	11,958	-	11,958	12,277
Registration Fees and Booth Sales	9,745	-	9,745	11,145
Advertising	7,947	-	7,947	9,217
Printed Services	6,651	-	6,651	7,135
Investment Income	6,609	75	6,684	8,666
Net Assets Released from Restriction	5,499	22,196	27,695	28,921
Other	6,660	-	6,660	7,108
Total Unrestricted Revenues	500,367	22,271	522,638	517,795
Expenses				
Program Expenses				
Information Services	373,599	-	373,599	368,901
Membership and Scientific Advancement	28,499	-	28,499	28,035
Member Insurance Program	15,300	-	15,300	15,210
Education	8,983	-	8,983	10,476
Grants and Awards	2,840	20,593	23,433	22,673
Other	4,821	-	4,821	4,799
Supporting Expenses				
Administrative	37,523	1,678	39,201	39,597
Member Promotion and Retention	3,726	-	3,726	3,081
Other	8,195	-	8,195	8,645
Total Expenses	483,486	22,271	505,757	501,417
Change in Unrestricted Net Assets from Operations Before Non-Operating Activity	16,881	-	16,881	16,378
Change in Unrestricted Net Assets - Non-Operating Activity				
Net Investment Gains	34,107	-	34,107	31,568
Change in Pension Funding Status	60,946	-	60,946	(25,991)
Non-Operating Losses	-	-	-	(22,633)
Transfer of Net Assets	-	-	-	4
Change in Unrestricted Net Assets - Non-Operating Activity	95,053	-	95,053	(17,052)
Change in Unrestricted Net Assets	111,934	-	111,934	(674)
Change in Temporarily Restricted Net Assets				
Contributions	2,557	-	2,557	3,857
Net Investment Gains	2,531	64,170	66,701	48,363
Investment Income	2,449	8,206	10,655	11,700
Net Assets Released From Restriction	(5,499)	(22,196)	(27,695)	(28,921)
Adjustment of Pledges Receivable	(29)	-	(29)	(19)
Transfer of Net Assets	421	(950)	(529)	-
Change in Temporarily Restricted Net Assets	2,430	49,230	51,660	34,980
Change in Permanently Restricted Net Assets				
Contributions	971	-	971	79
Net Investment Gains	4,948	-	4,948	4,635
Transfer of Net Assets	529	-	529	-
Change in Permanently Restricted Net Assets	6,448	-	6,448	4,714
Change in Net Assets	120,812	49,230	170,042	39,020
Beginning Net Assets	231,780	494,042	725,822	686,802
Ending Net Assets	$ 352,592	$ 543,272	$ 895,864	$ 725,822

See accompanying notes to the consolidated financial statements

American Chemical Society
Consolidated Statements of Cash Flows
For the Years Ended December 31
(in thousands)

	2013 Additional Consolidating Information			2012
	ACS Programs	Petroleum Research Fund	Total	Total
Cash Flows From Operating Activities				
Change in Net Assets	$ 120,812	$ 49,230	$ 170,042	$ 39,020
Adjustments to Reconcile Change in Net Assets to Net Cash Provided By (Used in) Operating Activities:				
Net Investment Gains	(41,586)	(64,170)	(105,756)	(84,566)
Change in Pension Funding Status	(60,946)	-	(60,946)	25,991
Depreciation and Amortization	26,287	-	26,287	24,388
Contributions Restricted for Long-Term Investment	(971)	-	(971)	(79)
Amortization of Prepaid Bond Costs	14	-	14	14
Net Loss on Property Dispositions	789	-	789	802
Changes in Operating Assets and Liabilities:				
Decreases (Increases) in Assets:				
Accounts and Pledges Receivable	704	-	704	(20,434)
Inventories	(161)	-	(161)	897
Interfund (Payable) Receivable	(414)	414	-	-
Other Assets	1,671	(3)	1,668	(4,540)
Increases (Decreases) in Liabilities:				
Accounts Payable	651	31	682	604
Accrued Expenses	2,442	657	3,099	1,836
Deferred Revenues	6,685	-	6,685	17,720
Other Liabilities	(18,104)	891	(17,213)	(17,878)
Net Cash Provided by (Used in) Operating Activities	37,873	(12,950)	24,923	(16,225)
Cash Flows From Investing Activities				
Purchases of Investments	(144,101)	(1,541,631)	(1,685,732)	(1,619,065)
Sales and Maturities of Investments	89,883	1,546,830	1,636,713	1,698,597
Acquisitions of Buildings, Land, and Other Property	(25,010)	(12)	(25,022)	(24,326)
Net Cash (Used in) Provided by Investing Activities	(79,228)	5,187	(74,041)	55,206
Cash Flows From Financing Activities				
Payments on Debt	(785)	-	(785)	(750)
Contributions Restricted for Long-Term Investment	971	-	971	79
Net Cash Provided by (Used in) Financing Activities	186	-	186	(671)
Net (Decrease) Increase in Cash and Cash Equivalents	(41,169)	(7,763)	(48,932)	38,310
Beginning Cash and Cash Equivalents	64,342	22,259	86,601	48,291
Ending Cash and Cash Equivalents	$ 23,173	$ 14,496	$ 37,669	$ 86,601

See accompanying notes to the consolidated financial statements

AMERICAN CHEMICAL SOCIETY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 and 2012

1. ORGANIZATION AND PURPOSE

The American Chemical Society (the Society or ACS) was founded in 1876. It is a U.S. not-for-profit corporation whose national charter was approved by the U.S. Congress on August 25, 1937. The Society's consolidated financial statements include the operations of two wholly owned for-profit subsidiaries and an insurance trust. The Society was organized for the purposes of encouraging the advancement of chemistry; promoting research in chemical science; increasing and diffusing chemical knowledge; and promoting scientific interests and inquiry through its meetings, reports, papers, and publications. The Society has more than 161,000 members.

The Society is generally exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and accomplishes its exempt purpose through a number of programs. These programs include membership and educational activities such as continuing education programs; national and regional meetings, which provide forums for sharing scientific information; and support for the Society's membership in areas such as employment services and public outreach. In addition, the Society provides expert testimony at the federal, state, and local government levels on topics relevant to the chemistry enterprise. The Society also provides a significant service to its members and the chemistry enterprise in the form of scientific journals and databases pertaining to chemical and related scientific information that is available in electronic and print formats.

The principal sources of funding for the Society's activities include net revenues generated by the Publications Division and the Chemical Abstracts Service (CAS) Division. The Publications Division publishes a wide range of peer-reviewed scientific journals, periodicals, and books. CAS analyzes, abstracts, and indexes the world's disclosed chemistry-related research literature from more than 10,000 journals and other reputable web-based sources, plus chemistry-related patents from 63 international patent offices. CAS provides secure access to fully integrated chemical substance information through powerful search, retrieval, and analysis tools. Other sources of the Society's revenues include member dues, insurance premiums, registration fees, investment income, and contributions from individuals and institutions to support Society Programs. Products and services are sold domestically and in overseas markets, principally to Europe and Asia. The Society's diverse clientele is composed of its members and other chemistry-related practitioners, chemical and other industrial corporations, academic institutions, and government agencies.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Presentation

The accompanying consolidated financial statements include the accounts of the American Chemical Society and its related entities, which consist of ACS International, Ltd., a wholly owned international marketing services subsidiary; and Hampden Data Services, Ltd., a wholly owned chemical information software company. The consolidated financial statements also include the accounts of the American Chemical Society Petroleum Research Fund, an endowment fund established to advance scientific education and research in the petroleum field, and the American Chemical Society Insurance Trust, a grantor trust established to enable members of the Society to purchase insurance coverage through group insurance policies. All significant interorganizational transactions have been eliminated. The accounts of the Society's chapters, referred to as local sections and divisions, are not included in the Society's consolidated financial statements because the Society does not have a financial controlling interest in its chapters.

The preparation of financial statements, in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the 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. Actual results could differ from these estimates.

Fair Value of Financial Instruments

Financial Accounting Standards Board's Accounting Standard Codification for Fair Value Measurements and Disclosures establishes a framework for measuring fair value and expands disclosures about such fair value measurements. See Note 8 for the disclosure of the fair value of applicable financial assets and liabilities as required by the standard.

Investments, including alternative investments such as hedge funds, are reported at fair value. Fair value is based on quoted prices for securities traded on public exchanges. If a quoted market price is not available, fair value is estimated using quoted market prices for similar securities, or other reasonable valuation methodologies. Fair values for hedge funds and commingled fund shares are estimated by the respective external investment managers if market values are not readily ascertainable. These valuations necessarily involve assumptions and estimation methods, and therefore, the estimates could differ materially from actual results. The fair value of hedge funds and commingled fund shares is based on net asset value. The Society reviews and evaluates the values provided by the investment managers and agrees with the valuation methods and assumptions used in determining the fair value of the alternative investments. These investments are generally subject to certain withdrawal restrictions and are less liquid than the Society's other investments.

The carrying amounts of cash equivalents approximate fair value as a result of their short maturities. The fair values of foreign currency forward contracts are based on the applicable exchange rates at December 31.

The Society makes use of various investment instruments including U.S. government securities, corporate debt instruments, and corporate stocks. Investment securities, in general, carry various risks such as interest rate, credit, and overall market risk. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities may occur in the near term and such changes could materially affect the amounts reported in investments.

The Society also utilizes contractual arrangements classified as derivatives to carry out its investment strategy in order to: (1) hedge a portion of the Society's portfolio to limit or minimize exposure to certain risks, (2) gain exposure to a market more rapidly or less expensively than could be accomplished through the use of the cash markets, or (3) increase investment returns by reducing the cost of structuring the portfolio or by capturing value disparities between financial instruments. The Society utilizes repurchase agreements, over-the-counter (OTC) options and interest rate swaps as well as exchange traded instruments such as financial futures. When utilizing repurchase agreements and OTC instruments there is exposure to credit loss in the event of nonperformance by the counterparties to these transactions. Select major financial institutions are used in derivatives transactions. The Society manages this exposure through credit approvals, limits, monitoring procedures, and to the extent possible, by restricting the period over which unpaid balances are allowed to accumulate. Procedures are in place at the investment managers to regularly monitor and report market and counterparty credit risks associated with these instruments. The Society does not anticipate nonperformance by counterparties to these contracts and no material loss would be expected from any such nonperformance.

The following is a summary of the significant accounting policies associated with the Society's use of derivatives.

The Society utilizes financial futures contracts in the management of its fixed income securities portfolio principally to manage interest rate risk or increase investment returns by capturing value disparities between financial instruments. Upon entering into a futures contract, the Society is required to pledge to the broker an amount of cash and/or cash equivalents equal to the minimum initial margin requirements of the exchange. Futures contracts are valued at the last settlement price at the end of each day on the exchange upon which they are traded. Pursuant to the futures contract, the Society agrees to receive from, or pay to, the broker an amount of cash equal to the daily fluctuation in the value of the futures contract. Such receipts or payments are known as variation margin, and are settled daily for changes in their fair value and are included in the realized gains (losses) on futures contracts. The variation margin is recorded as an asset (liability) and as net appreciation (depreciation) in investments.

The Society may purchase securities on a delayed delivery (TBA securities), when issued, or forward commitment basis. Payment and delivery may take place one month or more after the date of the transaction. The price of the underlying securities and the date when the securities will be delivered and paid for are fixed at the time the transaction is negotiated. The underlying securities are valued at current market value with daily fluctuations in the market value included in net appreciation of investments. Losses may arise due to changes in the market value of

the underlying securities or if the counterparty does not perform under the contract, or if the issuer does not issue the securities due to political, economic or other factors. Securities sold, not yet purchased consist of U.S. government agency securities that the Society has sold short.

The Society may lend cash through the use of repurchase agreements whereby the Society agrees to purchase and subsequently sell certain securities at a mutually agreed-upon date and price with the counterparty (seller). The underlying securities consist of securities in which the Society is permitted to invest. The Society values the securities daily on a mark-to-market basis to determine that the value, including accrued interest, is at least equal to the repurchase price. If the counterparty defaults as a result of bankruptcy and the value of the securities decline, the proceeds of the liquidation of the securities by the Society may be delayed or limited.

The Society may utilize interest rate swap contracts to manage its exposure to interest rate risk. Interest rate swap contracts entered into by the Society typically represent the exchange by the Society with a counterparty of a commitment to make variable rate or fixed rate payments with respect to a notional amount of principal. Such contracts may have a term of one to ten years, but typically require periodic interim settlement in cash, at which time both the value of the index or security and the specified interest rate are reset for the next settlement period. During the period that the swap contract is open, the contract is marked-to-market as the net amount due to or from the Society in accordance with the terms of the contract based on the closing level of the relevant index or security and interest accrual through the valuation date. Changes in the value of the swap contract are recorded as unrealized gains or losses, while periodic cash settlements are recorded as realized gains or losses.

The Society may also purchase or sell option contracts on interest rate swaps in order to manage exposure to fluctuations in interest rates or hedge the fair value of other Society investments. Options on interest rate swaps give the purchaser the right, but not the obligation, to enter into an interest rate swap contract at a future date. If a call option on an interest rate swap is exercised, the purchaser will enter into a contract to receive the fixed rate and pay a floating rate in exchange. Exercising a put option on an interest rate swap would entitle the purchaser to pay a fixed rate and receive a floating rate. Option contracts on interest rate swaps are marked-to-market as the net amount due to or from the Society in accordance with the terms of the contract based on the closing level of the relevant market rate of interest. Changes in the value of the option are reported as unrealized gains or losses. A gain or loss is recognized when the option contract expires or is closed.

The Society also utilizes credit default swaps. Credit default swap contracts typically represent the exchange by the Society with a counterparty of a commitment to provide a level of credit protection for the potential risk of default of a bond issue. Selling credit protection to a counterparty tends to increase the Society's exposure to the underlying instrument. Purchasing credit protection from a counterparty tends to decrease the Society's exposure to the underlying instrument. Such contracts may have a term of one to ten years, but typically require periodic interim settlement in cash. During the period that the credit default swap contract is open, the contract is marked-to-market in accordance with the terms of the contract based on the current interest rate spreads and credit risk of the referenced obligation of the underlying issuer and interest accrual through valuation date. Changes in the value of the credit default swap are recorded as unrealized gains or losses, while periodic premium payments are recorded as revenue or expense.

Entering into a swap contract involves, to varying degrees, elements of credit, market, and interest rate risk in excess of the amounts reported in the investments. Notional principal amounts are used to express the extent of involvement in the transactions, but are not delivered under the contract. Accordingly, credit risk is limited to any amounts receivable from the counterparty. To reduce credit risk from potential counterparty default, the Society enters into swap contracts with counterparties whose creditworthiness has been approved by the investment managers. The Society bears the market risk arising from any change in index or security values or interest rates.

Concentration of Credit Risk

The Society is subject to potential concentrations of credit risk in its cash and cash equivalents and investments. Non-interest bearing deposits in financial institutions insured by the Federal Deposit Insurance Corporation (FDIC) were insured up to a maximum of $250,000 at December 31, 2013 and without limit at December 31, 2012. Cash and cash equivalents and investments at other financial institutions were insured up to $500,000, including a maximum of $250,000 for cash, by the Securities Investor Protection Corporation (SIPC). At December 31, 2013 and 2012, the aggregate balances were in excess of the insurance and, therefore, pose some risk since they are not collateralized. The Society has not experienced any losses on its cash and cash equivalents and investments to date in relation to FDIC and SIPC insurance limits.

Capital Market Risk

The Society invests in common stocks, preferred stocks, and fixed income securities, which are subject to market risk and may result in gains or losses due to changes in market value. In addition, the Society utilizes futures and options to hedge changes in the market value of underlying investments, and forward contracts to hedge changes in the value of revenue denominated in foreign currencies. These financial instruments are also subject to market risk and may result in gains or losses; however, they are not used to leverage market exposure, and any such gains or losses would be largely offset by changes in the market value of the underlying investments or foreign currencies.

Cash Equivalents

All investments with a maturity of three months or less, at the date of purchase, are considered to be cash equivalents.

Investments

Investments are recorded at fair value with the related gain or loss reported in the consolidated statements of activities. Purchases and sales of investments are recorded on the trade date. Investment income, consisting of interest and dividends, is recorded when earned.

Printed and Electronic Information Services

Revenue from the sale of printed materials and electronic information services is recognized when the printed product is shipped or when the electronic information service is provided to the customer. Subscription revenue from the sale of printed materials and electronic subscriptions is recognized ratably over the term of the subscription.

Dues, Subscriptions, and Other Payments Received in Advance

The Society receives substantial amounts of dues, subscriptions and other payments each year for services to be rendered and publications to be delivered in future periods. These amounts are included in deferred revenues in the accompanying consolidated statements of financial position and are recognized ratably over the term of the service.

Inventories

Inventories of paper, educational books, and other materials totaled approximately $290,000 and $329,000 at December 31, 2013 and 2012, respectively.

Work-in-process inventories totaled approximately $1,824,000 in 2013 and $1,624,000 in 2012. Amounts include manuscript acquisition, peer review, and publication costs incurred during the fourth quarter for journals to be sold during the first quarter of the following year.

Inventories are stated at the lower of cost or net realizable value. Cost is determined on a first-in, first-out basis.

Buildings, Land, and Other Property

Buildings and improvements; computer equipment and software; and furniture, fixtures, and office equipment are carried at cost less accumulated depreciation and amortization. Improvements which extend the estimated useful life of an asset are capitalized. Internally developed software is capitalized in accordance with the Financial Accounting Standards Board's Accounting Standard Codification for Internal Use Software.

Assets are amortized on a straight-line basis over the useful life of an asset. One-half year's depreciation of amortization is taken in the year an asset is placed in service. Useful lives generally range from 3 to 15 years for computer equipment and software; 3 to 45 years for buildings and improvements; and 3 to 10 years for furniture, fixtures, and office equipment. Repairs and maintenance costs are charged to expense as incurred.

Temporarily and Permanently Restricted Net Assets

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods, or are restricted by the donor for specific purposes, are reported as temporarily restricted or permanently restricted support that increases those net asset classes.

A donor restriction expires when a stipulated time restriction ends or when a purpose restriction is accomplished. Upon expiration, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the statements of activities as net assets released from restriction. Restricted contributions received in the same year in which the restrictions are met are recorded as an increase to restricted support at the time of receipt and as net assets released from restriction.

Donor restrictions that permanently limit the use of contributed assets are classified as permanently restricted support. Income earned on permanently restricted assets is recorded in accordance with the donor's designation. Income that is permanently restricted by the donor is reported as permanently restricted support. Income designated as restricted for a future period or for a specific purpose is reported as temporarily restricted support. Upon expiration of the restriction, the temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the consolidated statements of activities as net assets released from restriction.

Government Grants and Contracts

Revenues from government contracts are derived from fixed-price arrangements and are recognized based on labor hours expended times a fixed-price rate per hour. Revenues from government grants are recognized as allowable costs are incurred. Both government grants and contracts are subject to audit by federal agencies. Grant and contract revenues are included in other revenues in the accompanying consolidated statements of activities.

Member Insurance Program

The Society maintains a separate Member Insurance Program, the American Chemical Society Insurance Trust (the Insurance Trust), which provides members with insurance coverage through several group insurance policies. The Insurance Trust currently maintains group insurance policies that provide term life, accidental death and dismemberment, hospital indemnity, long-term disability, long-term care, excess major medical, short-term medical, Medicare supplemental, auto, homeowners and professional liability insurance coverage. Insurance carriers underwrite these policies while third-party administrators handle the processing and administration of the claims.

The Insurance Trust generates revenues from premiums received from program participants, refunds from the insurance carrier based on favorable claims experience, endorsement fees, interest and dividends earned on investments, and interest income earned on reserves held by the insurance carrier to ensure the stability of the program. The Insurance Trust's expenses include the cost of purchasing group insurance policies, as well as the cost of administering these programs.

Given the uncertainty of claims experience in any given year and the resulting impact on the level of experience refunds from the insurance carrier, the Insurance Trust can have either a positive or a negative impact on the Society's consolidated statements of activities. The Insurance Trust accounted for a $5,578,000 and $722,000 increase in the Society's unrestricted net assets for the years ended December 31, 2013 and 2012, respectively. The Insurance Trust accounts for $43,739,000 and $38,161,000 of the Society's total unrestricted net assets as reported in the consolidated statements of financial position as of December 31, 2013 and 2012, respectively. The activities of the Insurance Trust are included in ACS Programs in the consolidated financial statements.

Petroleum Research Fund

The American Chemical Society Petroleum Research Fund is an endowment fund established on October 25, 2000 as a result of The Agreement of Transfer of Trust (Agreement) between the Society and Morgan Guaranty Trust Company of New York, approved by the Attorney General for the State of New York, and ordered by the Supreme Court of New York. The Agreement dissolved the Petroleum Research Fund Trust (the Trust) and transferred the assets to the Society to create the American Chemical Society Petroleum Research Fund (the Fund), the purpose of which is the same as the Trust. The Agreement made the Society responsible for the management and administration of the Fund in an account separate and apart from any other accounts of the Society. As a result of the transfer, the historic dollar value for the Petroleum Research Fund was established at $72,500,000, the value of the securities originally donated in 1944 to create the Trust. This amount must be held inviolate as permanently restricted assets.

The assets of the Fund consist primarily of domestic equities, foreign equities, fixed income securities, and hedge funds. Under the terms of the Agreement, annual payouts from the Fund are capped at a maximum spending rate of 5% of the net asset value of the Fund over a rolling three-year average. The Society uses distributions from the Fund to make grants for advanced scientific education and fundamental research in the petroleum field. Grants are expensed when awarded by the Society's Board of Directors and accepted by the recipient. All grants awarded by the Fund in 2013 and 2012 were accepted by the grant recipients.

Other Expenses

Supporting expenses identified as other in the consolidated statements of activities include expenses associated with the Society's web strategy and operations, the investment program and fund-raising activities.

Foreign Currency Transactions

Portions of the Society's receipts and expenditures are in foreign currencies. The Society enters into foreign currency forward contracts to reduce the risk that exchange rate fluctuations will impact the U.S. dollar value of future net revenues denominated in foreign currency.

The Society is required to recognize unrealized gains and losses related to unsettled foreign currency forward contracts at December 31. Forward contracts and related receivables/payables outstanding at December 31 are recorded at fair value using the appropriate forward exchange rates at December 31. To the extent the year-end rate differs from the forward contract rate, an unrealized gain or loss results. The Society had an unrealized gain of $2,256,000 and $6,399,000 as of December 31, 2013 and 2012, respectively. The unrealized gains are included in net investment gains from non-operating activities in the consolidated statements of activities. The cumulative impact is included in accounts receivable in the consolidated statements of financial position.

The following table summarizes the notional amounts relating to unsettled foreign currency forward contracts maturing at various times through 2016:

	2013	2012
Contracts Maturing in 2013	$ -	$ 55,952,000
Contracts Maturing in 2014	50,606,000	32,694,000
Contracts Maturing in 2015	30,382,000	5,811,000
Contracts Maturing in 2016	5,091,000	-
Total Notional Amount of Unsettled Forward Contracts	$ 86,079,000	$ 94,457,000

To the extent that actual remittances in foreign currencies differ from contracted amounts, and the exchange rates at time of settlement are different from contracted exchange rates, the Society will realize gains or losses on settlement. The Society recorded realized gains of $142,000 and realized losses of $74,000 in 2013 and 2012, respectively, from foreign exchange transactions. The realized gains and losses are included in information services expenses in the consolidated statements of activities.

3. RESTRICTED NET ASSETS

Temporarily restricted net assets at December 31 were available for the following programs:

	2013	2012
Petroleum Research Fund	$ 470,772,000	$ 421,542,000
Grants and Awards	25,068,000	22,662,000
Membership and Scientific Advancement	2,317,000	2,253,000
Education	918,000	920,000
Other	128,000	166,000
Total Temporarily Restricted Net Assets	$ 499,203,000	$ 447,543,000

Temporarily restricted net assets were released from restriction for the following programs by incurring expenses satisfying the purposes specified by the donors during the years ended December 31:

	2013	2012
Petroleum Research Fund	$ 22,196,000	$ 20,483,000
Grants and Awards	2,231,000	3,262,000
Education	1,869,000	3,895,000
Membership and Scientific Advancement	1,341,000	1,220,000
Other	58,000	61,000
Total Net Assets Released from Restriction	$ 27,695,000	$ 28,921,000

Permanently restricted net assets are invested in perpetuity. The income generated by these assets is used to support donor-specified programs or general activities of the Society. At December 31, the Society held the following permanently restricted net assets, the income from which supports the following programs:

	2013	2012
Petroleum Research Fund	$ 72,500,000	$ 72,500,000
Grants and Awards	71,488,000	65,188,000
Membership and Scientific Advancement	1,943,000	1,795,000
Total Permanently Restricted Net Assets	$ 145,931,000	$ 139,483,000

The Society incurred direct fundraising expenses of $1,269,000 in 2013 and $1,235,000 in 2012.

4. ENDOWMENTS

The Society's Board of Directors has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the historical cost 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, the Society classifies as permanently restricted net assets the original value of gifts donated to permanent endowments, the original value of subsequent gifts to permanent endowments, and accumulations to permanent endowments made in accordance with explicit donor instructions stipulated in the gift instruments. The remaining

portions of the donor-restricted endowment funds that are not classified in permanently restricted net assets are classified as temporarily restricted net assets until those amounts are made available for expenditure in a manner consistent with the donor gift instrument, the program operating budgets, and the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Society considers the following factors in making a determination as to the preservation and use of the donor-restricted endowment funds:

- The donor gift instrument;
- The duration and preservation of the fund;
- The purposes of the Society and the fund;
- General economic conditions;
- The possible effect of inflation and deflation;
- The expected total return from income and the appreciation of investments;
- Other resources of the Society; and
- The Society's investment policies.

Donor-restricted endowment funds are invested in accordance with the Society's investment policy. The investment policy is intended to assure the Society's Board of Directors and the Board Committee on Pensions and Investments that the assets of the Society are being invested in accordance with the best long-term interests of the Society and its donors, given the following considerations:

- The Society's risk tolerance;
- The Society's need to obtain real, or inflation-adjusted, growth in its investments; and
- The Society's requirement for current income to support programs and activities.

The Society has adopted investment policies for endowment assets that attempt to generate a sufficient level of funding for programs supported by endowments. The policy is designed to achieve real growth in asset base over the long-term. Endowment assets include those assets of donor-restricted funds that the Society must hold in perpetuity or for a donor-specified period or purpose. Under this policy, as approved by the Board Committee on Pensions and Investments, endowment assets are invested in a manner intended to provide an average rate of return of approximately 7% percent annually with a moderate level of investment risk. Actual returns in any given year will vary from this amount.

To satisfy its long-term rate-of-return objectives, the Society 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 Society targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Funds are appropriated from the endowment funds when expenses are approved by management. Expenditures of endowment assets are recorded in accordance with the explicit donor instructions stipulated in the gift instruments.

The Society has 26 donor-restricted endowment funds established for a variety of purposes. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. In accordance with these principles, the Society has permanently and temporarily restricted donor endowment funds.

The following tables show the beginning balance of the Society's endowment funds as of January 1, changes in endowment net assets for the year, and ending balances as of December 31, 2012 and 2013, respectively:

	Permanently Restricted Endowment Funds	Temporarily Restricted Endowment Funds	Total
Endowment Net Assets as of January 1, 2012	$ 134,769,000	$ 405,210,000	$ 539,979,000
Investment Return			
Investment Income	-	11,656,000	11,656,000
Net Gains	4,635,000	48,294,000	52,929,000
Total Investment Return	4,635,000	59,950,000	64,585,000
Contributions	79,000	-	79,000
Net Assets Released from Restriction	-	(22,564,000)	(22,564,000)
Other Changes/Transfers	-	(152,000)	(152,000)
Endowment Net Assets as of December 31, 2012	$ 139,483,000	$ 442,444,000	$ 581,927,000
Endowment Net Assets as of January 1, 2013	$ 139,483,000	$ 442,444,000	$ 581,927,000
Investment Return			
Investment Income	-	10,600,000	10,600,000
Net Gains	4,948,000	66,625,000	71,573,000
Total Investment Return	4,948,000	77,225,000	82,173,000
Contributions	971,000	-	971,000
Net Assets Released from Restriction	-	(24,763,000)	(24,763,000)
Other Changes/Transfers	529,000	(974,000)	(445,000)
Endowment Net Assets as of December 31, 2013	$ 145,931,000	$ 493,932,000	$ 639,863,000

The Society classifies its permanently and temporarily donor-restricted endowment funds as follows at December 31:

	2013	2012
Permanently Restricted Net Assets		
The portion of perpetual endowment funds required to be retained permanently either by explicit donor stipulation or UPMIFA	$ 145,931,000	$ 139,483,000
Temporarily Restricted Net Assets		
The portion of perpetual endowment funds subject to a purpose restriction	$ 493,868,000	$ 442,402,000
The portion of perpetual endowment funds subject to a time restriction	64,000	42,000
Total Temporarily Restricted Net Assets	$ 493,932,000	$ 442,444,000

5. ACCOUNTS AND PLEDGES RECEIVABLE

Accounts and pledges receivable, due in less than one year, consisted of the following at December 31:

	2013	2012
Accounts Receivable	$ 108,610,000	$ 107,976,000
Pledges Receivable	1,273,000	1,097,000
Accounts and Pledges Receivable	109,883,000	109,073,000
Less: Allowance for Doubtful Receivables	2,249,000	2,982,000
Accounts and Pledges Receivable, Net	$ 107,634,000	$ 106,091,000

The Society's pledges receivable represent unconditional promises to give. Long-term pledges are recorded in postretirement benefits and other and totaled $935,000 and $1,047,000 as of December 31, 2013 and 2012, respectively.

6. BUILDINGS, LAND, AND OTHER PROPERTY

At December 31, buildings, land, and other property consisted of the following:

	2013	2012
Computer Equipment and Software	$ 161,608,000	$ 155,706,000
Buildings and Improvements	109,237,000	106,210,000
Furniture, Fixtures, and Office Equipment	27,497,000	26,959,000
Land	2,930,000	2,930,000
	301,272,000	291,805,000
Less: Accumulated Depreciation and Amortization	193,690,000	182,338,000
Buildings, Land, and Other Property, Net	$ 107,582,000	$ 109,467,000

7. LONG-TERM DEBT

At December 31, long-term debt consisted of the following:

	2013	2012
District of Columbia Pooled Loan Program Revenue Bonds (Series A)	$ 1,680,000	$ 2,465,000
Less: Unamortized Bond Issuance Costs	20,000	34,000
Less: Current Portion of Long-Term Debt	820,000	785,000
Long-Term Portion of Debt, Net	$ 840,000	$ 1,646,000

The District of Columbia Pooled Loan Program Revenue bonds (Series A) were issued in the face amount of $9,560,000 in May 2000. The Series A Bonds were issued for the purpose of refinancing $9,376,000 on a mortgage loan that came due on May 1, 2000, on a building owned by the Society. The remaining balance of $184,000 was used to pay issuance costs on the bonds. Interest is payable monthly, with rates established weekly by the Bank of America, N.A. taking into consideration a variety of factors, including several external indices, current market conditions, and short-term expectations of the credit markets. The rates were 0.20% and 0.30% at December 31, 2013 and 2012, respectively. Principal is payable semi-annually with final payment due July 1, 2015.

The estimated fair value of the Society's debt was $1,680,000, and $2,465,000 as of December 31, 2013 and 2012, respectively. The fair value was based on indirectly observable inputs such as interest rates and yield

curves, which represent Level 2 inputs on the fair value hierarchy. Total interest paid in both 2013 and 2012 was approximately $22,000 and $29,000, respectively.

The loan agreement requires the Society to meet certain financial covenants, which, in the opinion of management, the Society satisfied for the years ended December 31, 2013 and 2012.

Annual maturities of long-term debt are as follows:

Years Ended December 31	Principal Amount
2014	$ 820,000
2015	860,000
	$ 1,680,000

8. FAIR VALUE OF FINANCIAL INSTRUMENTS

The Financial Accounting Standards Board's Accounting Standard Codification for Fair Value Measurements and Disclosures establishes a common definition for fair value to be applied to U.S. generally accepted accounting principles requiring use of fair value. This standard establishes a framework for measuring fair value and clarifies that fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at measurement date. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability.

As a basis for considering assumptions, the fair value measurement standard establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. The statement requires that assets and liabilities carried at fair value be classified and disclosed in one of the following three categories:

- Level 1 – Observable inputs such as quoted prices in active markets for identical assets or liabilities (e.g., U.S. Treasury issues, equities and mutual funds traded on major exchanges);
- Level 2 – Inputs, other than quoted prices in active markets for identical assets or liabilities, that are observable either directly or indirectly, such as interest rates, yield curves and quoted prices in active markets for similar assets or liabilities (e.g., U.S. agency issues, corporate bonds, money market funds, equity common funds, debt outstanding and foreign exchange forward contracts); and
- Level 3 – Unobservable inputs in which there is little or no market data, requiring the reporting entity to develop its own assumptions (e.g., hedge funds).

The Society utilizes the best information available in measuring fair value and financial assets and liabilities are classified based on the lowest level of input that is significant to the fair value measurement.

The Society utilizes the services of the custodians of the assets to provide a valuation estimate based on previously disclosed techniques and processes which have been reviewed for propriety and consistency with consideration given to asset type and investment strategy. In addition, the custodian may also use established procedures for determining the fair value of securities which reflect their own assumptions. Management makes best estimates based on information available. The following estimates and assumptions were used to determine the fair value of financial instruments listed above:

- Cash Equivalents – Cash equivalents consist of deposits in money market funds, certificates of deposits, cash collateral held by custodians and repurchase agreements. Deposits in money market funds are classified Level 2 given that the fund's securities are valued at amortized cost in order to determine net asset value. Certificates of deposits, cash collateral held by custodians and repurchase agreements are classified Level 2 based on prices for similar assets.
- Fixed Income Securities – Fixed income securities include, but are not limited to, U.S. Treasury issues, U.S. government agency issues, corporate securities, mortgage backed securities, asset backed securities, municipal bonds, and fixed income mutual funds. U.S. Treasury issues and certain fixed income mutual funds are valued using quoted prices in active markets for identical assets and are

classified Level 1. The remainder of these securities is valued using quoted prices in active markets for similar securities and is classified as Level 2.

- Equity Investments – Equity investments consist of, but are not limited to, mutual funds, separate accounts, common trust funds, and hedge funds. These assets consist of both publicly traded and privately held securities.

    - Publicly traded securities – These investments consist of domestic and foreign equity holdings. Securities traded on active exchanges are priced using unadjusted market quotes for identical assets and are classified as Level 1. Securities that are traded infrequently or that have comparable traded assets are priced using available quotes and other market data that are observable and are classified as Level 2.

    - Privately held securities – These investments consist of hedge funds which are privately held and trade infrequently, if at all. The valuations of the hedge funds are calculated by the investment managers based on valuation techniques that take into account the market value of the underlying assets to arrive at a net asset value for shares. The funds are limited partnerships and shares are not readily redeemable. No active market exists for these investments and they are classified as Level 3.

- Deferred Compensation Plan Assets – The Society offers a non-qualified tax advantaged deferred-compensation retirement plan per Section 457 of the IRS Code to certain employees. Assets of the Plan are comprised of 17 mutual funds that are actively traded on major exchanges. Sixteen of the mutual funds are classified as Level 1. The remaining fund is a money market fund that values securities at amortized cost in order to determine net asset value and is classified Level 2.

- Foreign Currency Forward Contracts - Portions of the Society's receipts and expenditures are in foreign currencies. The Society enters into foreign currency forward contracts to reduce the risk that exchange rate fluctuations will impact the U.S. dollar value of future net revenues denominated in foreign currency. The Society is required to recognize unrealized gains and losses related to unsettled foreign currency forward contracts at December 31. The unrealized gains / losses are determined using quoted prices in active markets for similar contracts and are classified as Level 2.

Long-term investments consisted of the following as of December 31:

	2013	**2012**
Net Investments Reported at Fair Value	$1,049,978,000	$ 934,276,000
Sales Pending Settlement	56,698,000	41,769,000
Purchases Pending Settlement	(91,072,000)	(112,960,000)
Total Investments	$1,015,604,000	$ 863,085,000

The following tables summarize the 2013 and 2012 valuations for the Society's financial instruments according to the classification hierarchy:

Fair Value of Financial Instruments as of December 31, 2013

	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)
Financial Assets				
Cash Equivalents	$ 35,729,000	$ -	$ 35,729,000	$ -
Investments:				
Cash Equivalents	23,914,000	-	23,914,000	-
Fixed Income:				
U.S. Treasury Securities	104,775,000	104,775,000	-	-
U.S. Gov't Agency Securities	81,332,000	-	81,332,000	-
Asset Backed Securities	5,542,000	-	5,542,000	-
Mortgage Backed Securities	21,261,000	-	21,261,000	-
Corporate Securities	90,269,000	-	90,269,000	-
International Securities	29,626,000	23,000	29,603,000	-
Municipals	8,372,000	-	8,372,000	-
Domestic Mutual Funds	25,266,000	25,266,000	-	-
International Mutual Funds	865,000	18,000	847,000	-
Credit Default Swaps	96,000	-	96,000	-
Interest Rate Swaps	888,000	-	888,000	-
Options on Interest	405,000	-	405,000	-
Equity:				
Domestic Issues	67,839,000	67,839,000	-	-
International Issues	6,626,000	6,626,000	-	-
Domestic Mutual Funds	29,724,000	29,724,000	-	-
International Mutual Funds	6,064,000	6,064,000	-	-
Hedge Funds	111,967,000	-	-	111,967,000
Common Collective Trusts:				
Domestic Equity	270,537,000	-	270,537,000	-
Domestic Fixed Income	13,931,000	-	13,931,000	-
International Equity	158,097,000	-	158,097,000	-
Total Investments Reported at Fair Value	1,057,396,000	240,335,000	705,094,000	111,967,000
Other:				
Deferred Compensation Plan Assets	6,005,000	5,605,000	400,000	-
Foreign Currency Forward Contracts	6,757,000	-	6,757,000	-
Total Assets Reported at Fair Value	$ 1,105,887,000	$ 245,940,000	$ 747,980,000	$ 111,967,000
Financial Liabilities				
Investments:				
Securities Sold, Not Yet Purchased	$ 6,217,000	$ -	$ 6,217,000	$ -
Fixed Income:				
Credit Default Swaps	626,000	-	626,000	-
Interest Rate Swaps	50,000	-	50,000	-
Options On Interest	525,000	18,000	507,000	-
Total Liabilities Reported at Fair Value	$ 7,418,000	$ 18,000	$ 7,400,000	$ -

Fair Value of Financial Instruments as of December 31, 2012

	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)
Financial Assets				
Cash Equivalents	$ 84,094,000	$ -	$ 84,094,000	$ -
Investments:				
Cash Equivalents	12,384,000	-	12,384,000	-
Fixed Income:				
U.S. Treasury Securities	129,078,000	129,078,000	-	-
U.S. Gov't Agency Securities	85,993,000	-	85,993,000	-
Asset Backed Securities	5,212,000	-	5,212,000	-
Mortgage Backed Securities	38,576,000	-	38,576,000	-
Corporate Securities	43,256,000	-	43,256,000	-
International Securities	41,873,000	-	41,873,000	-
Municipals	22,648,000	-	22,648,000	-
Domestic Mutual Funds	16,071,000	16,071,000	-	-
International Mutual Funds	1,930,000	14,000	1,916,000	-
Credit Default Swaps	487,000	-	487,000	-
Interest Rate Swaps	233,000	-	233,000	-
Options on Interest	190,000	-	190,000	-
Equity:				
Domestic Issues	51,586,000	51,586,000	-	-
International Issues	4,856,000	4,856,000	-	-
Domestic Mutual Funds	19,520,000	19,520,000	-	-
International Mutual Funds	6,396,000	6,396,000	-	-
Hedge Funds	98,513,000	-		98,513,000
Common Collective Trusts:				
Domestic Equity	196,043,000	-	196,043,000	-
Domestic Fixed Income	18,578,000	-	18,578,000	-
International Equity	146,942,000	-	146,942,000	-
Total Investments Reported at Fair Value	940,365,000	227,521,000	614,331,000	98,513,000
Other:				
Deferred Compensation Plan Assets	4,341,000	3,903,000	438,000	-
Foreign Currency Forward Contracts	4,509,000	-	4,509,000	-
Total Assets Reported at Fair Value	$ 1,033,309,000	$ 231,424,000	$ 703,372,000	$ 98,513,000
Financial Liabilities				
Investments:				
Securities Sold, Not Yet Purchased	$ 2,163,000	$ -	$ 2,163,000	$ -
Fixed Income:				
Credit Default Swaps	280,000	-	280,000	-
International Securities	29,000	29,000	-	-
Interest Rate Swaps	2,746,000	-	2,746,000	-
Options On Interest	871,000	-	871,000	-
Total Liabilities Reported at Fair Value	$ 6,089,000	$ 29,000	$ 6,060,000	$ -

Financial futures contracts had a notional value of $75,850,000 and $6,698,000 at December 31, 2013 and 2012, respectively.

As of December 31, 2013 and 2012, there were no assets or liabilities measured on a non-recurring basis.

The Society maintains balanced investment portfolios structured to generate current income and long-term appreciation. Funds for current operating needs are invested in cash equivalents. Investment management fees are netted against investment income and these amounts totaled $1,044,000 and $1,012,000 for the years ended December 31, 2013 and 2012, respectively.

As of December 31, 2013 and 2012, fair value estimates for investment funds whose fair value is calculated based on net asset value per share are displayed in the tables below. There were no unfunded commitments in either year.

	2013			
	Note	**Fair Value**	**Redemption Frequency (If Currently Eligible)**	**Redemption Notice Period**
Common Collective Trusts				
Domestic Equity	A	$ 270,537,000	Daily	1 day
Domestic Fixed Income	A	13,931,000	Daily	1 day
International Equity Index Fund	A	6,026,000	Daily	1 day
International Equity	A	112,162,000	Bi-weekly	5 days
Emerging Markets Equity	A	39,909,000	Daily	2 days
Fixed Income Domestic Mutual Funds	A	25,266,000	Daily	Same day
Fixed Income International Mutual Funds	A	865,000	Daily	Same day
Equity - Domestic Mutual Funds	A	29,724,000	Daily	Same day
Equity - International Mutual Funds	A	6,064,000	Daily	Same day
Equity - Hedge Funds	B	111,967,000	See Note B	See Note B
Deferred Compensation Plan Assets	A	6,005,000	Daily	Same day
Total		$ 622,456,000		

	2012			
	Note	**Fair Value**	**Redemption Frequency (If Currently Eligible)**	**Redemption Notice Period**
Common Collective Trusts				
Domestic Equity	A	$ 196,043,000	Daily	1 day
Domestic Fixed Income	A	18,578,000	Daily	1 day
International Equity Index Fund	A	5,604,000	Daily	1 day
International Equity	A	91,542,000	Bi-weekly	3 days
Emerging Markets Equity	A	49,796,000	Daily	3 days
Fixed Income Domestic Mutual Funds	A	16,071,000	Daily	Same day
Fixed Income International Mutual Funds	A	1,930,000	Daily	Same day
Equity - Domestic Mutual Funds	A	19,520,000	Daily	Same day
Equity - International Mutual Funds	A	6,396,000	Daily	Same day
Equity - Hedge Funds	B	98,513,000	See Note B	See Note B
Deferred Compensation Plan Assets	A	4,341,000	Daily	Same day
Total		$ 508,334,000		

Note A: Investments in these categories consist of investments in commingled funds or mutual funds that invest in domestic equities, foreign equities or fixed income securities. Fair market value of the investments has been estimated using the net asset value per share of the investments.

Note B: Hedge funds use multiple strategies to diversify risk and reduce volatility. The fair market value of the investments in this category has been estimated using the net asset value per share of the investments. Investments in this category have restrictions on redemption. The restriction period for these investments ranged from three months to three years at December 31, 2013 and December 31, 2012. Redemptions which can be made on a quarterly basis have a 65 day notice period at December 31, 2013.

The change in fair value of the Society's investments valued using significant unobservable inputs (Level 3) as of December 31 is shown below.

	2013 Hedge Funds	2012 Hedge Funds
Beginning Balance	$ 98,513,000	$ 89,779,000
Net Gains	14,873,000	8,734,000
Purchases	-	-
Sales	(1,419,000)	-
Ending Balance	$ 111,967,000	$ 98,513,000

Included in net gains for the Society's hedge funds are unrealized losses of $1,644,000 and unrealized gains of $8,734,000 as of December 31, 2013 and 2012, respectively. These unrealized losses and gains are reported as a change in net assets in the Society's consolidated statements of activities.

The following tables provide the fair value and gains and losses of credit default swaps and interest rate swaps as of and for the years ended December 31, 2013 and 2012:

	2013		
	Assets	Liabilities	Gains/(Losses)
Credit Default Swaps	$ 96,000	$ (626,000)	$ (680,000)
Interest Rate Swaps	888,000	(50,000)	615,000
Total	$ 984,000	$ (676,000)	$ (65,000)

	2012		
	Assets	Liabilities	(Losses)
Credit Default Swaps	$ 487,000	$ (280,000)	$ (229,000)
Interest Rate Swaps	233,000	(2,746,000)	(1,514,000)
Total	$ 720,000	$ (3,026,000)	$ (1,743,000)

As of December 31, 2013 and 2012, the total notional amount of credit default swap contracts for buy protection amounted to $20,805,000 and $41,100,000, respectively. The total notional amount of credit default swap contracts for sell protection amounted to $1,200,000 as of December 31, 2013. There were no notional amounts related to sell protection for 2012.

There were no notional amounts related to interest rate swap contracts that pay based on fixed rates at December 31, 2013 and 2012. The notional amount of contracts that pay based on floating rates were $(363,700,000) and $(46,600,000) at December 31, 2013 and 2012, respectively.

9. DEFINED BENEFIT PENSION, POSTRETIREMENT MEDICAL BENEFITS, AND OTHER BENEFITS

The Society has a funded noncontributory defined benefit pension plan, which is qualified under Section 401(a) of the Internal Revenue Code and covers employees hired prior to September 1, 2007. The Society makes actuarially determined contributions to satisfy all funding requirements. Effective November 1, 2001, the plan was amended to provide a cash balance defined benefit option to all new employees hired on or after the effective date, while preserving the current final average pay defined benefit option for current employees who did not elect the cash balance option. The amendment did not change the benefit for service accrued up to October 31, 2001. Effective September 1, 2007, the defined benefit pension plan was closed to new employees.

In 2007, the Society announced that all benefit-eligible employees hired on or after September 1, would participate in the new ACS Defined Contribution Retirement Plan (DCRP). The plan provides an employer contribution equal to 6% of base pay, plus a company match equal to 50% of the first 6% a participant contributes to the 403(b) Tax Deferred Investment Program and/or the DCRP. Employees hired before September 1, 2007 were given a choice to remain in the defined benefit pension plan, or prospectively move to this new DCRP.

Effective October 31, 2009, the Society froze further accruals associated with its defined benefit pension plan (final average pay and cash balance options). All participants were transitioned to the DCRP. Years of service and earnings for staff that accrued benefits in the final average pay option were frozen as of October 31, 2009. For staff enrolled in the cash balance option the Society's contributions to the plan ceased at the conclusion of the last full pay period in October 2009. Participants in the cash balance plan continue to receive interest credits, 2.88% per annum for the 2013 plan year, applied to frozen account balances as of October 31, 2009. Participants in each plan option will become eligible for pay-out (provided participants are vested) at a future date upon termination of employment in accordance with plan provisions.

The Society provides postretirement medical benefits to all benefit-eligible employees who were employed as of October 31, 2001, have earned at least five years of service, reach retirement age while employed by the Society, and are collecting retirement benefits from the Society's pension plan. The medical benefits plan is contributory with participants' contributions adjusted annually. The plan's prescription benefit is actuarially equivalent to Medicare Part D and eligible for the federal subsidy. The Society's contributions toward the overall cost of retiree health insurance for current and future eligible retirees is capped at the 2009 level, while cost sharing and service credits continue.

The estimated net actuarial loss for the defined benefit pension plan that will be amortized from non-operating income for 2014 is $4,511,000. The estimated net actuarial loss and prior service credit for the postretirement medical plan that will be amortized from non-operating income for 2014 are $2,658,000 and $(5,576,000), respectively.

The following table presents the change in benefit obligations, change in plan assets, and the composition of accrued benefit costs and amounts recognized in the accompanying consolidated statements of financial position and consolidated statements of activities for the years ended December 31, 2013 and December 31, 2012.

Defined Benefit Pension and Postretirement Medical Benefits:

	Pension Benefits		Postretirement Medical Benefits	
	2013	2012	2013	2012
Change in Benefit Obligations				
Benefit Obligations at January 1	$ 732,588,000	$ 663,412,000	$ 52,936,000	$ 47,350,000
Service Cost	-	-	728,000	623,000
Interest Cost	28,653,000	30,737,000	1,989,000	2,125,000
Plan Participants' Contributions	-	-	1,318,000	989,000
Actuarial (Gain)/Loss	(69,851,000)	69,602,000	(3,390,000)	5,989,000
Benefits and Administrative Fees Paid	(33,463,000)	(31,163,000)	(4,518,000)	(4,140,000)
Benefit Obligations at December 31	$ 657,927,000	$ 732,588,000	$ 49,063,000	$ 52,936,000
Change in Plan Assets				
Fair Value of Plan Assets at January 1	$ 577,530,000	$ 510,294,000	$ -	$ -
Actual Return on Plan Assets	21,560,000	83,399,000	-	-
Employer Contribution	12,000,000	15,000,000	3,200,000	3,151,000
Plan Participants' Contributions	-	-	1,318,000	989,000
Benefits and Administrative Fees Paid	(33,463,000)	(31,163,000)	(4,518,000)	(4,140,000)
Fair Value of Plan Assets at December 31	$ 577,627,000	$ 577,530,000	$ -	$ -
Funded Status	$ (80,300,000)	$ (155,058,000)	$ (49,063,000)	$ (52,936,000)
Amounts Recognized in Financial Position				
Current Liabilities	$ -	$ -	$ (3,281,000)	$ (3,222,000)
Noncurrent Liabilities	(80,300,000)	(155,058,000)	(45,782,000)	(49,714,000)
Net Liability at December 31	$ (80,300,000)	$ (155,058,000)	$ (49,063,000)	$ (52,936,000)
Amounts Recognized in Unrestricted Net Assets - Non-Operating Activity				
Unrecognized Loss	$ 183,900,000	$ 243,772,000	$ 32,119,000	$ 38,793,000
Unrecognized Prior Service Credit	-	-	(24,223,000)	(29,822,000)
Net Amount Recognized in Unrestricted Net Assets	$ 183,900,000	$ 243,772,000	$ 7,896,000	$ 8,971,000

Components of Net Periodic Benefit Cost for the Year Ended December 31:

	Pension Benefits		Postretirement Medical Benefits	
	2013	2012	2013	2012
Service Cost	$ -	$ -	$ 728,000	$ 623,000
Interest Cost	28,653,000	30,737,000	1,989,000	2,125,000
Expected Return on Plan Assets	(37,831,000)	(36,631,000)	-	-
Amortization of Prior Service Cost	-	-	(5,599,000)	(5,638,000)
Amortization of Net Actuarial Loss	6,292,000	5,599,000	3,284,000	2,871,000
Net Periodic Benefit Cost	$ (2,886,000)	$ (295,000)	$ 402,000	$ (19,000)

Other Changes in Plan Assets and Benefit Obligations Recognized in Unrestricted Net Assets:

The following table provides information for other changes in plan assets and benefit obligations recognized in unrestricted net assets for the year ended December 31:

	Pension Plan		Postretirement Medical Plan	
	2013	2012	2013	2012
Net Actuarial (Gain)/Loss	$ (53,579,000)	$ 22,834,000	$ (3,390,000)	$ 5,989,000
Amortization of Prior Service Credit	-	-	5,599,000	5,638,000
Amortization of Net Actuarial (Gain)/Loss	(6,292,000)	(5,599,000)	(3,284,000)	(2,871,000)
Total Recognized in Unrestricted Net Assets Non-Operating Activity	$ (59,871,000)	$ 17,235,000	$ (1,075,000)	$ 8,756,000

Assumptions

Assumptions used to determine benefit obligations at December 31:

	Pension Benefits		Postretirement Medical Benefits	
	2013	2012	2013	2012
Discount Rate	4.860%	4.000%	4.720%	3.875%

Assumptions used to determine net periodic benefit cost for year ended December 31:

	Pension Benefits		Postretirement Medical Benefits	
	2013	2012	2013	2012
Discount Rate	4.000%	4.750%	3.875%	4.625%
Expected Return on Plan Assets	6.625%	7.250%	N/A	N/A

The Society determines the long-term expected rate of return on plan assets by examining historic capital market returns, correlations between asset classes and the Plan's normal asset allocation. Current and near-term market factors such as inflation and interest rates are then evaluated to arrive at the expected return on plan assets. Peer group and benchmarking data are also reviewed to ensure a reasonable and appropriate return assumption.

Plan Assets

The Society's pension plan asset allocation as of December 31, by asset category is as follows:

	Plan Assets at December 31	
	2013	2012
Domestic Equities	20%	24%
Foreign Equities	11%	11%
Fixed Income Securities	68%	65%
Cash Equivalents	1%	0%
Total	100%	100%

The Society utilizes a total return investment approach based on modern portfolio theory. Multiple asset classes are implemented in order to obtain the benefits of diversification and maximize long-term total return for a given level of risk. Risk tolerance is developed by reviewing the funded status of the plan, the duration of the plan liabilities, the income and liquidity requirements, legal constraints, and the financial condition of the Society.

The investment portfolio is comprised of a diversified combination of domestic equities, international equities, fixed income securities, and cash equivalents. The investment policy incorporates a liability-driven investment approach that focuses on the funded status of the Plan and seeks to match the duration of the assets with that of the liabilities. As the Plan's funded status improves, asset allocation will be directed more toward long duration fixed income securities. The allocation among domestic equities, international equities, and fixed income securities is determined by the funded status of the Plan, prevailing market conditions, and relative valuations between asset classes. The Plan's financial condition is monitored on an on-going basis by means of monthly funding reviews, quarterly investment portfolio reviews, an annual independent actuarial valuation, and periodic asset/liability studies.

The valuation of the Society's financial assets for its defined benefit pension plan reflects fair value in accordance with the Financial Accounting Standards Board's Accounting Standard Codification on Plan Accounting – Defined Pension Benefit Plans and all subsequent amendments effective for 2013.

The Society utilizes the best information available in measuring fair value and financial assets and liabilities are classified based on the lowest level of input that is significant to the fair value measurement.

Plan assets consisted of the following as of December 31:

	2013	2012
Net Plan Assets Reported at Fair Value	$ 514,453,000	$ 469,179,000
Sales Pending Settlement	188,866,000	150,771,000
Purchases Pending Settlement	(125,692,000)	(42,420,000)
Total Plan Assets	$ 577,627,000	$ 577,530,000

The following tables summarize the 2013 and 2012 valuations of the Society's pension plan assets according to the classification hierarchy:

Fair Value of Pension Plan Assets as of December 31, 2013

	Total	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)
Financial Assets				
Cash Equivalents	$ 67,726,000	$ -	$ 67,726,000	$ -
Fixed Income:				
U.S. Treasury Securities	182,045,000	182,045,000	-	-
U.S. Government Agency Securities	6,832,000	-	6,832,000	-
Asset Backed Securities	433,000	-	433,000	-
Mortgage Backed Securities	2,935,000	-	2,935,000	-
Corporate Debt Securities	58,183,000	-	58,183,000	-
International Debt Securities	46,851,000	-	46,851,000	-
Municipal Debt Securities	39,538,000	-	39,538,000	-
Domestic Mutual Funds	14,488,000	89,000	14,399,000	-
Credit Default Swaps	2,575,000	-	2,575,000	-
Interest Rate Swaps	1,669,000	-	1,669,000	-
Options on Interest	381,000	-	381,000	-
Equity - Domestic Issues	43,264,000	43,264,000	-	-
Equity - International Issues	1,580,000	1,580,000	-	-
Common Collective Trusts:				
Domestic Equity	73,613,000	-	73,613,000	-
International Equity	65,401,000	-	65,401,000	-
Total Plan Assets Reported at Fair Value	607,514,000	226,978,000	380,536,000	-
Financial Liabilities				
Fixed Income:				
Credit Default Swaps	150,000	-	150,000	-
Interest Rate Swaps	211,000	-	211,000	-
Options on Interest	478,000	-	478,000	-
Securities Sold, Not Yet Purchased	92,222,000	-	92,222,000	-
Total Plan Liabilities Reported at Fair Value	93,061,000	-	93,061,000	-
Net Plan Assets Reported at Fair Value	$ 514,453,000	$ 226,978,000	$ 287,475,000	$ -

Fair Value of Pension Plan Assets as of December 31, 2012

	Total	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)
Financial Assets				
Cash Equivalents	$ 58,343,000	$ 2,798,000	$ 55,545,000	$ -
Fixed Income:				
U.S. Treasury Securities	174,234,000	174,234,000	-	-
U.S. Government Agency Securities	8,981,000	-	8,981,000	-
Asset Backed Securities	441,000	-	441,000	-
Mortgage Backed Securities	3,347,000	-	3,347,000	-
Corporate Debt Securities	83,303,000	-	83,303,000	-
International Debt Securities	36,450,000	-	36,450,000	-
Municipal Debt Securities	43,932,000	-	43,932,000	-
Domestic Mutual Funds	86,000	86,000	-	-
Credit Default Swaps	1,249,000	-	1,249,000	-
Interest Rate Swaps	509,000	-	509,000	-
Options on Interest	174,000	-	174,000	-
Equity - Domestic Issues	43,502,000	43,502,000	-	-
Equity - International Issues	782,000	782,000	-	-
Common Collective Trusts:				
Domestic Equity	99,832,000	-	99,832,000	-
International Equity	62,208,000	-	62,208,000	-
Total Plan Assets Reported at Fair Value	617,373,000	221,402,000	395,971,000	-
Financial Liabilities				
Fixed Income:				
Credit Default Swaps	4,121,000	-	4,121,000	-
Options on Interest	569,000	-	569,000	-
Securities Sold, Not Yet Purchased	143,504,000	-	143,504,000	-
Total Plan Liabilities Reported at Fair Value	148,194,000	-	148,194,000	-
Net Plan Assets Reported at Fair Value	$ 469,179,000	$ 221,402,000	$ 247,777,000	$ -

As of December 31, 2013 and 2012, there were no assets or liabilities measured on a non-recurring basis.

As of December 31, 2013 and 2012, fair value estimates for investment funds whose fair value is calculated based on net asset value per share are displayed in the table below. There were no unfunded commitments in either year.

	2013			
	Note	Fair Value	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Financial Assets				
Common Collective Trusts:				
Domestic Equity	A	$ 73,613,000	Daily	1 day
International Equity	A	36,834,000	Bi-weekly	5 days
Emerging Markets	A	28,567,000	Daily	2 days
Domestic Mutual Funds	A	14,488,000	Daily	Same day
Total		$ 153,502,000		

	2012			
	Note	Fair Value	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Financial Assets				
Common Collective Trusts:				
Domestic Equity	A	$ 99,832,000	Daily	1 day
International Equity	A	32,889,000	Bi-weekly	3 days
Emerging Markets	A	29,319,000	Daily	3 days
Domestic Mutual Funds	A	86,000	Daily	Same day
Total		$ 162,126,000		

Note A: Investments in these categories consist of investments in commingled funds or mutual funds that invest in domestic equities, foreign equities or fixed income securities. Fair market value of the investments has been estimated using the net asset value per share of the investments.

The following tables provide the fair value and gains of credit default swaps and interest rate swaps as of and for the years ended December 31, 2013 and 2012:

	2013		
	Assets	Liabilities	Gains
Credit Default Swaps	$ 2,575,000	$ (150,000)	$ 253,000
Interest Rate Swaps	1,669,000	(211,000)	1,002,000
Total	$ 4,244,000	$ (361,000)	$ 1,255,000

	2012		
	Assets	Liabilities	Gains
Credit Default Swaps	$ 1,249,000	$ (4,121,000)	$ 3,219,000
Interest Rate Swaps	509,000	-	66,000
Total	$ 1,758,000	$ (4,121,000)	$ 3,285,000

As of December 31, 2013 and 2012, the total notional amount of credit default swap contracts for buy protection amounted to $(33,800,000) and $(369,100,000), respectively, and the notional amount related to sell protection was $29,700,000 and $81,200,000, respectively.

There were no notional amounts related to interest rate swap contracts that pay based on fixed rates at December 31, 2013 and 2012. The notional amount of interest rate swap contracts that pay based on floating rates at December 31, 2013 and December 31, 2012 was $(5,500,000) and $(8,200,000), respectively.

Cash Contribution

The Society expects to contribute approximately $12,000,000 to its defined benefit pension plan in 2014.

Projected Benefit Payments

The Society expects to make the following benefit payments in future years:

	Pension Payments	Postretirement Medical Payments
Fiscal Year 2014	$ 34,335,000	$ 3,284,000
Fiscal Year 2015	35,869,000	3,364,000
Fiscal Year 2016	37,233,000	3,405,000
Fiscal Year 2017	38,810,000	3,451,000
Fiscal Year 2018	40,150,000	3,503,000
Fiscal Year 2019 - 2023	216,708,000	17,723,000

Defined Contribution Retirement Plan

The Society has a 401(a) defined contribution retirement plan available to substantially all employees. Employees may make contributions up to the lesser of $51,000, less the Society's basic contribution and match, or 100% of base compensation, with some restrictions. In addition, employees may make contributions up to 100% of base pre-tax compensation, or after-tax compensation as Roth contributions, subject to certain IRS limits, into the ACS ERISA 403(b) Plan. The Society provides a basic contribution of 6% of base compensation to all participants. In addition, the Society provides matching funds at the rate of 50% up to the first 6% of base compensation contributed by participants. Employer contributions to the ACS Defined Contribution Retirement Plan totaled approximately $15,007,000 and $14,178,000 in 2013 and 2012, respectively.

Supplemental Retirement Plan

The Society established a nonqualified, supplemental retirement plan effective January 1, 1995, covering certain employees. Plan participants are entitled to benefits, once vested, based upon actuarially determined amounts designed to replace pension benefits lost due to annual compensation limits imposed by the Internal Revenue Service Code. Vested benefits are payable in March of each year. The Society's expense for the supplemental retirement plan totaled $107,000 and $108,000 for the years ended December 31, 2013 and 2012, respectively.

10. OPERATING LEASES

The Society leases office facilities as well as office equipment under operating leases with original lease terms ranging from 10 months to 10 years. Certain of the Society's operating leases provide for renewal option terms ranging from 3 months to 7 years at their fair rental value at the time of renewal. The Society leases space to organizations in a building owned by the Society with lease terms ranging from 1 to 2 years.

At December 31, 2013, future lease payments to be made by the Society, and future lease receipts from tenants, under non-cancelable operating leases were as follows:

Years Ending December 31	Lease Payments To Be Made	Lease Payments To Be Received
2014	$ 234,000	$ 34,000
2015	207,000	15,000
2016	197,000	-
2017	199,000	-
2018	134,000	-
2019-2021	201,000	-
	$ 1,172,000	$ 49,000

Rent expense for operating leases was approximately $509,000 and $449,000 in 2013 and 2012, respectively.

11. INCOME TAXES

The Society is generally exempt from federal income taxes under Internal Revenue Code Section 501(c)(3). However, the Society is subject to taxation on any net unrelated business income. At December 31, 2013, the Society had a net operating loss carryforward for income tax purposes of approximately $10,300,000, which expires over the years 2014 through 2033**.** A deferred tax asset has not been recorded for the net operating loss because the Society has determined it is not recoverable as of December 31, 2013.

The Society evaluated its tax positions under the Financial Accounting Standards Board's Codification on Income Taxes on tax returns filed, as well as un-filed tax return positions. It is management's position that it is more-likely-than-not that its tax positions do not require the Society to record a deferred tax asset.

12. COMMITMENTS AND CONTINGENCIES

In 2002, ACS brought suit against three former employees and the company they founded in a case styled, *American Chemical Society v. Leadscope, Inc., et al*., Case No. 02-CVC-07-7653 (Franklin County, Ohio Court of Common Pleas). Leadscope, Inc., and the individual defendants counterclaimed, seeking damages in excess of $50,000,000. Trial in this matter commenced on February 4, 2008. The jury rendered its verdict on March 27, 2008, rejecting the Society's claims of breach of employment agreements and misappropriation of trade secrets, and finding against the Society on three separate counts: defamation, tortious interference with business relations, and unfair competition. The jury's award to Leadscope, Inc. and the three individual defendants/counterclaim plaintiffs (referred to collectively as "Leadscope") totaled $26,500,000.

Following the jury verdict, Leadscope filed motions seeking prejudgment interest, attorneys' fees, and expenses. Subsequently, Leadscope withdrew the motion for prejudgment interest. On February 6, 2009, the Trial Court awarded Leadscope fees and expenses of $7,900,000.

The Society filed an appeal on November 20, 2008 to the Ohio Court of Appeals, Tenth District (the "Appeals Court"). On June 15, 2010, the Appeals Court issued its opinion affirming the trial court's judgment, i.e., the Court did not grant any of the relief ACS had sought in its appeal. See *American Chemical Society v. Leadscope, Inc.*, Slip Op., 2010 WL 2396544 (Ohio. App, June 15, 2010).

ACS filed a Notice of Appeal and Memorandum in Support of Jurisdiction with the Supreme Court of Ohio ("the Court") on July 30, 2010. On October 27, 2010, the Court granted the Society's request to hear the case. See *American Chemical Society v. Leadscope, Inc.*, 126 Ohio St. 3d 1615, 935 N.E. 2d 854 (2010) (Table). On September 18, 2012, the Supreme Court of Ohio handed down its decision, reversing in part and affirming in part the lower court's judgment against ACS. See *American Chemical Society v. Leadscope, Inc.*, ____ Ohio St. 3d ____, 2012 – Ohio – 4193, 2012 WL 4201288 (2012). At the time of the Court's decision, the trial court's

judgment, including the jury's verdict, interest, and fees, exceeded $45,000,000. This included the original jury verdict of $26,500,000, the trial court's award of $7,900,000 for the Leadscope defendants' legal fees, and approximately $11,000,000 in interest.

The Supreme Court of Ohio, in a 5-2 vote, found that ACS did not defame the defendants and vacated the lower court's award of $15,000,000 of damages on that issue. As to the defendants' claim of unfair competition, the Court acknowledged ACS's First Amendment right to seek judicial review of its original claims. The Court also agreed with ACS's legal arguments that the trial court had improperly instructed the jury on that claim. Nevertheless, the Court, by a 4-3 vote, affirmed the decisions in favor of the defendants on the unfair competition claims.

Although the parties had further appellate options available to them, on September 28, 2012, all parties agreed to settle the case and ACS paid $22,633,000 in exchange for a full and complete release of all claims. Accordingly, as of December 31, 2012, the case is dismissed and closed. This amount is included in 2012 non-operating losses in the accompanying consolidated statements of activities.

The Society is also involved in various other claims and legal actions arising in the ordinary course of business. Based upon information currently available, management believes the ultimate disposition of these matters will not have a material adverse effect on the Society's financial position, change in net assets or cash flows.

13. SUBSEQUENT EVENTS

The Society has performed an evaluation of subsequent events through February 28, 2014, which is the date the financial statements were available to be issued, noting no events, which affect the financial statements as of December 31, 2013.