ACS Chemistry for Life™

2014

Management's Statement of Responsibility and Audited Financial Statements

Management's Statement of Responsibility
March 5, 2015

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 and internal 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 and internal auditors have unrestricted access to the Audit Committee.

Thomas M. Connelly, Jr.
Executive Director & CEO

Brian A. Bernstein
Treasurer & CFO

AMERICAN CHEMICAL SOCIETY

Consolidated Financial Statements

December 31, 2014 and 2013

(With Independent Auditors' Report Thereon)

KPMG LLP
1 East Pratt Street
Baltimore, MD 21202-1128

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, 2014 and 2013, 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, 2014 and 2013, 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 – Consolidating Information

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 consolidating information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

KPMG LLP

March 5, 2015

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

(in thousands)

	2014			2013
	Additional Consolidating Information			
	ACS Programs	Petroleum Research Fund	Total	Total
ASSETS				
Current Assets				
Cash and Cash Equivalents	$ 40,371	$ 14,493	$ 54,864	$ 37,669
Accounts Receivable, Net	116,753	-	116,753	106,361
Interfund (Payable) Receivable	(16,628)	16,628	-	-
Other	15,096	32	15,128	15,319
Total Current Assets	155,592	31,153	186,745	159,349
Non-Current Assets				
Investments	504,603	537,690	1,042,293	1,015,604
Buildings and Other Property, Net	106,134	12	106,146	107,582
Postretirement Benefits and Other	9,034	-	9,034	8,924
Total Non-Current Assets	619,771	537,702	1,157,473	1,132,110
Total Assets	$ 775,363	$ 568,855	$ 1,344,218	$ 1,291,459
LIABILITIES AND NET ASSETS				
Current Liabilities				
Accounts Payable	$ 29,845	$ -	$ 29,845	$ 27,835
Accrued Expenses	39,359	13,873	53,232	51,765
Deferred Revenues	185,320	-	185,320	165,202
Current Portion of Long-Term Debt	853	-	853	820
Postretirement Benefits and Other	3,351	-	3,351	3,228
Total Current Liabilities	258,728	13,873	272,601	248,850
Non-Current Liabilities				
Deferred Revenues	1,781	-	1,781	2,932
Long-Term Debt	-	-	-	840
Postretirement Benefits and Other	217,989	4,408	222,397	142,973
Total Non-Current Liabilities	219,770	4,408	224,178	146,745
Total Liabilities	478,498	18,281	496,779	395,595
Net Assets				
Unrestricted	190,103	-	190,103	250,730
Temporarily Restricted	30,574	478,074	508,648	499,203
Permanently Restricted	76,188	72,500	148,688	145,931
Total Net Assets	296,865	550,574	847,439	895,864
Total Liabilities and Net Assets	$ 775,363	$ 568,855	$ 1,344,218	$ 1,291,459

See accompanying notes to the consolidated financial statements

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

	2014			2013
	Additional Consolidating Information			
	ACS Programs	Petroleum Research Fund	Total	Total
Change in Unrestricted Net Assets - Operations				
Revenues				
Electronic Services	$ 436,084	$ -	$ 436,084	$ 429,988
Member Insurance Premiums, Refunds, and Fees	13,805	-	13,805	15,310
Dues	12,102	-	12,102	11,958
Registration Fees and Booth Sales	10,744	-	10,744	9,745
Investment Income	9,460	75	9,535	6,684
Advertising	8,073	-	8,073	7,947
Printed Services	4,740	-	4,740	6,651
Net Assets Released from Restriction	5,180	23,933	29,113	27,695
Other	6,520	-	6,520	6,660
Total Unrestricted Revenues	506,708	24,008	530,716	522,638
Expenses				
Program Expenses				
Information Services	376,136	-	376,136	372,589
Membership and Scientific Advancement	25,832	-	25,832	25,195
Member Insurance Program	15,517	-	15,517	15,300
Education	8,829	-	8,829	8,891
Grants and Awards	2,551	22,445	24,996	23,433
Other	4,787	-	4,787	4,775
Supporting Expenses				
Administrative	43,343	1,563	44,906	43,653
Member Promotion and Retention	3,813	-	3,813	3,726
Other	7,754	-	7,754	8,195
Total Expenses	488,562	24,008	512,570	505,757
Change in Unrestricted Net Assets from Operations Before Non-Operating Activity	18,146	-	18,146	16,881
Change in Unrestricted Net Assets - Non-Operating Activity				
Net Investment Gains	15,428	-	15,428	34,107
Change in Pension Funding Status	(94,201)	-	(94,201)	60,946
Change in Unrestricted Net Assets - Non-Operating Activity	(78,773)	-	(78,773)	95,053
Change in Unrestricted Net Assets	(60,627)	-	(60,627)	111,934
Change in Temporarily Restricted Net Assets				
Contributions	3,568	-	3,568	2,528
Net Investment Gains	1,261	21,291	22,552	66,701
Investment Income	2,524	9,944	12,468	10,655
Net Assets Released From Restriction	(5,180)	(23,933)	(29,113)	(27,695)
Transfer of Net Assets	(30)	-	(30)	(529)
Change in Temporarily Restricted Net Assets	2,143	7,302	9,445	51,660
Change in Permanently Restricted Net Assets				
Contributions	571	-	571	971
Net Investment Gains	2,149	-	2,149	4,948
Investment Income	7	-	7	-
Transfer of Net Assets	30	-	30	529
Change in Permanently Restricted Net Assets	2,757	-	2,757	6,448
Change in Net Assets	(55,727)	7,302	(48,425)	170,042
Beginning Net Assets	352,592	543,272	895,864	725,822
Ending Net Assets	$ 296,865	$ 550,574	$ 847,439	$ 895,864

See accompanying notes to the consolidated financial statements

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

	2014			2013
	Additional Consolidating Information			
	ACS Programs	Petroleum Research Fund	Total	Total
Cash Flows From Operating Activity				
Change in Net Assets	$ (55,727)	$ 7,302	$ (48,425)	$ 170,042
Adjustments to Reconcile Change in Net Assets to Net Cash Provided By (Used in) Operating Activities:				
Net Investment Gains	(18,838)	(21,291)	(40,129)	(105,756)
Change in Pension Funding Status	94,201	-	94,201	(60,946)
Depreciation and Amortization	27,435	-	27,435	26,287
Beneficial Interest in Gift Annuities	(250)	-	(250)	(42)
Contributions Restricted for Long-Term Investment	(571)	-	(571)	(971)
Amortization of Prepaid Bond Costs	13	-	13	14
Net Loss on Property Dispositions	889	-	889	789
Changes in Operating Assets and Liabilities:				
(Increase) Decrease in Assets:				
Accounts Receivable	(8,942)	-	(8,942)	879
Interfund (Payable) Receivable	3,162	(3,162)	-	-
Other Assets	(342)	(2)	(344)	1,374
Increase (Decrease) in Liabilities:				
Accounts Payable	2,044	(34)	2,010	682
Accrued Expenses	(287)	1,749	1,462	3,099
Deferred Revenues	18,967	-	18,967	6,685
Other Liabilities	(15,992)	(81)	(16,073)	(17,213)
Net Cash Provided by (Used in) Operating Activity	45,762	(15,519)	30,243	24,923
Cash Flows From Investing Activity				
Purchases of Investments	(79,678)	(984,515)	(1,064,193)	(1,685,732)
Sales and Maturities of Investments	78,073	1,000,031	1,078,104	1,636,713
Acquisitions of Buildings and Other Property	(26,710)	-	(26,710)	(25,022)
Net Cash (Used in) Provided by Investing Activity	(28,315)	15,516	(12,799)	(74,041)
Cash Flows From Financing Activity				
Payments on Debt	(820)	-	(820)	(785)
Contributions Restricted for Long-Term Investment	571	-	571	971
Net Cash (Used in) Provided by Financing Activity	(249)	-	(249)	186
Net Increase (Decrease) in Cash and Cash Equivalents	17,198	(3)	17,195	(48,932)
Beginning Cash and Cash Equivalents	23,173	14,496	37,669	86,601
Ending Cash and Cash Equivalents	$ 40,371	$ 14,493	$ 54,864	$ 37,669

See accompanying notes to the consolidated financial statements

AMERICAN CHEMICAL SOCIETY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2014 and 2013

1. ORGANIZATION AND PURPOSE

The American Chemical Society (the Society) 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 158,000 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 educational and membership programs. These include continuing education programs, national and regional meetings that provide forums for sharing scientific information, 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 print and electronic scientific journals and databases pertaining to chemical and related scientific information.

The principal sources of funding for the Society's activities include net revenue 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 finds, collects, and organizes all publicly disclosed chemical substance information by reviewing and analyzing published research from nearly 10,000 major scientific journals, reputable web sources, and patent documents from 63 international patent offices, fully disclosing the new and novel science within. CAS provides secure access to this information with integrated solutions for scientists and patent research professionals. Other sources of the Society's revenue 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 and Consolidation

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.

Use of Estimates

The preparation of the consolidated 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 consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. The Society's most significant estimates include valuation of investments and derivatives, actuarial assumptions for postretirement benefit obligations, and useful lives of buildings and other property. Actual results could differ from these estimates.

Cash Equivalents

All investments with a maturity of three months or less, at the date of purchase, are considered to be cash equivalents. Cash and cash equivalents that are managed as part of investments are reported within investments, as these funds are not used for operating needs.

Accounts Receivable

Accounts receivable are recorded at the invoiced amount and do not bear interest. The Society maintains an allowance for doubtful accounts for estimated losses. In establishing the allowance, management considers historical losses and past-due balances. The Society records receivables from subscribers related to the next calendar year journal subscriptions billed before December 31 based on written commitments from customers and historically high renewal rates. The Society has deferred the revenue associated with these receivables as of December 31, 2014 and 2013.

Investments

Investments are reported at fair value in the consolidated statements of financial position except for certain commingled trust funds and hedge funds that, as a practical expedient, are reported at estimated fair value utilizing net asset value (NAV). These estimates are provided by external investment managers and involve assumptions and estimation methods; therefore, the estimates could differ materially from actual results. The Society reviews and evaluates the values provided by the investment managers and agrees with the valuation methods and assumptions used in determining the net asset values. These investments are generally subject to certain withdrawal restrictions and are less liquid than the Society's other investments. Changes in fair value are recognized as net investment gains or losses in the consolidated statements of activities. Investment income, consisting of interest and dividends, is recognized when earned. Purchases and sales of investments are recorded on the trade date.

The Society invests in various instruments including repurchase agreements, domestic and foreign equities, fixed-income securities, and financial derivatives. Investment securities, in general, carry various risks such as interest rate, credit, liquidity, 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 has authorized its investment managers to utilize various derivative instruments, including financial futures, options, interest rate swaps, and credit default swaps, to either hedge certain risks or alter the exposure to certain asset classes. The Society has established procedures to monitor and manage the use of these derivative instruments and the related market, interest, and counterparty credit risks. These derivative instruments are recognized at fair value, using quoted market prices for similar instruments, within investments in the consolidated statements of financial position. Changes in fair value are recognized as net investment gains or losses in the consolidated statements of activities.

Other Derivative Instruments

The Society recognizes other derivative instruments (not related to its investment portfolios) as either other assets or other liabilities in the consolidated statements of financial position at their respective fair values. The fair values of foreign currency forward contracts are based on quoted market prices for similar contracts at December 31. Changes in fair value are recognized as net investment gains or losses in the consolidated statements of activities.

Fair Value Measurements

Financial Accounting Standards Board's Accounting Standard Codification for *Fair Value Measurement* establishes a framework for measuring fair value and expands disclosures about such fair value measurements. See Note 4 for the disclosure of the fair value of applicable financial assets and liabilities measured on a recurring basis.

Buildings and Other Property

Buildings and other property are carried at cost less accumulated depreciation and amortization. Improvements that 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 the asset. One-half year's depreciation or amortization is taken in the year an asset is placed in service. Useful lives 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.

Long-Lived Assets

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

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, supplemental Medicare, 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 revenue 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.

The Insurance Trust accounted for a $1,636,000 and $5,578,000 increase in the Society's unrestricted net assets for the years ended December 31, 2014 and 2013, respectively. The Insurance Trust accounts for $45,375,000 and $43,739,000 of the Society's total unrestricted net assets in the consolidated statements of financial position as of December 31, 2014 and 2013, respectively. The activities of the Insurance Trust are included in ACS Programs in the consolidated statements of activities.

Contributions and 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.

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 consolidated 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 net assets 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. Income designated as restricted for a future period or for a specific purpose is reported as temporarily restricted and released when the restriction is met.

Revenue Recognition

Printed Materials 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 and Subscriptions for Future Periods - The Society renews dues and subscription agreements 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 membership period or the term of the service.

Advertising Revenue - The Society recognizes advertising revenue over the period the advertisement is run. For print advertising, this is based on release of the journal or publication; for internet advertising, it is based on the time period of the campaign.

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

Expenses

The cost of programs and supporting activities is summarized by functional classification in the consolidated statements of activities. Accordingly, certain costs have been allocated among program activities and supporting services.

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 fundraising activities.

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, 2014, the Society had a net operating loss carryforward for income tax purposes of approximately $11,470,000, which expires over the years 2015 through 2034. 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, 2014.

Management annually reviews its tax positions and has determined that there are no material uncertain tax positions that require recognition 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 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 2014 and 2013 were accepted by the grant recipients.

Risks and Uncertainties

Concentration of Credit Risk - The Society is subject to potential concentrations of credit risk in its cash and cash equivalents and investments. Noninterest-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, 2014 and 2013. 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, 2014 and 2013, the aggregate balances were in excess of the insurance and therefore pose some risk since they are not collateralized. The Society has historically not experienced any losses on its cash and cash equivalents and investments in relation to FDIC and SIPC insurance limits.

Capital Market Risk - The Society invests in domestic equities, foreign equities, 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.

Foreign Currency Risk - 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 revenue denominated in foreign currency.

Counterparty Risk - The Society enters into derivative instruments with counterparties. While there is risk that the counterparties may fail to meet their obligations, the Society does not have any significant positions with any one counterparty.

Insurance Risk - 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.

Reclassifications

Certain amounts in the 2013 consolidated financial statements have been reclassified to conform to the 2014 presentation.

3. ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following at December 31 (in thousands):

	2014	2013
Accounts Receivable	$ 118,889	$ 108,610
Less Allowance for Doubtful Receivables	2,136	2,249
Accounts Receivable, Net	$ 116,753	$ 106,361

Accounts receivable from subscribers related to the next calendar year journal subscriptions billed before December 31, 2014 and 2013 were $66,100,000 and $58,523,000, respectively.

4. INVESTMENTS AND FAIR VALUE OF FINANCIAL INSTRUMENTS

The Financial Accounting Standards Board's Accounting Standard Codification for *Fair Value Measurement* establishes a common definition for fair value to be applied to accounting principles generally accepted in the United States of America 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 the measurement date. As such, fair value is a market-based measurement 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 that prioritizes the inputs used in measuring fair value. The standard 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. Government and agency issues, corporate bonds, money market funds, equity commingled trust funds, debt outstanding, and foreign exchange forward contracts)

- 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 following estimates and assumptions were used to determine the fair value of financial instruments listed below:

- 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 as Level 2 given that the fund's securities are valued at amortized cost in order to determine NAV. Certificates of deposits, cash collateral held by custodians, and repurchase agreements are classified as Level 2 based on prices for similar assets.

- Deferred compensation plan assets – The Society offers a non-qualified tax-advantaged deferred-compensation retirement plan per Section 457 of the Internal Revenue Code to certain employees. Assets of the plan comprise 26 mutual funds that are actively traded on major exchanges, 25 of which are classified as Level 1. The remaining fund is a money market fund that values securities at amortized cost in order to determine NAV and is classified as Level 2.

- Foreign currency forward contracts – Foreign currency forward contracts are derivative instruments and recognized at fair value based on quoted prices, in active markets, for similar contracts and are classified as Level 2.

- Fixed-income securities – Fixed-income securities include, but are not limited to, U.S. Treasury issues, U.S. Government and agency issues, corporate securities, mortgage-backed securities, asset-backed securities, municipal bonds, fixed-income mutual funds, and derivative instruments. U.S. Treasury issues and certain fixed-income mutual funds are valued using quoted prices in active markets for identical assets and are classified as Level 1. The remainder of this investment class 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, and commingled trust funds. 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. Interests in commingled trust funds, which are valued based on NAV as a practical expedient, are classified as Level 2 or 3 depending on whether the Society's interest is redeemable at or near the statement of financial position date (generally 90 days). If the interest is redeemable within 90 days, it is classified as Level 2, or alternatively, as Level 3.

- Hedge funds – Hedge funds 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 NAV. The funds are limited partnerships and shares are not redeemable within 90 days of the date of the consolidated statements of financial position. Since no active market exists for these investments, they are classified as Level 3.

- Unsettled transactions, net – Unsettled transactions are investment purchases or sales transactions that did not settle at December 31. Fair value is based on the underlying security in an active market and is classified as Level 1. Included in unsettled transactions are purchases and sales of securities pending settlement of $37,374,000 and $10,656,000, respectively, as of December 31, 2014, and $91,072,000 and $56,698,000, respectively, as of December 31, 2013.

The following tables summarize the Society's financial instruments measured at fair value according to the classification hierarchy as of December 31, 2014 and 2013 (in thousands):

Fair Value of Financial Instruments as of December 31, 2014

	Total	Level 1	Level 2	Level 3
Cash Equivalents	$ 16,183	$ -	$ 16,183	$ -
Deferred Compensation Plan Assets	7,247	6,766	481	-
Foreign Currency Forward Contracts	8,728	-	8,728	-
Investments:				
Cash Equivalents	41,491	-	41,491	-
Fixed Income:				
U.S. Government and Agencies	195,215	122,261	72,954	-
Foreign	28,550	17	28,533	-
Corporate and Other	162,198	18,719	143,479	-
Equity:				
Domestic	375,864	104,747	271,117	-
Foreign	156,707	12,679	144,028	-
Hedge Funds	108,986	-	-	108,986
Unsettled Transactions, Net	(26,718)	(26,718)	-	-
Total Investments	1,042,293	231,705	701,602	108,986
Total Financial Instruments	$ 1,074,451	$ 238,471	$ 726,994	$ 108,986

Fair Value of Financial Instruments as of December 31, 2013

	Total	Level 1	Level 2	Level 3
Cash Equivalents	$ 35,729	$ -	$ 35,729	$ -
Deferred Compensation Plan Assets	6,005	5,605	400	-
Foreign Currency Forward Contracts	6,762	-	6,762	-
Investments:				
Cash Equivalents	23,914	-	23,914	-
Fixed Income:				
U.S. Government and Agencies	186,107	104,775	81,332	-
Foreign	30,491	41	30,450	-
Corporate and Other	164,829	25,248	139,581	-
Equity:				
Domestic	368,100	97,563	270,537	-
Foreign	170,787	12,690	158,097	-
Hedge Funds	111,967	-	-	111,967
Securities Sold, Not Yet Purchased	(6,217)	-	(6,217)	-
Unsettled Transactions, Net	(34,374)	(34,374)	-	-
Total Investments	1,015,604	205,943	697,694	111,967
Total Financial Instruments	$ 1,064,100	$ 211,548	$ 740,585	$ 111,967

As of December 31, 2014 and 2013, there were no financial instruments measured on a non-recurring basis.

The Society maintains balanced investment portfolios structured to generate current income and long-term appreciation. Investment management fees are netted against investment income, and these amounts totaled $1,149,000 and $1,044,000 for the years ended December 31, 2014 and 2013, respectively.

NAV as a Practical Expedient

As of December 31, 2014 and 2013, fair value estimates for investment funds whose fair value is calculated based on NAV are displayed in the table below (in thousands). There were no unfunded commitments in either year.

	2014 Fair Value	2013 Fair Value	Redemption Frequency	Redemption Notice Period
Commingled Trusts:				
Domestic Equity	$ 270,510	$ 270,537	Daily	1 day
Domestic Fixed Income	23,936	13,931	Daily	1 day
Foreign Equity Index Fund	5,968	6,026	Daily	1 day
Foreign Equity	98,224	112,162	Biweekly	3-5 days
Emerging Markets Equity	38,987	39,909	Daily	2-3 days
Hedge Funds	108,986	111,967	Quarterly	65 days
Total	$ 546,611	$ 554,532		

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

	2014 Hedge Funds	2013 Hedge Funds
Beginning Balance	$ 111,967	$ 98,513
Net Gains	4,141	14,873
Sales	(7,122)	(1,419)
Ending Balance	$ 108,986	$ 111,967

Repurchase Agreements and Investment Derivatives

The Society's investment managers may enter into repurchase agreements (where securities are sold under an agreement to repurchase) and reverse repurchase agreements (where securities are purchased under agreements to resell).

The Society's investment managers may employ derivatives in order to manage market risks, arbitrage mispricing of securities, or replicate long or short positions in a cost effective manner. In no instance are derivatives used to speculate or leverage positions.

All repurchase and reverse repurchase agreements and derivative instruments are carried at fair value and are reported net in investments on the consolidated statements of financial position. The repurchase agreements and derivatives are held with 16 different counterparties and are subject to master netting agreements. The master netting agreements allow the Society to offset net positions, by counterparty, and available collateral held. Collateral held by the counterparties related to the repurchase agreements was approximately $8,300,000 and $8,200,000 as of December 31, 2014 and 2013, respectively.

The following table provides the fair value of investment derivatives and repurchase agreements as of December 31, 2014 and 2013 and gains and losses for the years ended December 31, 2014 and 2013 (in thousands):

	2014		
	Assets	**Liabilities**	**Gains (Losses)**
Derivatives:			
Credit Default Swaps	$ 262	$ -	$ 33
Interest Rate Swaps	94	(437)	(451)
Other, Primarily Financial Futures	49	(72)	(73)
Total Derivatives	$ 405	$ (509)	$ (491)
Repurchase Agreements	$ 8,100	$ -	

	2013		
	Assets	**Liabilities**	**Gains (Losses)**
Derivatives:			
Credit Default Swaps	$ 96	$ (626)	$ (680)
Interest Rate Swaps	888	(50)	615
Other, Primarily Financial Futures	474	(555)	169
Total Derivatives	$ 1,458	$ (1,231)	$ 104
Repurchase Agreements	$ 8,000	$ -	

As of December 31, 2014 and 2013, the total notional amount of credit default swap contracts for buy protection amounted to $(11,300,000) and $20,805,000, respectively, and the notional amount related to sell protection amounted to $2,000,000 and $1,200,000, respectively.

There were no notional amounts related to interest rate swap contracts that pay based on fixed rates at December 31, 2014 and 2013. The notional amount of interest rate swap contracts that pay based on floating rates at December 31, 2014 and 2013 was $(368,900,000) and $(363,700,000), respectively.

Financial futures contracts had a notional value of $37,753,000 and $75,850,000 at December 31, 2014 and 2013, respectively.

Other Derivative Instruments

Foreign Currency Forward Contracts - The Society had an unrealized gain of $1,445,000 and $2,256,000 for the years ended December 31, 2014 and 2013, respectively. The unrealized gains are included in net investment gains from non-operating activity in the consolidated statements of activities.

The Society's foreign currency forward contracts are held with one counterparty and are subject to a master netting agreement, which allows for net settlement of positions with the counterparty. The foreign currency forward contracts are presented net in the consolidated statements of financial position within accounts receivable. The fair value of the foreign currency forward contracts as of December 31, 2014 and 2013 was as follows (in thousands):

	2014		
	Assets	**Liabilities**	**Net**
Foreign Currency Forwards	$ 9,014	$ (286)	$ 8,728

	2013		
	Assets	**Liabilities**	**Net**
Foreign Currency Forwards	$ 8,278	$ (1,516)	$ 6,762

The following table summarizes the notional amounts relating to unsettled foreign currency forward contracts maturing at various times through 2017 (in thousands):

	2014	2013
Contracts maturing in 2014	$ -	$ 50,606
Contracts maturing in 2015	51,068	30,382
Contracts maturing in 2016	28,726	5,091
Contracts maturing in 2017	4,587	-
Total Notional Amount of Unsettled Forward Contracts	$ 84,381	$ 86,079

In addition to unrealized gains on foreign currency forward contracts, the Society incurred realized gains and losses throughout the year. 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 realizes gains or losses on settlement. The Society recorded realized losses of $138,000 and realized gains of $142,000 in 2014 and 2013, respectively, from foreign exchange transactions. The realized gains and losses are included in information services expenses in the consolidated statements of activities.

5. BUILDINGS AND OTHER PROPERTY

At December 31, buildings and other property consisted of the following (in thousands):

	2014	2013
Computer Equipment and Software	$ 170,958	$ 161,608
Buildings and Improvements	113,929	109,237
Furniture, Fixtures, and Office Equipment	30,790	27,497
Land	2,930	2,930
Total Cost of Buildings and Other Property	318,607	301,272
Less Accumulated Depreciation and Amortization	212,461	193,690
Buildings and Other Property, Net	$ 106,146	$ 107,582

6. POSTRETIREMENT BENEFITS

Defined-Benefit Pension Plan - The Society has a funded noncontributory defined-benefit pension plan (the 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 September 1, 2007, the 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). Employees hired before September 1, 2007, were given a choice to remain in the Plan or to prospectively move to the DCRP.

Effective October 31, 2009, the Society froze further benefit accruals associated with the Plan, and all participants were transitioned to the DCRP.

During 2014, a lump-sum distribution offer was made to the vested terminated participants in the Plan. The participants were given a 45-day window to choose a lump-sum payment, an immediate monthly benefit payment, or a monthly benefit at their normal retirement age of 65. The election to take the lump-sum distribution was made by nearly half of the participants, resulting in a $26.8 million payout from the Plan on October 1, 2014.

The estimated net actuarial loss for the Plan that will be amortized from non-operating income for 2015 is $6,876,000.

Defined-Contribution Retirement Plan - The Society's 401(a) DCRP is available to substantially all employees. The DCRP provides an employer contribution equal to 6% of base pay, plus an employer match equal to 50% of the first 6% a participant contributes to the DCRP and/or the ACS ERISA 403(b) Plan, a tax-deferred investment program. Employer contributions to the DCRP totaled $15,138,000 and $15,007,000 in 2014 and 2013, respectively.

Postretirement Medical Plan - 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 Plan. The postretirement medical 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.

The estimated net actuarial loss and prior service credit for the postretirement medical plan that will be amortized from non-operating income for 2015 are $3,363,000 and $(5,574,000), 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, 2014 and 2013 (in thousands).

Defined-Benefit Pension and Postretirement Medical Plans

	Defined-Benefit Pension Plan		Postretirement Medical Plan	
	2014	2013	2014	2013
Change in Benefit Obligation				
Benefit Obligation at January 1	$ 657,927	$ 732,588	$ 49,063	$ 52,936
Service Cost	-	-	737	728
Interest Cost	31,151	28,653	2,240	1,989
Plan Participants' Contributions	-	-	1,328	1,318
Actuarial Loss (Gain)	121,198	(69,851)	9,731	(3,390)
Benefits and Administrative Fees Paid	(59,591)	(33,463)	(4,773)	(4,518)
Benefit Obligation at December 31	750,685	657,927	58,326	49,063
Change in Fair Value of Plan Assets				
Plan Assets at January 1	577,627	577,530	-	-
Actual Return on Plan Assets	71,498	21,560	-	-
Employer Contributions	12,000	12,000	3,445	3,200
Plan Participants' Contributions	-	-	1,328	1,318
Benefits and Administrative Fees Paid	(59,591)	(33,463)	(4,773)	(4,518)
Plan Assets at December 31	601,534	577,627	-	-
Funded Status	$ (149,151)	$ (80,300)	$ (58,326)	$ (49,063)
Amounts Recognized in the Consolidated Statements of Financial Position				
Current Liabilities	$ -	$ -	$ (3,341)	$ (3,281)
Noncurrent Liabilities	(149,151)	(80,300)	(54,985)	(45,782)
Net Liability at December 31	$ (149,151)	$ (80,300)	$ (58,326)	$ (49,063)
Amounts Recognized in Unrestricted Net Assets - Non-Operating Activity				
Unrecognized Loss	$ 265,453	$ 183,900	$ 39,191	$ 32,119
Unrecognized Prior Service Credit	-	-	(18,647)	(24,223)
Net Recognized in Unrestricted Net Assets	$ 265,453	$ 183,900	$ 20,544	$ 7,896

Components of Net Periodic Benefit Cost / (Credits) for the Year Ended December 31 (in thousands):

	Defined-Benefit Pension Plan		Postretirement Medical Plan	
	2014	2013	2014	2013
Service Cost	$ -	$ -	$ 737	$ 728
Interest Cost	31,151	28,653	2,240	1,989
Expected Return on Plan Assets	(36,364)	(37,831)	-	-
Amortization of Prior Service Cost	-	-	(5,576)	(5,599)
Amortization of Net Actuarial Loss (Gain)	4,511	6,292	2,658	3,284
Net Periodic Benefit (Credit)/Cost	$ (702)	$ (2,886)	$ 59	$ 402

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 years ended December 31 (in thousands):

	Defined-Benefit Pension Plan		Postretirement Medical Plan	
	2014	2013	2014	2013
Net Actuarial Loss (Gain)	$ 86,063	$ (53,579)	$ 9,731	$ (3,390)
Amortization of Prior Service Credit	-	-	5,576	5,599
Amortization of Net Actuarial Loss (Gain)	(4,511)	(6,292)	(2,658)	(3,284)
Total Recognized in Unrestricted Net Assets	$ 81,552	$ (59,871)	$ 12,649	$ (1,075)

Assumptions

Assumptions used to determine benefit obligations at December 31:

	Defined-Benefit Pension Plan		Postretirement Medical Plan	
	2014	2013	2014	2013
Discount Rate	4.050%	4.860%	3.990%	4.720%

In October 2014, the Society of Actuaries released new data regarding observed mortality rate improvements since 2000 (the RP-2014 Mortality Tables and the MP-2014 Mortality Improvement Scale). The updated mortality tables were considered by the Society and adopted as of December 31, 2014. Implementation of the new mortality tables increased the projected benefit obligation of the defined-benefit pension plan and postretirement medical plan by $56,452,000 and $4,033,000, respectively.

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

	Defined-Benefit Pension Plan		Postretirement Medical Plan	
	2014	2013	2014	2013
Discount Rate	4.860%	4.000%	4.720%	3.875%
Expected Return on Plan Assets	6.375%	6.625%	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 defined-benefit pension plan asset allocation as of December 31, by asset category, is as follows:

	Plan Assets	
	2014	2013
Domestic Equities	21%	20%
Foreign Equities	12%	11%
Fixed-Income Securities	67%	68%
Cash Equivalents	0%	1%
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, foreign 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, foreign 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 ongoing 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 for *Plan Accounting – Defined Pension Benefit Plans*.

The Society utilizes the best information available in measuring fair value of the Plan's assets and liabilities and they are classified based on the lowest level of input that is significant to the fair value measurement. The fair value measurement principles are consistent with those disclosed in Note 4.

The following tables summarize valuations of the Society's defined-benefit pension plan assets according to the classification hierarchy as of December 31, 2014 and 2013 (in thousands):

Fair Value of Defined-Benefit Pension Plan Assets as of December 31, 2014

	Total	Level 1	Level 2	Level 3
Cash Equivalents	$ 15,644	$ -	$ 15,644	$ -
Fixed Income:				
U.S. Government and Agencies	165,836	156,918	8,918	-
Foreign	42,543	-	42,543	-
Corporate and Other	166,105	88	166,017	-
Equity:				
Domestic	133,916	47,131	86,785	-
Foreign	74,609	1,934	72,675	-
Unsettled Transactions, Net	2,881	2,881	-	-
Net Plan Assets	$ 601,534	$ 208,952	$ 392,582	$ -

Fair Value of Defined-Benefit Pension Plan Assets as of December 31, 2013

	Total	Level 1	Level 2	Level 3
Cash Equivalents	$ 67,726	$ -	$ 67,726	$ -
Fixed Income:				
U.S. Government and Agencies	188,877	182,045	6,832	-
Foreign	46,851	-	46,851	-
Corporate and Other	119,363	89	119,274	-
Equity:				
Domestic	116,877	43,264	73,613	-
Foreign	66,981	1,580	65,401	-
Securities Sold, Not Yet Purchased	(92,222)	-	(92,222)	-
Unsettled Transactions, Net	63,174	63,174	-	-
Net Plan Assets	$ 577,627	$ 290,152	$ 287,475	$ -

Included in unsettled transactions are purchases and sales of securities pending settlement of $3,133,000 and $6,014,000, respectively, as of December 31, 2014, and $125,692,000 and $188,866,000, respectively, as of December 31, 2013.

NAV as a Practical Expedient

As of December 31, 2014 and 2013, fair value estimates for plan assets whose fair value is calculated based on NAV are displayed in the table below (in thousands). There were no unfunded commitments in either year.

	2014 Fair Value	2013 Fair Value	Redemption Frequency	Redemption Notice Period
Commingled Trusts:				
Domestic Equity	$ 74,325	$ 73,613	Daily	1 day
Foreign Equity	43,882	36,834	Biweekly	3–5 days
Emerging Markets Equity	28,793	28,567	Daily	2–3 days
Total	$ 147,000	$ 139,014		

Repurchase Agreements and Investment Derivatives

The Plan's investment managers may enter into repurchase agreements (where securities are sold under an agreement to repurchase) and reverse repurchase agreements (where securities are purchased under agreements to resell).

The Plan's investment managers may employ derivatives in order to manage market risks, arbitrage mispricing of securities, or replicate long or short positions in a cost effective manner. In no instance are derivatives used to speculate or leverage positions.

All repurchase and reverse repurchase agreements and derivative instruments are carried at fair value and are reported in net plan assets. The repurchase agreements and derivatives are held with 17 different counterparties and are subject to master netting agreements. The master netting agreements allow the Plan to offset net positions, by counterparty, and available collateral held. Collateral held by the counterparties related to the repurchase agreements was approximately $31,100,000 as of December 31, 2013. There were no repurchase agreements held as of December 31, 2014. The Plan does not have any significant positions with any one counterparty.

The following table provides the fair value of plan asset derivatives and repurchase agreements as of December 31, 2014 and 2013, and gains and losses for the years ended December 31, 2014 and 2013 (in thousands):

	2014		
	Assets	Liabilities	Gains/(Losses)
Derivatives:			
Credit Default Swaps	$ 2,737	$ (1,127)	$ (801)
Interest Rate Swaps	-	(192)	(654)
Other, Primarily Financial Futures	2,283	(2,508)	(273)
Total Derivatives	$ 5,020	$ (3,827)	$ (1,728)

	2013		
	Assets	Liabilities	Gains/(Losses)
Derivatives:			
Credit Default Swaps	$ 2,575	$ (150)	$ 253
Interest Rate Swaps	1,669	(211)	1,002
Other, Primarily Financial Futures	394	(511)	(100)
Total Derivatives	$ 4,638	$ (872)	$ 1,155
Repurchase Agreements	$ 30,500	$ -	

As of December 31, 2014 and 2013, the total notional amount of credit default swap contracts for buy protection amounted to $(56,800,000) and $(33,800,000), respectively, and the notional amount related to sell protection was amounted to $100,902,000 and $29,700,000, respectively.

There were no notional amounts related to interest rate swap contracts that pay based on fixed rates at December 31, 2014 and 2013. The notional amount of interest rate swap contracts that pay based on floating rates at December 31, 2014 and 2013 was $(9,700,000) and $(5,500,000), respectively.

Cash Contribution **-** The Society expects to contribute approximately $12,000,000 to its defined-benefit pension plan in 2015.

Projected Benefit Payments **-** The Society expects to make the following benefit payments in future years (in thousands):

	Defined-Benefit Pension Payments	Postretirement Medical Payments
Fiscal year 2015	$ 35,291	$ 3,345
Fiscal year 2016	36,416	3,437
Fiscal year 2017	37,945	3,517
Fiscal year 2018	39,370	3,590
Fiscal year 2019	40,673	3,647
Fiscal years 2020–2024	218,823	18,549

7. LONG-TERM DEBT

In May 2000, the District of Columbia Pooled Loan Program Revenue Bonds (Series A) were issued in the face amount of $9,560,000. 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. Unamortized bond issuance costs were $7,000 and $20,000 as of December 31, 2014 and 2013, respectively.

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. Total interest paid in 2014 and 2013 was approximately $10,000 and $22,000 based on an average rate of 0.19% and 0.20% at December 31, 2014 and 2013, respectively.

Principal is payable semiannually with final payment due July 1, 2015.

The estimated fair value of the Society's debt was $860,000 and $1,680,000 as of December 31, 2014 and 2013, respectively. The fair value was based on indirectly observable inputs such as interest rates and yield curves that represent Level 2 inputs on the fair value hierarchy.

The loan agreement requires the Society to meet certain financial covenants that, in the opinion of management, the Society satisfied for the years ended December 31, 2014 and 2013.

8. RESTRICTED NET ASSETS

Temporarily restricted net assets at December 31 were available for the following programs (in thousands):

	2014	2013
Petroleum Research Fund	$ 478,074	$ 470,772
Grants and Awards	26,307	25,068
Membership and Scientific Advancement	2,417	2,317
Education	1,816	918
Other	34	128
Total Temporarily Restricted Net Assets	$ 508,648	$ 499,203

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 (in thousands):

	2014	2013
Petroleum Research Fund	$ 23,933	$ 22,196
Grants and Awards	2,431	2,231
Education	1,509	1,869
Membership and Scientific Advancement	1,176	1,341
Other	64	58
Total Net Assets Released from Restriction	$ 29,113	$ 27,695

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 (in thousands):

	2014	2013
Petroleum Research Fund	$ 72,500	$ 72,500
Grants and Awards	74,159	71,488
Membership and Scientific Advancement	2,029	1,943
Total Permanently Restricted Net Assets	$ 148,688	$ 145,931

The Society incurred direct fundraising expenses of $1,183,000 in 2014 and $1,269,000 in 2013.

9. 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 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 as permanently restricted are classified as temporarily restricted 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
- The Society's investment policies

Donor-restricted endowment funds are invested in accordance with the Society's investment policies. The investment policies are 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
- 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 policies are 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 the policies, as approved by the Board Committee on Pensions and Investments, endowment assets are invested in a manner intended to provide a long-term inflation-adjusted return of approximately 5.5% 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 28 donor-restricted endowment funds established for a variety of purposes. As required by U.S. generally accepted accounting principles, net assets associated with the donor-restricted 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, 2014 and 2013, respectively (in thousands):

	Permanently Restricted	Temporarily Restricted	Total
Endowment Net Assets as of January 1, 2014	$ 145,931	$ 493,932	$ 639,863
Investment Return			
Investment Income	7	12,422	12,429
Net Gains	2,149	22,492	24,641
Total Investment Return	2,156	34,914	37,070
Contributions	571	-	571
Net Assets Released from Restriction	-	(26,373)	(26,373)
Other Changes/Transfers	30	1	31
Endowment Net Assets as of December 31, 2014	$ 148,688	$ 502,474	$ 651,162
Endowment Net Assets as of January 1, 2013	$ 139,483	$ 442,444	$ 581,927
Investment Return			
Investment Income	-	10,600	10,600
Net Gains	4,948	66,625	71,573
Total Investment Return	4,948	77,225	82,173
Contributions	971	-	971
Net Assets Released from Restriction	-	(24,763)	(24,763)
Other Changes/Transfers	529	(974)	(445)
Endowment Net Assets as of December 31, 2013	$ 145,931	$ 493,932	$ 639,863

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, 2014, future lease payments to be made by the Society, and future lease receipts from tenants, under non-cancelable operating leases were as follows (in thousands):

Year Ending December 31	Lease Payments To Be Made	Lease Payments To Be Received
2015	$ 191	$ 31
2016	197	8
2017	199	-
2018	134	-
2019	67	-
Thereafter	134	-
	$ 922	$ 39

Rent expense for operating leases was approximately $435,000 and $509,000 in 2014 and 2013, respectively.

11. COMMITMENTS AND CONTINGENCIES

The Society is involved in various 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 consolidated financial position, change in net assets, or cash flows.

12. SUBSEQUENT EVENTS

The Society has performed an evaluation of subsequent events through March 5, 2015, which is the date the consolidated financial statements were available to be issued, noting no events that affect the consolidated financial statements as of December 31, 2014.

Management's Statement of Responsibility
March 5, 2015

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 and internal 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 and internal auditors have unrestricted access to the Audit Committee.

Thomas M. Connelly, Jr.
Executive Director & CEO

Brian A. Bernstein
Treasurer & CFO