

**THE INTERNATIONAL ASSOCIATION FOR  
RESEARCH IN INCOME AND WEALTH**

FINANCIAL STATEMENTS  
DECEMBER 31, 2007

# Watson Folkins Corey LLP

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## AUDITORS' REPORT

To the Members,

### **The International Association for Research in Income and Wealth:**

We have audited the statement of financial position of the International Association for Research in Income and Wealth as at December 31, 2007 and the statements of changes in net assets and revenue and expenses for the year then ended. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as explained in the following paragraph, we conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In common with similar organizations, the Association relies on Blackwell Publishing Limited to calculate royalties which is based on information for which we as auditors do not have access to. Therefore the completeness of royalties was not susceptible to satisfactory audit verification. Accordingly, our verification of this revenue was limited to the amounts recorded in the records of the Association and we were not able to determine whether any adjustments might be necessary to royalty revenue, net revenue for the year, assets and net assets.

In our opinion, except for the effect of adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves concerning the completeness of the royalty revenue referred to in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the Association as at December 31, 2007 and the results of its operations for the year then ended in accordance with Canadian generally accepted accounting principles.

Ottawa, Ontario  
October 10, 2008

**WATSON FOLKINS COREY LLP**  
Chartered Accountants  
Licensed Public Accountants

# THE INTERNATIONAL ASSOCIATION FOR RESEARCH IN INCOME AND WEALTH

## STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2007 (In U.S. dollars)

	<u>2007</u>	<u>2006</u>
<b>CURRENT ASSETS</b>		
Cash	\$ 52,012	\$ 9,542
Accounts receivable	5,776	3,377
Due from Wiley-Blackwell Publishing Limited	51,067	43,653
Prepaid expenses	<u>670</u>	<u>-</u>
	109,525	56,572
INVESTMENTS (note 4)	<u>589,721</u>	<u>444,449</u>
<b>TOTAL ASSETS</b>	<b>\$ <u>699,246</u></b>	<b>\$ <u>501,021</u></b>
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 42,727	\$ 5,056
Deferred membership revenue (note 5)	<u>12,205</u>	<u>8,355</u>
	<u>54,932</u>	<u>13,411</u>
<b>NET ASSETS</b>		
Restricted for Nancy Ruggles Travel Fund (note 6)	18,896	16,827
Unrestricted	<u>625,418</u>	<u>470,783</u>
	<u>644,314</u>	<u>487,610</u>
<b>TOTAL CURRENT LIABILITIES AND NET ASSETS</b>	<b>\$ <u>699,246</u></b>	<b>\$ <u>501,021</u></b>

Approved on behalf of the Board:

Director \_\_\_\_\_

Director \_\_\_\_\_

## THE INTERNATIONAL ASSOCIATION FOR RESEARCH IN INCOME AND WEALTH

### STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED DECEMBER 31, 2007 (In U.S. dollars)

	<u>2007</u>	<u>2006</u>
NET ASSETS RESTRICTED FOR NANCY RUGGLES TRAVEL FUND		
Balance, beginning of year	\$ 16,827	\$ 15,788
Add: transfer from unrestricted net assets	<u>2,069</u>	<u>1,039</u>
Balance, end of year	<u>\$ 18,896</u>	<u>\$ 16,827</u>
UNRESTRICTED NET ASSETS		
<u>Cumulative excess of revenues over expenses (excluding unrealized gains and losses) and internal transfers</u>		
Balance, beginning of year	\$ 463,865	\$ 343,413
Add: net revenue for the year	125,955	121,491
Less: transfer to net assets restricted for Nancy Ruggles Travel Fund	<u>(2,069)</u>	<u>(1,039)</u>
Balance, end of year	<u>587,751</u>	<u>463,865</u>
<u>Cumulative unrealized net gains and losses on available-for-sale unrestricted financial assets</u>		
Balance, beginning of year	6,918	(4,205)
Change in unrealized gains and losses on available- for-sale financial assets during the year	<u>30,749</u>	<u>11,123</u>
Balance, end of year	<u>37,667</u>	<u>6,918</u>
TOTAL	<u>\$ 625,418</u>	<u>\$ 470,783</u>

# THE INTERNATIONAL ASSOCIATION FOR RESEARCH IN INCOME AND WEALTH

## STATEMENT OF REVENUE AND EXPENSES FOR THE YEAR ENDED DECEMBER 31, 2007 (In U.S. dollars)

	<u>2007</u>	<u>2006</u>
<b>REVENUE</b>		
Membership fees		
- Institutional	\$ 80,996	\$ 75,272
- Individuals	19,949	23,892
Wiley-Blackwell Publishing Limited royalties (note 7)	136,068	128,653
Conference	-	21,773
RIW submission fees	2,200	1,650
Investment income	23,504	13,314
Gain (loss) on foreign exchange	4,842	(2,016)
Other	-	364
	<u>267,559</u>	<u>262,902</u>
<b>EXPENSES</b>		
Secretariat management fees (note 8)	66,932	50,000
RIW editorial	40,891	40,676
Conference		
- General costs	3,310	15,128
- Bursaries and subsidies	18,391	25,335
Bank, PayPal and investment account charges	2,499	1,163
Postage and courier	933	1,817
Office supplies	2,246	601
Professional fees	5,905	3,590
Telephone and communications	229	10
Website	268	2,415
Miscellaneous	-	676
	<u>141,604</u>	<u>141,411</u>
<b>NET REVENUE FOR THE YEAR</b>	<u>\$ 125,955</u>	<u>\$ 121,491</u>

# THE INTERNATIONAL ASSOCIATION FOR RESEARCH IN INCOME AND WEALTH

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2007

(In U.S. dollars)

### 1. PURPOSE OF THE ORGANIZATION

The International Association for Research in Income and Wealth (IARIW) has the following purposes and activities: furthering research on national and economic and social accounting, including the development of concepts and definitions for the measurement and analysis of income and wealth; the development and further integration of systems of economic and social statistics; and related problems of statistical methodology.

The Association was incorporated as a non-profit organization without share capital on December 21, 2004 under the Canada Corporations Act. As a registered charity, it is exempt from Canadian income taxes. An unincorporated predecessor organization operated until December 31, 2004 and then transferred its remaining net assets to the new corporation effective January 1, 2005.

### 2. SIGNIFICANT ACCOUNTING POLICIES

#### a) Investments

Investments are recorded at market value and are considered as "available-for-sale". Consequently, realized investment income and gains and losses are recorded on the statement of revenue and expenses. Unrealized market gains and losses are recorded as increases and decreases to unrestricted net assets.

#### b) Revenue recognition

The Association follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

#### c) Estimates and assumptions

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results may differ from those estimates. These estimates are reviewed annually and as adjustments become necessary, they are recognized in the financial statements in the period they become known.

#### d) Translation of foreign currencies

Monetary items denominated in foreign currency are translated to U.S. dollars at exchange rates in effect at the statement of financial position date. Revenues and expenses are translated at rates in effect at the time of the transaction. Foreign exchange gains and losses are included in income.

#### e) Statement of cash flows

A statement of cash flows has not been prepared as it would not provide significant additional information.

# THE INTERNATIONAL ASSOCIATION FOR RESEARCH IN INCOME AND WEALTH

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2007

(In U.S. dollars)

### 3. FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying values of cash, accounts receivable, due from Wiley-Blackwell Publishing Limited and accounts payable approximate their fair value due to the relatively short periods to maturity of the instruments. Investments have been recorded at market value. It is management's opinion that the Association is not exposed to significant interest, currency or credit risks arising from these financial instruments.

### 4. INVESTMENTS

	2007		2006	
	Cost	Market Value	Cost	Market Value
Corporate and US government bonds	\$ 228,522	\$ 233,245	\$ 242,456	\$ 239,473
Shares in international indexes	222,920	259,928	154,403	167,947
Bond and money market mutual funds	100,612	96,548	40,673	37,029
	<u>\$ 552,054</u>	<u>\$ 589,721</u>	<u>\$ 437,532</u>	<u>\$ 444,449</u>

The corporate and US government bonds have interest rates ranging from 3.625% to 8.125% and mature at staggered dates between 2008 and 2031.

### 5. DEFERRED MEMBERSHIP REVENUE

Deferred membership revenue consists of membership fees received which relate to future years. They will be recognized as revenue in corresponding future periods.

### 6. NET ASSETS RESTRICTED FOR NANCY RUGGLES TRAVEL FUND

The Nancy Ruggles Travel Fund was established to enable award winners to attend IARIW conferences. A prorated return on investments, both realized and unrealized, (11.59% in 2007 and 6.58% in 2006) has been transferred to the Fund from unrestricted net assets, amounting to \$2,069 in 2007 and \$1,039 in 2006.

### 7. WILEY-BLACKWELL PUBLISHING LIMITED ROYALTIES

Royalty revenues from Wiley-Blackwell Publishing Limited represent 63% of the profit generated from the *Review of Income and Wealth*. The remaining 37% goes to the publisher.

### 8. MANAGEMENT CONTRACT COMMITMENTS

There was a management contract to provide secretariat services at a cost in 2007 of \$67,931 (2006 - \$50,000). There are future management contract commitments of \$68,675 in 2008 and \$70,725 in 2009 (includes the portion of related Goods and Services Taxes that are unrecoverable).

# **THE INTERNATIONAL ASSOCIATION FOR RESEARCH IN INCOME AND WEALTH**

## **NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2007**

(In U.S. dollars)

### **9. INVESTMENT POLICY**

IARIW has a target equity/fixed investment allocation for its investment portfolio of 25/75. On December 31, 2007 the ratio was 21/79. With the global financial crisis, the value of the portfolio has significantly decreased in 2008.

### **10. COMPARATIVE FIGURES**

Certain comparative figures have been reclassified to conform with the current presentation.