

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

FINANCIAL STATEMENTS  
DECEMBER 31, 2008

# 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, 2008 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, 2008 and the results of its operations for the year then ended in accordance with Canadian generally accepted accounting principles.

*Watson Folkins Corey LLP*

Ottawa, Ontario  
June 29, 2009

**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, 2008 (In U.S. dollars)

	<u>2008</u>	<u>2007</u>
<b>CURRENT ASSETS</b>		
Cash	\$ 73,230	\$ 52,012
Accounts receivable	3,754	5,776
Due from Blackwell Publishing Limited	45,529	51,067
Prepaid expenses	-	670
	<u>122,513</u>	<u>109,525</u>
INVESTMENTS (note 5)	<u>659,386</u>	<u>589,721</u>
<b>TOTAL ASSETS</b>	<b>\$ <u>781,899</u></b>	<b>\$ <u>699,246</u></b>
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 19,858	\$ 42,727
Deferred membership revenue (note 6)	14,737	12,205
Deferred Blackwell revenue	<u>85,000</u>	<u>-</u>
	<u>119,595</u>	<u>54,932</u>
<b>NET ASSETS</b>		
Restricted for Nancy Ruggles Travel Fund (note 7)	19,831	18,896
Unrestricted	<u>642,473</u>	<u>625,418</u>
	<u>662,304</u>	<u>644,314</u>
<b>TOTAL CURRENT LIABILITIES AND NET ASSETS</b>	<b>\$ <u>781,899</u></b>	<b>\$ <u>699,246</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, 2008 (In U.S. dollars)

	<u>2008</u>	<u>2007</u>
NET ASSETS RESTRICTED FOR NANCY RUGGLES TRAVEL FUND		
Balance, beginning of year	\$ 18,896	\$ 16,827
Add: transfer from unrestricted net assets	<u>935</u>	<u>2,069</u>
Balance, end of year	<u>\$ 19,831</u>	<u>\$ 18,896</u>
UNRESTRICTED NET ASSETS		
<u>Cumulative excess of revenues over expenses (excluding unrealized gains and losses) and internal transfers</u>		
Balance, beginning of year	\$ 587,751	\$ 463,865
Add: net revenue for the year	79,198	125,955
Less: transfer to net assets restricted for Nancy Ruggles Travel Fund	<u>(935)</u>	<u>(2,069)</u>
Balance, end of year	<u>666,014</u>	<u>587,751</u>
<u>Cumulative unrealized net gains and losses on available-for-sale unrestricted financial assets</u>		
Balance, beginning of year	37,667	6,918
Change in unrealized gains and losses on available- for-sale financial assets during the year	<u>(61,208)</u>	<u>30,749</u>
Balance, end of year	<u>(23,541)</u>	<u>37,667</u>
TOTAL	<u>\$ 642,473</u>	<u>\$ 625,418</u>

# THE INTERNATIONAL ASSOCIATION FOR RESEARCH IN INCOME AND WEALTH

## STATEMENT OF REVENUE AND EXPENSES FOR THE YEAR ENDED DECEMBER 31, 2008 (In U.S. dollars)

	<u>2008</u>	<u>2007</u>
REVENUE		
Membership fees		
- Institutional	\$ 95,010	\$ 80,996
- Individuals	27,422	19,949
Blackwell Publishing Limited royalties (note 8)	130,529	136,068
RIW submission fees	1,475	2,200
Investment income	30,584	23,504
Gain (loss) on foreign exchange	<u>(7,267)</u>	<u>4,842</u>
	<u>277,753</u>	<u>267,559</u>
EXPENSES		
Secretariat management fees (note 9)	68,675	66,932
RIW editorial	68,420	40,891
Conference		
- Bursaries	665	-
- Subsidies	24,700	18,391
- Training session	10,676	-
- General costs	14,659	3,310
Bank, Paypal and investment account charges	1,243	2,499
Postage and courier	1,988	933
Office supplies	2,914	2,246
Professional fees	3,355	5,905
Telephone and communications	24	229
Website	397	268
Miscellaneous	<u>839</u>	<u>-</u>
	<u>198,555</u>	<u>141,604</u>
NET REVENUE FOR THE YEAR	<u>\$ 79,198</u>	<u>\$ 125,955</u>

# THE INTERNATIONAL ASSOCIATION FOR RESEARCH IN INCOME AND WEALTH

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2008

(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. ACCOUNTING CHANGES

a) During the year ended December 31, 2008, IARIW adopted the following new accounting policies:

#### *Capital disclosures*

Effective January 1, 2008 IARIW adopted Section 1535, Capital Disclosures, of The Canadian Institute of Chartered Accountants (CICA) Handbook. The required disclosure regarding what IARIW defines as capital and its objectives, policy and process for managing capital is provided in note 12.

#### *Financial instruments - disclosure and presentation*

In December 2006, the CICA issued Section 3862, Financial Instruments — Disclosures, and Section 3863, Financial Instruments — Presentation. Both sections were to be applicable to financial statements relating to fiscal years beginning on or after October 1, 2007, specifically, January 1, 2008 for IARIW. However, not-for-profit organizations may choose not to adopt these sections. Therefore, IARIW will continue to apply Section 3861, Financial Instruments — Disclosure and presentation, as applicable.

IARIW adopted Section 3855, Financial Instruments — Recognition and Measurement, except for the paragraphs related to embedded derivatives. This section establishes standards for recognizing and measuring financial assets and financial liabilities, including non-financial derivatives. IARIW's accounting policy with respect to financial instruments is disclosed in note 3.

This standard did not affect the IARIW's financial position or revenue and expenses.

b) Recent accounting pronouncements

#### *Financial statement presentation*

In September 2008, the CICA issued amendments to several of the existing sections in the 4400 series, Not-for-Profit Organizations. Changes apply to annual financial statements relating to fiscal years beginning on or after January 1, 2009. Accordingly, IARIW will have to adopt the amended standards for its fiscal year beginning January 1, 2009. The amendments include:

- additional guidance in the applicability of Section 1100, Generally Accepted Accounting Principles;
- removal of the requirement to report separately net assets invested in capital assets;

# THE INTERNATIONAL ASSOCIATION FOR RESEARCH IN INCOME AND WEALTH

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2008

(In U.S. dollars)

### 2. ACCOUNTING CHANGES (continued)

- requirements to disclose revenues and expenses in accordance with Emerging Issues Committee Abstract 123, Reporting Revenue Gross as a Principal Versus Net as an Agent;
- requirement to include a statement of cash flows in accordance with Section 1540, Cash Flow Statements;
- requirement to disclose related party transactions in accordance with Section 3840, Related Party Transactions; and
- new disclosure requirements regarding the allocation of fundraising and general support costs.

IARIW is currently evaluating the impact of the adoption of these new sections on its financial statements.

### 3. 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 and 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) Financial instruments

IARIW's financial assets and financial liabilities are recorded on the "available-for-sale" basis. Consequently, realized gains and losses are recorded on the statement of revenue and expenses and unrealized fair value gains and losses are recorded as increases and decreases to unrestricted net assets.

# THE INTERNATIONAL ASSOCIATION FOR RESEARCH IN INCOME AND WEALTH

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2008

(In U.S. dollars)

### 4. 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.

### 5. INVESTMENTS

	2008		2007	
	Cost	Market Value	Cost	Market Value
Corporate and US government bonds	\$ 208,947	\$ 239,226	\$ 228,522	\$ 233,245
Shares in international indexes	458,358	413,568	222,920	259,928
Bond and money market mutual funds	15,622	6,592	100,612	96,548
	<u>\$ 682,927</u>	<u>\$ 659,386</u>	<u>\$ 552,054</u>	<u>\$ 589,721</u>

The corporate and US government bonds have interest rates ranging from 4.375% to 8.125% and mature at staggered dates between 2009 and 2031.

### 6. 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.

### 7. 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, (4.95% in 2008 and 11.59% in 2007) has been transferred to the Fund from unrestricted net assets, amounting to \$935 in 2008 and \$2,069 in 2007.

### 8. BLACKWELL PUBLISHING LIMITED ROYALTIES

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

### 9. MANAGEMENT CONTRACT COMMITMENT

There was a management contract to provide secretariat services at a cost in 2008 of \$68,675 (2007 - \$66,932). There is a future management contract commitment of \$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, 2008**

(In U.S. dollars)

### **10. INVESTMENT POLICY**

IARIW has a target equity/fixed investment allocation for its investment portfolio of 25/75. On December 31, 2008 the ratio was 17/83.

### **11. SUBSEQUENT EVENT**

Subsequent to the year end, investments that were held at December 31, 2008 declined in 2009. As at May 31, 2009 this decline amounted to approximately 5%.

### **12. CAPITAL DISCLOSURES**

IARIW defines the capital that it manages as net assets.

The capital management objectives of IARIW include ensuring the ability to continue as a going concern and maintaining sufficient liquidity to meet its obligations as they become due.

IARIW is not subject to any externally imposed capital requirements.

### **13. STATEMENT OF CASH FLOWS**

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