

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

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

**Independent Auditor's Report
Statement of Financial Position
Statement of Revenue and Expenses
Statement of Changes in Net Assets
Statement of Cash Flows
Notes to Financial Statements**

FROUIN
GROUP
INDEPENDENT AUDITOR'S REPORT

To the Directors of:

The International Association for Research in Income and Wealth:

Report on the Financial Statements

We have audited the accompanying financial statements of The International Association for Research in Income and Wealth, which comprise the statement of financial position as at December 31, 2016, and the statement of revenue and expenses, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amount and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of The International Association for Research in Income and Wealth as at December 31, 2016, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.



Frouin Group Professional Corporation
Ottawa, Ontario
June 14, 2017

Authorized to practice public accounting by the Chartered Professional Accountants of Ontario

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

AUDITED STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2016

(In U.S. Dollars)

	2016	2015
ASSETS		
CURRENT ASSETS		
Cash	\$ 6,763	\$ 16,450
Accounts receivable	4,563	572
HST recoverable	10,364	11,067
Due from Wiley-Blackwell Publishing Limited	16,384	24,614
Prepaid expenses	<u>2,263</u>	<u>12,313</u>
	40,337	65,016
INVESTMENTS (note 4)	<u>1,321,423</u>	<u>1,137,807</u>
TOTAL ASSETS	<u>\$ 1,361,760</u>	<u>\$ 1,202,827</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Investment margin account (note 5)	\$ 34,602	\$ 11,725
Accounts payable	36,734	42,005
Deferred revenue (note 6)	<u>13,839</u>	<u>15,447</u>
	85,175	69,177
NET ASSETS		
Unrestricted	<u>1,276,585</u>	<u>1,133,650</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,361,760</u>	<u>\$ 1,202,827</u>

APPROVED ON BEHALF OF THE BOARD :

Director _____

Director _____

(See accompanying Notes to Financial Statements)

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

AUDITED STATEMENT OF REVENUE AND EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2016

(In U.S. dollars)

	2016	2015
REVENUES		
Membership fees		
Institutional	\$ 87,346	\$ 88,335
Individuals	21,682	19,504
Conference revenue	4,216	0
Wiley-Blackwell Publishing Limited royalties (note 7)	101,369	109,599
Other revenue	0	85
Gain on foreign exchange	<u>1,554</u>	<u>0</u>
	<u>216,167</u>	<u>217,523</u>
EXPENSES		
Loss on foreign exchange	0	5,475
Secretariat management fees (note 8)	127,326	124,728
RIW editorial	59,544	55,975
Conference travel & accommodations		
Bursaries	3,436	0
Subsidies	52,639	20,071
Training session	7,943	0
General costs	21,410	29,652
Bank, PayPal and investment account charges	1,190	1,062
Postage and courier	200	323
Office supplies	1,352	1,881
Professional fees	5,213	3,560
Miscellaneous	<u>10,688</u>	<u>766</u>
	<u>290,941</u>	<u>243,493</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES FROM OPERATIONS	<u>(74,774)</u>	<u>(25,970)</u>
Investment income	73,680	138,262
Unrealized market gains / (losses)	<u>144,029</u>	<u>(270,700)</u>
	<u>217,709</u>	<u>(132,438)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES FOR THE YEAR	<u>\$ 142,935</u>	<u>\$ (158,408)</u>

(See accompanying Notes to Financial Statements)

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

AUDITED STATEMENT OF CHANGES IN NET ASSETS

**FOR THE YEAR ENDED DECEMBER 31, 2016
(In U.S. dollars)**

	2016	2015
UNRESTRICTED NET ASSETS		
Balance, beginning of year	\$ 1,133,650	\$ 1,292,058
Add: excess (deficiency) of revenues over expenses	<u>142,935</u>	<u>(158,408)</u>
Balance, end of year	<u>\$ 1,276,585</u>	<u>\$ 1,133,650</u>

(See accompanying Notes to Financial Statements)

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

AUDITED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2016

(In U.S. dollars)

	2016	2015
CASH FROM OPERATING ACTIVITIES		
Excess (deficiency) of revenues over expenses for the year	\$ 142,935	\$ (158,408)
Unrealized market (gains) / losses	<u>(144,029)</u>	<u>270,700</u>
	(1,094)	112,292
Changes in non-cash working capital		
Accounts receivable	(3,287)	(2,594)
Due from Wiley-Blackwell Publishing Limited	8,230	2,406
Prepaid expenses	10,050	(9,902)
Accounts payable	(5,268)	578
Deferred membership revenue	<u>(1,609)</u>	<u>4,156</u>
	7,022	106,936
CASH FROM INVESTING ACTIVITIES		
Net investment activity	<u>(39,586)</u>	<u>(87,412)</u>
NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS	(32,564)	19,524
CASH AND EQUIVALENTS, beginning of year	<u>4,725</u>	<u>(14,799)</u>
CASH AND EQUIVALENTS (OVERDRAFT), End of Year	\$ <u><u>(27,839)</u></u>	\$ <u><u>4,725</u></u>
REPRESENTED BY:		
Cash on account	\$ 6,763	\$ 16,450
Investment margin account overdraft	<u>(34,602)</u>	<u>(11,725)</u>
	\$ <u><u>(27,839)</u></u>	\$ <u><u>4,725</u></u>

(See accompanying Notes to Financial Statements)

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

NOTES TO AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

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

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations and include the following significant accounting policies:

a. 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.

Membership fees are recognized as revenue proportionately over the fiscal year to which they relate. Membership fees received in advance for the following fiscal year are recorded as deferred revenue. Royalties from Wiley-Blackwell Publishing Limited are recognized in the fiscal period that they relate to.

b. Cash and equivalents

Cash and equivalents comprise of cash held on account and investment margin accounts with investment broker.

THE INTERNATIONAL ASSOCIATION FOR RESEARCH IN INCOME AND
WEALTH

NOTES TO AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

c. Investments

Investments are measured at fair value at each reporting date, with gains and losses recognized in the statement of revenue and expenses.

d. 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.

e. 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.

f. Capital Assets

The Association follows Section 4431.03 under the Canadian accounting standards for not-for-profit organizations which allows capital assets to be expensed in the period in which they are purchased as the average annual revenues recognized in the current and preceding period is less than \$500,000.

3. FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying values of cash, accounts receivable, due from Wiley-Blackwell Publishing Limited, investment margin account 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.

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

NOTES TO AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

4. INVESTMENTS

	2016		2015	
	Cost	Market Value	Cost	Market Value
Shares in international indexes	\$ <u>1,440,779</u>	\$ <u>1,321,423</u>	\$ <u>1,373,819</u>	\$ <u>1,137,807</u>

As of December 31, 2016, the investments show an unrealized loss in market value of approximately 6.89% (2015 showed an unrealized loss of 20.74%).

Investment income consists of the following:

	2016	2015
Dividend income net of foreign tax	\$ 73,244	\$ 70,246
Realized capital gains / (losses)	436	68,016
Unrealized capital gains / (losses)	<u>144,029</u>	<u>(270,700)</u>
Total investment income	<u>\$ 217,709</u>	<u>\$ (132,438)</u>

5. INVESTMENT MARGIN ACCOUNT

IARIW overdrew on its investment cash account in fiscals 2016 and 2015 to cover operational cash flow needs, thereby avoiding transactional costs associated with investment redemptions. This liability to the broker is secured by investments.

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.

	2016	2015
Deferred membership revenue, beginning of year	\$ 15,447	\$ 11,290
Membership fees received in the year	20,074	23,661
Less: amount recognized as revenue in the year	<u>(21,682)</u>	<u>(19,504)</u>
Deferred membership revenue at end of year	<u>\$ 13,839</u>	<u>\$ 15,447</u>

**THE INTERNATIONAL ASSOCIATION FOR
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NOTES TO AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

7. WILEY-BLACKWELL PUBLISHING LIMITED ROYALTIES

Wiley-Blackwell Publishing Limited provides a royalty to IARIW representing 50.39% of the profit generated from the Review of Income and Wealth.

8. RELATED PARTY

The Centre for the Study of Living Standards (CSLS) was contracted to provide secretariat services at a cost of \$122,500 plus HST services taxes in 2016 (2015 - \$120,000 plus taxes). These transactions were carried out in the normal course of operations and represent fair value of the amounts exchanged. CSLS and IARIW are related parties since they have the same senior management, enabling CSLS to exercise significant influence over IARIW's operations. There is a management contract commitment with CSLS for \$125,000 for 2017 plus HST services taxes.

9. INVESTMENT POLICY

IARIW has a target equity/fixed investment allocation for its investment portfolio of 25/75 based on market values. At December 31, 2016 the actual ratio was 29/71. The investment portfolio is re-balanced at the beginning of each year to the target ratio.

10. FINANCIAL RISK MANAGEMENT POLICY

IARIW is exposed to various risks through its financial instruments. The following analysis provides a measure of the risks at December 31, 2016:

a) Credit risk

Credit risk associated with investments is minimized by investing these assets in a diverse portfolio, comprising corporate and US government bonds, shares in international indexes and money market mutual funds. An ongoing review is performed to evaluate changes in the status of investments under the organization's investment policy. Credit risk associated with receivables is minimal since it consists primarily of royalties receivable from Wiley - Blackwell Publishing Limited for which there is prior history of collection. IARIW must make estimates with respect to the allowance for doubtful accounts.

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NOTES TO AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

10. FINANCIAL RISK MANAGEMENT POLICY (Continued)

b) Currency risk

The organization's functional currency is the US dollar. The organization enters into foreign currency transactions and holds bonds and money market mutual funds in Canadian currency. However, the impact of currency risk is mitigated by holding bank accounts in both Canadian and US currency; IARIW does not use foreign exchange forward contracts.

c) Liquidity risk

The organization manages its liquidity risk by regularly monitoring forecasted and actual cash flow and financial liability maturities, and by utilizing its investment margin account when required. Accounts payable are normally paid within 30 days.

d) Interest rate risk

The organization is exposed to interest rate risk with regard to its cash and equivalents and investments. The organization also has an interest-bearing overdraft with the broker. Fluctuations in market rates of interest on cash do not have a significant impact on the organization's results of operations. The impact of interest rate risk on investments is not significant in 2016 as none of the investment portfolio consists of US government bonds. The interest rate on the margin account with the broker is nominal and hence does not expose IARIW to significant interest rate risk.

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NOTES TO AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

11. COMMITMENTS

The organization entered into a contract with the Study of Living Standards for Secretariat Services effective on January 1, 2015 through to December 31, 2019.

The value of the contract for each calendar year is the following:

2017	\$125,000 USD
2018	\$127,500 USD
2019	\$130,000 USD

The organization also entered into three editorial contracts and have agreed to distributing the following allowances to each individual or institution:

Prasada Rao

August 1, 2016 - July 31, 2017	18,000 EUR
August 1, 2017 - July 31, 2018	18,000 EUR
August 1, 2018 - July 31, 2019	18,000 EUR

Université de Luxembourg

March 1, 2016 - July 31, 2017	28,000 EUR
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Conchita D'Ambrosio

August 1, 2016 - July 31, 2017	18,000 EUR
August 1, 2017 - July 31, 2018	18,000 EUR
August 1, 2018 - July 31, 2019	18,000 EUR