

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

FINANCIAL STATEMENTS
DECEMBER 31, 2005

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, 2005 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 Publishers 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. The net assets of a predecessor organization were transferred to the Association at the beginning of the year. Because the prior years' accounting records were not audited, it was not possible for us to verify the accuracy of the assets and liabilities transferred and our verification was limited to the assets and liabilities recorded as received and we were not able to determine whether any adjustments might be necessary to 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 and accuracy of the transfer of net assets 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, 2005 and the results of its operations for the year then ended in accordance with Canadian generally accepted accounting principles.

Ottawa, Ontario
May 15, 2006

WATSON FOLKINS COREY LLP
Chartered Accountants

THE INTERNATIONAL ASSOCIATION FOR RESEARCH IN INCOME AND WEALTH

STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2005 (In U.S. dollars)

	<u>2005</u>
CURRENT ASSETS	
Cash	\$ 9,793
Accounts receivable	<u>59,650</u>
	69,443
INVESTMENTS (note 4)	<u>298,494</u>
	<u>\$ 367,937</u>
CURRENT LIABILITIES	
Accounts payable	\$ 2,058
Deferred membership revenue (note 7)	<u>10,883</u>
	<u>12,941</u>
NET ASSETS	
Restricted for Nancy Ruggles Travel Fund	15,788
Unrestricted	<u>339,208</u>
	<u>354,996</u>
	<u>\$ 367,937</u>

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, 2005 (In U.S. dollars)

NET ASSETS RESTRICTED FOR NANCY RUGGLES TRAVEL FUND

Transfer of net assets from predecessor organization (note 5)	\$ 15,321
Add: transfer from unrestricted net assets	<u>467</u>
Balance, end of period (note 6)	<u>\$ 15,788</u>

UNRESTRICTED NET ASSETS

Transfer of net assets from predecessor organization (note 5)	\$ 242,326
Add: net revenue for the year	97,349
Less: transfer to net assets restricted for Nancy Ruggles Travel Fund	<u>(467)</u>
Balance, end of year	<u>\$ 339,208</u>

THE INTERNATIONAL ASSOCIATION FOR RESEARCH IN INCOME AND WEALTH

STATEMENT OF REVENUE AND EXPENSES FOR THE YEAR ENDED DECEMBER 31, 2005 (In U.S. dollars)

REVENUE

Membership fees	
- Institutional	\$ 76,186
- Individuals	16,518
Royalties - Blackwell Publishers	100,362
RIW submission fees	1,416
Investment income (note 4)	6,603
Gain on foreign exchange	1,281
Other	170
	<u>202,536</u>

EXPENSES

Secretariat management fees (note 8)	55,000
RIW editorial	39,824
Bank, PayPal and investment account charges	1,429
Postage and courier	771
Office supplies	741
Professional fees	2,823
Telephone and communications	1,296
Website	2,869
Miscellaneous	434
	<u>105,187</u>

NET REVENUE FOR THE YEAR	\$ <u>97,349</u>
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THE INTERNATIONAL ASSOCIATION FOR RESEARCH IN INCOME AND WEALTH

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2005

(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 without share capital on December 21, 2004 under the Canada Corporations Act. It is exempt from income taxes because it is a non-profit organization under the Income Tax (Canada). An unincorporated predecessor organization operated until December 31, 2004 and then transferred its remaining net assets to the new corporation effective January 1, 2005 as detailed in note 5.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Investments

Investments in shares in international indexes and bond and money market mutual funds are recorded at market value. Investments in corporate and US government bonds are generally being held to maturity and are recorded at amortized cost; however if the market value of these investments becomes lower than cost and this decline in value is considered to be other than temporary, then they are written down to market value.

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, 2005

(In U.S. dollars)

3. FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying values of cash, accounts receivable and accounts payable approximates 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

	<u>Cost</u>	<u>Market Value</u>
Corporate and US government bonds	\$ 187,114	\$ 184,387
Shares in international indexes	80,272	79,444
Bond and money market mutual funds	<u>35,313</u>	<u>34,663</u>
	<u>\$ 302,699</u>	<u>\$ 298,494</u>

The corporate and US government bonds have interest rates ranging from 3.940% to 8.125% and mature between 2006 and 2023. Income from interest and dividends of \$10,808 was offset by a decrease in market value of \$4,205, resulting in net investment income of \$6,603.

5. TRANSFER OF NET ASSETS FROM THE PREDECESSOR ORGANIZATION

On January 1, 2005 the remaining assets and liabilities of the unincorporated predecessor organization were transferred to the newly incorporated Association. It should be noted that the financial records of the predecessor organization were primarily maintained on a cash basis and were not audited. Consequently the transfer amounts have been adjusted to an accrual basis. The unaudited transfers, as adjusted, were as follows:

Total net assets at December 31, 2004 as previously reported	\$ 230,711
Add: - Accrued receivable from Blackwell Publishing	43,686
- Additional accruals of membership receivables	4,325
Less: - Write off of old office equipment not transferred	(17,670)
- Deferred membership revenue	<u>(3,405)</u>
Total transfers, as adjusted (unaudited)	<u>\$ 257,647</u>
ALLOCATION (unaudited):	
Net assets restricted for Nancy Ruggles Travel Fund	\$ 15,321
Unrestricted net assets	<u>242,326</u>
	<u>\$ 257,647</u>

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(In U.S. dollars)

6. NET ASSETS RESTRICTED FOR NANCY RUGGLES TRAVEL FUND

The Nancy Ruggles Travel Fund was established to enable award winners to attend IARIW conferences.

7. 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.

8. MANAGEMENT CONTRACT COMMITMENT

There is a management contract to December 31, 2009 to provide secretariat services at an annual cost of \$50,000. Note that in 2005 there was also a payment of \$5,000 to the former secretariat to assist in the transition.