

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

FINANCIAL STATEMENTS
DECEMBER 31, 2006

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, 2006 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, 2006 and the results of its operations for the year then ended in accordance with Canadian generally accepted accounting principles.

Ottawa, Ontario
September 14, 2007

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, 2006 (In U.S. dollars)

| | <u>2006</u> | <u>2005</u> |
|---|--------------------------|--------------------------|
| CURRENT ASSETS | | |
| Cash | \$ 9,542 | \$ 9,793 |
| Accounts receivable | 3,377 | 7,288 |
| Due from Blackwell Publishing Limited | <u>43,653</u> | <u>52,362</u> |
| | 56,572 | 69,443 |
| INVESTMENTS (note 4) | <u>444,449</u> | <u>298,494</u> |
| TOTAL ASSETS | \$ <u>501,021</u> | \$ <u>367,937</u> |
| CURRENT LIABILITIES | | |
| Accounts payable | \$ 5,056 | \$ 2,058 |
| Deferred membership revenue (note 5) | <u>8,355</u> | <u>10,883</u> |
| | <u>13,411</u> | <u>12,941</u> |
| NET ASSETS | | |
| Restricted for Nancy Ruggles Travel Fund (note 6) | 16,827 | 15,788 |
| Unrestricted | <u>470,783</u> | <u>339,208</u> |
| | <u>487,610</u> | <u>354,996</u> |
| TOTAL CURRENT LIABILITIES AND NET ASSETS | \$ <u>501,021</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)

| | <u>2006</u> | <u>2005</u> |
|---|-------------------|-------------------|
| NET ASSETS RESTRICTED FOR NANCY RUGGLES TRAVEL FUND | | |
| Balance, beginning of year | \$ 15,788 | \$ - |
| Transfer of net assets from predecessor organization | - | 15,321 |
| Add: transfer from unrestricted net assets | <u>1,039</u> | <u>467</u> |
| Balance, end of year | <u>\$ 16,827</u> | <u>\$ 15,788</u> |
| UNRESTRICTED NET ASSETS | | |
| <u>Cumulative excess of revenues over expenses (excluding unrealized gains and losses) and internal transfers</u> | | |
| Balance, beginning of year, as previously reported | \$ 339,208 | \$ - |
| Change in accounting policy (note 7) | <u>4,205</u> | <u>-</u> |
| Balance, beginning of year, as adjusted | 343,413 | - |
| Transfer of net assets from predecessor organization | - | 242,326 |
| Add: net revenue for the year | 121,491 | 101,554 |
| Less: transfer to net assets restricted for Nancy Ruggles Travel Fund | <u>(1,039)</u> | <u>(467)</u> |
| Balance, end of year | <u>463,865</u> | <u>343,413</u> |
| <u>Cumulative unrealized net gains and losses on available-for-sale unrestricted financial assets</u> | | |
| Balance, beginning of year, as previously reported | - | - |
| Change in accounting policy (note 7) | <u>(4,205)</u> | <u>-</u> |
| Balance, beginning of year, as adjusted | (4,205) | - |
| Change in unrealized gains and losses on available-for-sale financial assets during the year | <u>11,123</u> | <u>(4,205)</u> |
| Balance, end of year | <u>6,918</u> | <u>(4,205)</u> |
| TOTAL | <u>\$ 470,783</u> | <u>\$ 339,208</u> |

THE INTERNATIONAL ASSOCIATION FOR RESEARCH IN INCOME AND WEALTH

STATEMENT OF REVENUE AND EXPENSES FOR THE YEAR ENDED DECEMBER 31, 2006 (In U.S. dollars)

| | <u>2006</u> | <u>2005</u> |
|---|-------------------|-------------------|
| REVENUE | | |
| Membership fees | | |
| - Institutional | \$ 75,272 | \$ 76,186 |
| - Individuals | 23,892 | 16,518 |
| Royalties - Blackwell Publishing Limited | 128,653 | 100,362 |
| Conference | 21,773 | - |
| RIW submission fees | 1,650 | 1,416 |
| Investment income (note 4)(note 7) | 13,314 | 10,808 |
| Gain (loss) on foreign exchange | (2,016) | 1,281 |
| Other | 364 | 170 |
| | <u>262,902</u> | <u>206,741</u> |
| EXPENSES | | |
| Secretariat management fees (note 8) | 50,000 | 55,000 |
| RIW editorial | 40,676 | 39,824 |
| Conference | | |
| - General costs | 15,128 | - |
| - Bursaries | 9,979 | - |
| - Paper giver subsidies | 15,356 | - |
| Bank, PayPal and investment account charges | 1,163 | 1,429 |
| Postage and courier | 1,817 | 771 |
| Office supplies | 601 | 741 |
| Professional fees | 3,590 | 2,823 |
| Telephone and communications | 10 | 1,296 |
| Website | 2,415 | 2,869 |
| Miscellaneous | 676 | 434 |
| | <u>141,411</u> | <u>105,187</u> |
| NET REVENUE FOR THE YEAR | <u>\$ 121,491</u> | <u>\$ 101,554</u> |

THE INTERNATIONAL ASSOCIATION FOR RESEARCH IN INCOME AND WEALTH

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2006

(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.

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 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

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(In U.S. dollars)

3. FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying values of cash, accounts receivable, due from 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

| | 2006 | | 2005 | |
|------------------------------------|-------------------|-------------------|-------------------|-------------------|
| | Cost | Market Value | Cost | Market Value |
| Corporate and US government bonds | \$ 242,456 | \$ 239,473 | \$ 187,114 | \$ 184,387 |
| Shares in international indexes | 154,403 | 167,947 | 80,272 | 79,444 |
| Bond and money market mutual funds | 40,673 | 37,029 | 35,313 | 34,663 |
| | <u>\$ 437,532</u> | <u>\$ 444,449</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 at staggered dates between 2007 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, (6.58% in 2006 and 3.05% in 2005) has been transferred to the Fund from unrestricted net assets, amounting to \$1,039 in 2006 and \$467 in 2005.

7. CHANGE IN ACCOUNTING POLICY

In accordance with new Canadian generally accepted accounting standards, unrealized market gains and losses on investments are now recorded as increases and decreases to unrestricted net assets. Previously investments had been valued at market value since it was lower than cost and unrealized gains and losses had been recorded as part of investment income. This new policy has resulted in a reduction to investment income of \$11,123 and a direct increase to unrestricted net assets for the same amount. The 2005 comparative figures have been restated to be in accordance with the new policy, resulting in a \$4,205 increase to 2005 investment income and a corresponding decrease to unrestricted net assets for the same amount.

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(In U.S. dollars)

8. MANAGEMENT CONTRACT COMMITMENTS

There was a management contract to provide secretariat services at a cost in 2006 of \$50,000 (2005 - \$50,000). There are future management contract commitments of \$65,000 in 2007, \$67,000 in 2008 and \$69,000 in 2009.

9. COMPARATIVE FIGURES

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

10. SUBSEQUENT EVENT

Organizational assets and liabilities denominated in foreign currency have been translated to U.S. dollars at exchange rates in effect at December 31, 2006. Due to the strength of the Canadian dollar relative to the US dollar in 2007, the current US equivalent of Canadian assets in excess of Canadian liabilities has increased by \$3,388.