

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

**AUDITED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED DECEMBER 31, 2015**

**Independent Auditors' 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, 2015, 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 audits. We conducted our audits 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 audits 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, 2015, 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.

A handwritten signature in blue ink that reads "Frouin Group".

Licensed Public Accountants  
Ottawa, Ontario  
June 27, 2016

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

**FROUIN GROUP PROFESSIONAL CORPORATION**  
**CHARTERED ACCOUNTANTS**

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

**AUDITED STATEMENT OF FINANCIAL POSITION**

**AS AT DECEMBER 31, 2015  
(In U.S. Dollars)**

	2015	2014
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 16,450	\$ 10,347
Accounts receivable	572	0
HST receivable	11,067	9,045
Due from Wiley-Blackwell Publishing Limited	24,614	27,020
Prepaid expenses	<u>12,313</u>	<u>2,410</u>
	65,016	48,822
<b>INVESTMENTS (Note 4)</b>	<u><b>1,137,807</b></u>	<u><b>1,321,095</b></u>
<b>TOTAL ASSETS</b>	<u><b>\$ 1,202,827</b></u>	<u><b>\$ 1,369,917</b></u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Investment margin account (note 5)	\$ 11,725	\$ 25,146
Accounts payable	42,005	41,423
Deferred revenue (note 6)	<u>15,447</u>	<u>11,290</u>
	69,177	77,859
<b>NET ASSETS</b>		
Unrestricted	<u><b>1,133,650</b></u>	<u><b>1,292,058</b></u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><b>\$ 1,202,827</b></u>	<u><b>\$ 1,369,917</b></u>

**APPROVED ON BEHALF OF THE BOARD :**

Director \_\_\_\_\_

Director \_\_\_\_\_

(See accompanying Notes to Financial Statements)

**FROUIN  
GROUP**

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

**AUDITED STATEMENT OF REVENUE AND EXPENSES**

**FOR THE YEAR ENDED DECEMBER 31, 2015**

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

	2015	2014
<b>REVENUES</b>		
Membership fees		
Institutional	\$ 88,335	\$ 94,111
Individuals	19,504	19,777
Wiley-Blackwell Publishing Limited royalties (note 7)	109,599	112,005
Other Income	<u>85</u>	<u>0</u>
	<u><b>217,523</b></u>	<u><b>225,893</b></u>
<b>EXPENSES</b>		
Loss on foreign exchange	5,475	4,461
Secretariat management fees (note 8)	124,728	103,940
RIW editorial	55,975	57,790
Conference Travel & Accommodations		
Bursaries	0	2,121
Subsidies	20,071	37,075
Training Session	0	8,659
General costs	29,652	13,069
Bank, PayPal and investment account charges	1,062	893
Postage and courier	323	268
Office supplies	1,881	1,534
Professional fees	3,560	6,494
Miscellaneous	<u>766</u>	<u>549</u>
	<u><b>243,493</b></u>	<u><b>236,853</b></u>
<b>NET INCOME (LOSS) FROM OPERATIONS</b>	<u><b>(25,970)</b></u>	<u><b>(10,960)</b></u>
Investment income	138,262	114,758
Unrealized market gains / (losses)	<u>(270,700)</u>	<u>(88,006)</u>
	<u><b>(132,438)</b></u>	<u><b>26,752</b></u>
<b>NET INCOME (LOSS) FOR THE YEAR</b>	<u><b>\$ (158,408)</b></u>	<u><b>\$ 15,792</b></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, 2015**

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

	2015	2014
<b>UNRESTRICTED NET ASSETS</b>		
Balance, beginning of year	\$ 1,292,058	\$ 1,276,266
Add: net income for the year	<u>(158,408)</u>	<u>15,792</u>
Balance, end of year	<u>\$ 1,133,650</u>	<u>\$ 1,292,058</u>

(See accompanying Notes to Financial Statements)



**THE INTERNATIONAL ASSOCIATION FOR RESEARCH IN INCOME AND  
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**AUDITED STATEMENT OF CASH FLOWS**

**FOR THE YEAR ENDED DECEMBER 31, 2015**

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

	2015	2014
<b>CASH FROM OPERATING ACTIVITIES</b>		
Net revenue for the year	\$ (158,408)	\$ 15,792
Unrealized market (gains) / losses	<u>270,700</u>	<u>88,006</u>
	<b>112,292</b>	<b>103,798</b>
Changes in non-cash working capital		
Accounts Receivable	(2,594)	1,876
Due from Wiley-Blackwell Publishing Limited	2,406	4,367
Prepaid expenses	(9,902)	2,993
Accounts Payable	577	(27,632)
Deferred membership revenue	<u>4,158</u>	<u>(1,207)</u>
	<b>106,937</b>	<b>84,195</b>
<b>CASH FROM INVESTING ACTIVITIES</b>		
Disposition (purchase) of investments	<u>(87,412)</u>	<u>(94,310)</u>
<b>NET DECREASE IN CASH AND EQUIVALENTS</b>	<b>19,525</b>	<b>(10,115)</b>
<b>CASH AND EQUIVALENTS, beginning of year</b>	<u>(14,799)</u>	<u>(4,684)</u>
<b>CASH AND EQUIVALENTS (OVERDRAFT), End of Year</b>	<b>\$ <u>4,726</u></b>	<b>\$ <u>(14,799)</u></b>
Cash on account	\$ 16,450	\$ 10,347
Investment margin account overdraft	<u>(11,724)</u>	<u>(25,146)</u>
End of Year	<b>\$ <u>4,726</u></b>	<b>\$ <u>(14,799)</u></b>

(See accompanying Notes to Financial Statements)



THE INTERNATIONAL ASSOCIATION FOR RESEARCH IN INCOME AND  
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NOTES TO AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

**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 cash held on account and investment margin account with investment broker.

THE INTERNATIONAL ASSOCIATION FOR RESEARCH IN INCOME AND  
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NOTES TO AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

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  
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**NOTES TO AUDITED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED DECEMBER 31, 2015**

**4. INVESTMENTS**

	2015		2014	
	Cost	Market Value	Cost	Market Value
Shares in international indexes	\$ 1,373,819	\$ 1,137,807	\$ 1,286,407	\$ 1,321,095
Money market mutual funds	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>TOTAL</b>	<b><u>\$ 1,373,819</u></b>	<b><u>\$ 1,137,807</u></b>	<b><u>\$ 1,286,407</u></b>	<b><u>\$ 1,321,095</u></b>

As of December 31, 2015, the investments show an unrealized loss in market value of approximately 20.74% (2014 showed an unrealized gain of 2.63%).

Investment income consists of the following:

	2015	2014
Dividend income net of foreign tax	70,246	64,304
Realized capital gains / (losses)	68,016	50,454
Unrealized capital gains / (losses)	<u>(270,700)</u>	<u>(88,006)</u>
Total investment income	<b><u>\$ (132,438)</u></b>	<b><u>\$ 26,752</u></b>

**5. INVESTMENT MARGIN ACCOUNT**

IARIW overdrew on its investment cash account in fiscal 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.

	2015	2014
Deferred membership revenue,		
beginning of year	\$ 11,290	\$ 12,496
Membership fees received in the year	23,661	18,571
Less: amount recognized as revenue in the year	<u>(19,504)</u>	<u>(19,777)</u>
Deferred membership revenue at end of year	<b><u>\$ 15,447</u></b>	<b><u>\$ 11,290</u></b>

THE INTERNATIONAL ASSOCIATION FOR RESEARCH IN INCOME AND  
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FOR THE YEAR ENDED DECEMBER 31, 2015

**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. IARIW also contracts with Wiley to perform some publishing projects and these costs are deducted from the gross royalties.

**8. RELATED PARTY**

The Centre for the Study of Living Standards (CSLS) was contracted to provide secretariat services at a cost of \$120,000 plus HST services taxes in 2015 (2014 - \$100,000 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 \$122,500 for 2016 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, 2015 the actual ratio was 25/75. 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, 2015:

**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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**FOR THE YEAR ENDED DECEMBER 31, 2015**

**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 2015 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.

**11. COMPARATIVE FIGURES**

The prior year comparative figures have been reclassified to conform to this year's presentation.

**12. COMMITMENT**

The organization is 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:

2015	\$120,000 USD
2016	\$122,500 USD
2017	\$125,000 USD
2018	\$127,500 USD
2019	\$130,000 USD