

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

**AUDITED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED DECEMBER 31, 2019**

**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**



## INDEPENDENT AUDITORS' REPORT

To the Directors of:  
The International Association for Research in Income and Wealth

### Opinion

We have audited the financial statements of The International Association for Research in Income and Wealth, which comprise the statement of financial position as at December 31, 2019, and the statement of operations, statement of changes in net assets and cash flows statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying 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, 2019, and the results of its operations and cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

### Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

## Auditors' Responsibilities for the Audit of Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high-level of assurance but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted audit standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a matter that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



Frouin Group Professional Corporation  
Ottawa, Ontario  
June 29, 2020

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

**FROUIN**  
GROUP

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

**AUDITED STATEMENT OF FINANCIAL POSITION**

**AS AT DECEMBER 31, 2019**

**(In U.S. Dollars)**

	2019	2018
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 10,901	\$ 1,688
Accounts receivable	11,257	667
HST recoverable	3,660	11,380
Due from Wiley Publishing Limited	28,468	26,532
Prepaid expenses	<u>1,777</u>	<u>1,486</u>
	56,063	41,753
<b>INVESTMENTS (note 4)</b>	<u><b>1,404,402</b></u>	<u><b>1,225,573</b></u>
<b>TOTAL ASSETS</b>	<u><b>\$ 1,460,465</b></u>	<u><b>\$ 1,267,326</b></u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Investment margin account (note 5)	\$ 1,134	\$ 41,233
Accounts payable	42,841	39,495
Deferred revenue (note 6)	<u>8,510</u>	<u>13,424</u>
	52,485	94,152
<b>NET ASSETS</b>		
Unrestricted	<u><b>1,407,980</b></u>	<u><b>1,173,174</b></u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><b>\$ 1,460,465</b></u>	<u><b>\$ 1,267,326</b></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, 2019  
(In U.S. dollars)**

	2019	2018
<b>REVENUES</b>		
Membership fees		
Institutional	\$ 83,978	\$ 82,087
Individuals	17,503	17,396
Conference revenue	0	4,410
Wiley Publishing Limited royalties (note 7)	113,453	111,517
Investment income (note 4)	82,958	58,152
Gain/(loss) on foreign exchange	<u>4,155</u>	<u>(14,929)</u>
	<u>302,047</u>	<u>258,633</u>
<b>EXPENSES</b>		
Secretariat management fees (note 8)	130,631	132,523
RIW editorial	61,920	68,637
Conference travel & accommodations		
Bursaries	0	13,133
Subsidies	6,543	54,379
Training session	0	9,737
General costs	28,386	34,774
Bank, PayPal and investment account charges	1,172	1,346
Postage and courier	26	358
Office supplies	2,375	3,035
Professional fees	4,245	3,400
Miscellaneous	<u>1,183</u>	<u>1,657</u>
	<u>236,481</u>	<u>322,979</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES FROM OPERATIONS</b>	<u>65,566</u>	<u>(64,346)</u>
Unrealized market gains / (losses) (note 4)	<u>169,240</u>	<u>(183,881)</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES FOR THE YEAR</b>	<u>\$ 234,806</u>	<u>\$ (248,227)</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, 2019**

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

	2019	2018
<b>UNRESTRICTED NET ASSETS</b>		
Balance, beginning of year	\$ 1,173,174	\$ 1,421,401
Excess (deficiency) of revenues over expenses for the year	<u>234,806</u>	<u>(248,227)</u>
Balance, end of year	<u>\$ 1,407,980</u>	<u>\$ 1,173,174</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, 2019**

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

	2019	2018
<b>CASH FROM OPERATING ACTIVITIES</b>		
Excess (deficiency) of revenues over expenses for the year	\$ 234,806	\$ (248,227)
Unrealized market (gains) / losses	<u>(169,240)</u>	<u>183,881</u>
	65,566	(64,346)
Changes in non-cash working capital		
Accounts receivable	(2,872)	2,045
Due from Wiley Publishing Limited	(1,937)	(2,920)
Prepaid expenses	(291)	(75)
Accounts payable	3,351	96
Deferred membership revenue	<u>(4,916)</u>	<u>1,582</u>
	58,901	(63,618)
<b>CASH FROM INVESTING ACTIVITIES</b>		
Net investment activity	<u>(9,589)</u>	<u>30,402</u>
<b>NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS</b>		
	49,312	(33,216)
<b>CASH AND EQUIVALENTS, beginning of year</b>	<u>(39,545)</u>	<u>(6,329)</u>
<b>CASH AND EQUIVALENTS, end of year</b>	<u>\$ 9,767</u>	<u>\$ (39,545)</u>
<b>REPRESENTED BY:</b>		
Cash on account	\$ 10,901	\$ 1,688
Investment margin account overdraft	<u>(1,134)</u>	<u>(41,233)</u>
	<u>\$ 9,767</u>	<u>\$ (39,545)</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, 2019**

**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 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 an investment broker.



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NOTES TO AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2019

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**

The Association's functional currency is the U.S. dollar. 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. No capital items were expensed in the year.

3. FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying values of cash, accounts receivable, due from Wiley 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  
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**NOTES TO AUDITED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED DECEMBER 31, 2019**

**4. INVESTMENTS**

	2019		2018	
	Cost	Market Value	Cost	Market Value
Shares in international indexes	<u>\$ 1,402,005</u>	<u>\$ 1,404,402</u>	<u>\$ 1,404,251</u>	<u>\$ 1,255,573</u>

As of December 31, 2019, the investments show an unrealized gain in market value of approximately 0.03% (2018 showed an unrealized loss of 14.25%).

Investment income consists of the following:

	2019	2018
Investment income net of foreign tax	\$ 82,958	\$ 76,540
Realized capital gains / (losses)	0	(18,388)
Unrealized capital gains / (losses)	<u>169,240</u>	<u>(183,881)</u>
Total investment income	<u>\$ 252,198</u>	<u>\$ (125,729)</u>

**5. INVESTMENT MARGIN ACCOUNT**

IARIW overdrew on its investment cash account in fiscals 2019 and 2018 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.

	2019	2018
Deferred membership revenue, beginning of year	\$ 13,424	\$ 11,842
Membership fees received in the year	12,589	18,978
Less: amount recognized as revenue in the year	<u>(17,503)</u>	<u>(17,396)</u>
Deferred membership revenue, end of year	<u>\$ 8,510</u>	<u>\$ 13,424</u>

**THE INTERNATIONAL ASSOCIATION FOR  
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**NOTES TO AUDITED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED DECEMBER 31, 2019**

**7. WILEY PUBLISHING LIMITED ROYALTIES**

Wiley Publishing Limited provides a royalty to IARIW representing 63% of the profit generated from the Review of Income and Wealth.

**8. RELATED PARTIES**

The Centre for the Study of Living Standards (CSLS) was contracted to provide secretariat services at a cost of \$130,000 plus HST services taxes in 2019 (December 31, 2019: \$127,500 plus taxes). The HST service taxes were not charged after April 2019. 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 are management contract commitments with CSLS for \$132,600 USD for 2020.

During the fiscal year, payments totaling \$20,000 EUR were paid to a member of the board for editorial reviews performed. These amounts were recorded in the financial statements at the exchange amount. Of this amount, \$9,700 EUR was recorded as an accrued liability as of year end.

**9. INVESTMENT POLICY**

IARIW has set an asset allocation for their investment portfolio as follows: 25-50% equities and 50-75% fixed income. This allocation is at the discretion of the investment manager based on market values. At December 31, 2019 the actual equity/fixed investment ratio was 85/15. Included in equity are ETFs that are exclusively held in bonds. 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, 2019:

**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 Association's investment policy. Credit risk associated with receivables is minimal since it consists primarily of royalties receivable from Wiley 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, 2019**

**10. FINANCIAL RISK MANAGEMENT POLICY (Continued)**

**b) Currency risk**

The Association's functional currency is the US dollar. The Association 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 Association 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 Association is exposed to interest rate risk with regard to its cash and equivalents and investments. The Association 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 Association's results of operations. The interest rate on the margin account with the broker is nominal and hence does not expose IARIW to significant interest rate risk.

**11. COMMITMENTS**

The Association entered into a contract with the Centre for the Study of Living Standards for secretariat services effective on January 1, 2020 through to December 31, 2024. The value of the contract for each calendar year is as follows:

2020	\$132,600 USD
2021	\$135,252 USD
2022	\$137,957 USD
2023	\$140,716 USD
2024	\$143,531 USD

THE INTERNATIONAL ASSOCIATION FOR  
RESEARCH IN INCOME AND WEALTH

NOTES TO AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2019

11. COMMITMENTS (continued)

The Association has entered into two editorial contracts and have agreed to distribute the following allowances to each individual or institution:

**Prasada Rao**

August 1, 2019 - July 31, 2024 20,000 EUR per year

**Conchita D'Ambrosio**

August 1, 2019 - July 31, 2024 20,000 EUR per year

The Association has also entered into a contract with the University of Luxembourg for hosting the editorial office. Payments as a result of this contract are as follows:

August 1, 2019 - July 31, 2024 15,500 EUR per year