

**INTERNATIONAL ASSOCIATION FOR
ACCOUNTING EDUCATION AND RESEARCH**

AUDITED FINANCIAL STATEMENTS

DECEMBER 31, 2012

INDEPENDENT AUDITORS' REPORT

Board of Directors
International Association for
Accounting Education and Research
Chicago, Illinois

Report on the Financial Statements

We have audited the accompanying statement of assets, liabilities and net assets – cash basis of the International Association for Accounting Education and Research (a nonprofit organization) (IAAER) as of December 31, 2012 and 2011, and the related statements of support, revenue and expenses – cash basis and changes in net assets – cash basis for the years then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts 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. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant 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 is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, such financial statements present fairly, in all material respects, the assets, liabilities and net assets of IAAER at December 31, 2012 and 2011, and the changes in its net assets for the years then ended in accordance with the cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles as further described in Note 1.

Other Matter

Our audits were conducted for the purpose of forming an opinion on the 2012 financial statements as a whole. The accompanying supplementary information is presented for the purpose of additional analysis and is not a required part of the financial statements. The supplemental schedules are the responsibility of IAAER's management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such supplemental schedules have been subjected to the auditing procedures applied in our audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

Battelle & Battelle LLP

June 12, 2013

**INTERNATIONAL ASSOCIATION FOR
ACCOUNTING EDUCATION AND RESEARCH**

**STATEMENT OF ASSETS, LIABILITIES AND NET ASSETS
(Cash Basis)**

| | <i>December 31</i> | |
|--|--------------------|-------------------|
| | <u>2012</u> | <u>2011</u> |
| ASSETS | | |
| Cash, checking and money market accounts | \$ 285,379 | \$ 413,301 |
| Certificates of deposit | <u>300,183</u> | <u>100,183</u> |
| Total assets | <u>\$ 585,562</u> | <u>\$ 513,484</u> |
| LIABILITIES | | |
| | <u>\$ 12,542</u> | <u>\$ 8,069</u> |
| NET ASSETS | | |
| Unrestricted | 227,489 | 230,300 |
| Temporarily restricted | <u>345,531</u> | <u>275,115</u> |
| Total net assets | <u>573,020</u> | <u>505,415</u> |
| Total liabilities and net assets | <u>\$ 585,562</u> | <u>\$ 513,484</u> |

The accompanying notes are an integral part of the financial statements.

**INTERNATIONAL ASSOCIATION FOR
ACCOUNTING EDUCATION AND RESEARCH**

**STATEMENT OF SUPPORT, REVENUE AND EXPENSES
(Cash Basis)**

| | <i>Year Ended December 31</i> | |
|--|-------------------------------|-------------------|
| | <u>2012</u> | <u>2011</u> |
| Changes in unrestricted net assets: | | |
| Public support and revenue: | | |
| Membership dues: | | |
| Individuals | \$ 19,759 | \$ 23,855 |
| Universities | 12,362 | 12,726 |
| Institutional, academic and professional | 13,897 | 14,551 |
| Total membership dues | <u>46,018</u> | <u>51,132</u> |
| World Congress conference | - | 11,931 |
| Other conferences | - | 7,910 |
| Interest income | 548 | 1,267 |
| Net assets released from restrictions | 179,818 | 218,837 |
| Total public support and revenue | <u>226,384</u> | <u>291,077</u> |
| Expenses: | | |
| Program expenses: | | |
| Member services | 21,297 | 25,000 |
| Meetings and conferences | 13,887 | 38,325 |
| Research projects | 155,197 | 178,838 |
| Total program expenses | <u>190,381</u> | <u>242,163</u> |
| Support expense: | | |
| Management and general | 38,814 | 46,947 |
| Total expenses | <u>229,195</u> | <u>289,110</u> |
| Change in unrestricted net assets | <u>(2,811)</u> | <u>1,967</u> |
| Changes in temporarily restricted net assets: | | |
| Public support and revenue: | | |
| Grants received | 250,234 | 327,010 |
| Net assets released from restrictions | (179,818) | (218,837) |
| Change in temporarily restricted net assets | <u>70,416</u> | <u>108,173</u> |
| Change in net assets | <u>\$ 67,605</u> | <u>\$ 110,140</u> |

The accompanying notes are an integral part of the financial statements.

**INTERNATIONAL ASSOCIATION FOR
ACCOUNTING EDUCATION AND RESEARCH**

**STATEMENT OF CHANGES IN NET ASSETS
(Cash Basis)**

YEARS ENDED DECEMBER 31, 2012 AND 2011

| | <u><i>Unrestricted</i></u> | <u><i>Temporarily Restricted</i></u> | <u><i>Total</i></u> |
|-----------------------------------|----------------------------|--|--------------------------|
| BALANCE, JANUARY 1, 2011 | \$ 228,333 | \$ 166,942 | \$ 395,275 |
| Change in net assets | <u>1,967</u> | <u>108,173</u> | <u>110,140</u> |
| BALANCE, DECEMBER 31, 2011 | 230,300 | 275,115 | 505,415 |
| Change in net assets | <u>(2,811)</u> | <u>70,416</u> | <u>67,605</u> |
| BALANCE, DECEMBER 31, 2012 | <u><u>\$ 227,489</u></u> | <u><u>\$ 345,531</u></u> | <u><u>\$ 573,020</u></u> |

The accompanying notes are an integral part of the financial statements.

**INTERNATIONAL ASSOCIATION FOR
ACCOUNTING EDUCATION AND RESEARCH**

**NOTES TO FINANCIAL STATEMENTS
(Cash Basis)**

DECEMBER 31, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Operations

The International Association for Accounting Education and Research (IAAER) is an Illinois not-for-profit organization incorporated on November 4, 2002. IAAER is a global organization founded to promote excellence in accounting education and research on a worldwide basis and to maximize the contributions of accounting academics to the development and maintenance of high quality, globally recognized standards.

Cash basis of accounting

IAAER prepares its financial statements substantially on the basis of cash receipts and disbursements; consequently, revenue and the related assets are recognized when received rather than when earned and expenses are recognized when paid rather than when the obligations are incurred. Accordingly, the accompanying financial statements are not intended to present the financial position or changes in net assets on the accrual basis of accounting in conformity with generally accepted accounting principles in the United States of America.

Income taxes

IAAER is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Contributions to IAAER are deductible for income tax purposes within limitations of the law.

IAAER's tax reporting is on the same cash basis of accounting used in preparing these financial statements.

NOTE 2 - CASH

IAAER maintains a cash account at a financial institution which sometimes exceed federally insured limits. IAAER manages the risk regarding deposits in banks by using high credit quality financial institutions. IAAER has not experienced any loss in the account and management believes that IAAER is not subject to any significant credit risk on cash.

NOTE 3 - CONCENTRATIONS OF PUBLIC SUPPORT AND REVENUE

Two supporters accounted for approximately 84% and 82% of IAAER's public support and revenues for the years ended December 31, 2012 and 2011, respectively.

NOTE 4 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets represent unused research grants as follows for the years ended December 31:

| | <u>2012</u> | <u>2011</u> |
|---|-------------------|-------------------|
| KPMG IASB grant | \$ 169,804 | \$ 134,697 |
| KPMG IAASB grant | 60,000 | - |
| KPMG eIFRS and Website grant | 3,703 | - |
| KPMG Diversity grant | 1,575 | - |
| ACCA IAESB research grant | 25,768 | 35,151 |
| ACCA developing research skills grant | 34,072 | 20,279 |
| ACCA SME roundtable grant | - | 10,709 |
| ACCA seed grant | 34,618 | 5,380 |
| ACCA IAASB fund grant | <u>15,991</u> | <u>68,899</u> |
| Total temporarily restricted net assets | <u>\$ 345,531</u> | <u>\$ 275,115</u> |

Net assets were released from restrictions by incurrence of expenses satisfying the restricted purpose or by occurrence of events specified by the donor.

NOTE 5 - SUBSEQUENT EVENTS

Management of IAAER has reviewed and evaluated subsequent events from December 31, 2012, the financial statement date, through June 12, 2013, the date the financial statements were available to be issued.

During the first quarter of 2013, IAAER entered a contract with Deloitte Touche Tohmatsu Services, Inc. whereby the firm will provide a bursary of \$50,000 annually for a three-year period, to develop five full-time faculty members from universities in developing markets. The Deloitte IAAER Scholarship program was launched February 13, 2013. Deloitte transferred the first \$50,000 installment to support the program to IAAER on March 15, 2013.

SUPPLEMENTARY INFORMATION

**INTERNATIONAL ASSOCIATION FOR
ACCOUNTING EDUCATION AND RESEARCH**

**GRANTS RECEIVED
(Cash Basis)**

| | <i>Year Ended December 31</i> | |
|---|-------------------------------|-------------|
| | <i>2012</i> | <i>2011</i> |
| Association of Chartered Certified Accountants (ACCA): | | |
| International Accounting Education Standards Board (IAESB) research grant | \$ 23,829 | \$ 77,356 |
| International Auditing and Assurance Standard Board (IAASB) grant Developing research skills grant | - | 86,393 |
| SME roundtable grant | 22,188 | 21,545 |
| Seed grant | - | 4,209 |
| | 39,217 | 32,507 |
| KPMG: | | |
| International Accounting Standards Board (IASB) grant | 75,000 | 75,000 |
| eIFRS and website grant | 25,000 | 25,000 |
| Diversity grant | 5,000 | 5,000 |
| International Auditing and Assurance Standard Board (IAASB) grant | 60,000 | - |
| | \$ 250,234 | \$ 327,010 |
| Total grants received | \$ 250,234 | \$ 327,010 |

See Independent Auditors' Report.

**INTERNATIONAL ASSOCIATION FOR
ACCOUNTING EDUCATION AND RESEARCH**

**PROGRAM AND SUPPORT EXPENSES
(Cash Basis)**

YEAR ENDED DECEMBER 31, 2012

| | <i>Program</i> | | | <i>Management and General</i> | <i>Total</i> |
|------------------------------------|----------------------------|-------------------------------------|------------------------------|-----------------------------------|-------------------|
| | <i>Member Services</i> | <i>Meetings and Conferences</i> | <i>Research Projects</i> | | |
| Academic research team grants | \$ - | \$ - | \$ 155,197 | \$ - | \$ 155,197 |
| Website costs | 1,440 | | | | 1,440 |
| Travel | | 13,887 | | | 13,887 |
| Research database (eIFRS) | 19,857 | | | | 19,857 |
| Office expense | | | | 2,031 | 2,031 |
| Contract services | | | | 25,469 | 25,469 |
| Professional fees | | | | 9,441 | 9,441 |
| Bank fees | | | | 1,873 | 1,873 |
| | | | | | |
| Total program and support expenses | <u>\$ 21,297</u> | <u>\$ 13,887</u> | <u>\$ 155,197</u> | <u>\$ 38,814</u> | <u>\$ 229,195</u> |

See Independent Auditors' Report.

**INTERNATIONAL ASSOCIATION FOR
ACCOUNTING EDUCATION AND RESEARCH**

**PROGRAM AND SUPPORT EXPENSES
(Cash Basis)**

YEARS ENDED DECEMBER 31, 2011

| | <i>Program</i> | | | <i>Management and General</i> | <i>Total</i> |
|---------------------------------|----------------------------|-------------------------------------|------------------------------|-----------------------------------|-------------------|
| | <i>Member Services</i> | <i>Meetings and Conferences</i> | <i>Research Projects</i> | | |
| Academic research team grants | \$ - | \$ - | \$ 178,838 | \$ - | \$ 178,838 |
| World Congress conference | | | | 8,892 | 8,892 |
| Website costs | 1,625 | | | 3,465 | 5,090 |
| Travel | | 21,843 | | | 21,843 |
| Research database (eIFRS) | 23,335 | | | | 23,335 |
| Office expense | | | | 1,448 | 1,448 |
| Contract services | | | | 30,183 | 30,183 |
| Professional fees | | | | 725 | 725 |
| Other conferences and workshops | | 16,482 | | | 16,482 |
| Bank fees | 40 | | | 2,234 | 2,274 |
| | <u>\$ 25,000</u> | <u>\$ 38,325</u> | <u>\$ 178,838</u> | <u>\$ 46,947</u> | <u>\$ 289,110</u> |

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