

**INTERNATIONAL ASSOCIATION FOR  
ACCOUNTING EDUCATION AND RESEARCH**

**AUDITED FINANCIAL STATEMENTS**

**DECEMBER 31, 2011**

**INDEPENDENT AUDITORS' REPORT**

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

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, 2011 and the related statements of support, revenue and expenses – cash basis and changes in net assets – cash basis for the year then ended. These financial statements are the responsibility of IAAER's management. Our responsibility is to express an opinion on these financial statements based upon our audit. The 2010 financial statements were audited by other accountants, and their report thereon, dated October 19, 2011, expressed an unqualified opinion.

We conducted our audit 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 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. We believe that our audit provides a reasonable basis for our opinion.

As describe in Note 1, these financial statements were prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities and net assets of International Association for Accounting Education and Research as of December 31, 2011, and its support, revenue, expenses and changes in net assets for the year then ended, on the basis of accounting described in Note 1.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The additional information – cash basis for the year ended December 31, 2011 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the 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 as a whole.

*Battelle & Battelle LLP*

June 6, 2012

**INTERNATIONAL ASSOCIATION FOR  
ACCOUNTING EDUCATION AND RESEARCH**

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

	<i>December 31</i>	
	<u>2011</u>	<u>2010</u>
<b>ASSETS</b>		
Cash, checking and money market accounts	\$ 413,301	\$ 394,541
Certificates of deposit	100,183	-
Other assets	-	734
	<hr/>	<hr/>
Total assets	<u>\$ 513,484</u>	<u>\$ 395,275</u>
 <b>LIABILITIES</b>		
	<u>\$ 8,069</u>	<u>\$ -</u>
 <b>NET ASSETS</b>		
Unrestricted	230,300	228,333
Temporarily restricted	275,115	166,942
	<hr/>	<hr/>
Total net assets	<u>505,415</u>	<u>395,275</u>
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Total liabilities and net assets	<u>\$ 513,484</u>	<u>\$ 395,275</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>	
	<i>2011</i>	<i>2010</i>
<b>Changes in unrestricted net assets:</b>		
Public support and revenue:		
Membership dues:		
Individuals	\$ 23,855	\$ 36,675
Universities	12,726	12,814
Institutional, academic and professional	14,551	17,881
Total membership dues	51,132	67,370
World Congress conference	11,931	143,929
Other conferences	7,910	-
Interest income	1,267	325
Net assets released from restrictions	218,837	252,403
Total public support and revenue	291,077	464,027
Expenses:		
Program expenses:		
Member services	25,000	35,725
Meetings and conferences	38,325	124,278
Research projects	178,838	212,522
Total program expenses	242,163	372,525
Support expense:		
Management and general	46,947	12,701
Total expenses	289,110	385,226
Increase in unrestricted net assets	1,967	78,801
<b>Changes in temporarily restricted net assets:</b>		
Public support and revenue:		
Grants received	327,010	298,615
Net assets released from restrictions	(218,837)	(252,403)
Increase in temporarily restricted net assets	108,173	46,212
Increase in net assets	\$ 110,140	\$ 125,013

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, 2011 AND 2010**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>BALANCE, JANUARY 1, 2010</b>	\$ 149,532	\$ 120,730	\$ 270,262
Increase in net assets	<u>78,801</u>	<u>46,212</u>	<u>125,013</u>
<b>BALANCE, DECEMBER 31, 2010</b>	228,333	166,942	395,275
Increase in net assets	<u>1,967</u>	<u>108,173</u>	<u>110,140</u>
<b>BALANCE, DECEMBER 31, 2011</b>	<u>\$ 230,300</u>	<u>\$ 275,115</u>	<u>\$ 505,415</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, 2011**

**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 82% and 58% of IAAER's public support and revenues for the years ended December 31, 2011 and 2010, respectively.

#### NOTE 4 - TEMPORARILY RESTRICTED NET ASSETS

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

	<u>2011</u>	<u>2010</u>
KPMG IASB grant	\$ 134,697	\$ 115,903
ACCA IAESB research grant	35,151	21,542
ACCA developing research skills grant	20,279	9,303
ACCA SME roundtable grant	10,709	9,192
ACCA seed grant	5,380	5,997
IAASB fund grant	<u>68,899</u>	<u>5,005</u>
 Total temporarily restricted net assets	 <u>\$ 275,115</u>	 <u>\$ 166,942</u>

Additionally in 2010, the World Congress Fund was classified as temporarily restricted with a balance of \$18,833. During 2011, the remaining additional expenses were charged against the fund. All the expenses have been paid, and the World Congress Fund was released into the Unrestricted Fund, closing the World Congress Fund.

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, 2011, the financial statement date, through June 6, 2012, the date the financial statements were available to be issued. No events have occurred in this period that would be required to be recognized and/or disclosed in these financial statements as required by generally accepted accounting principles.

**INTERNATIONAL ASSOCIATION FOR  
ACCOUNTING EDUCATION AND RESEARCH**

**GRANTS RECEIVED  
(Cash Basis)**

	<i>Year Ended December 31</i>	
	<i>2011</i>	<i>2010</i>
<b>Association of Chartered Certified Accountants (ACCA):</b>		
International Accounting Education Standards Board (IAESB) research grant	\$ 77,356	\$ 77,480
International Auditing and Assurance Standard Board (IAASB) grant	86,393	45,664
Developing research skills grant	21,545	21,613
SME roundtable grant	4,209	11,165
Seed grant	32,507	7,693
<b>KPMG:</b>		
International Accounting Standards Board (IASB) grant	75,000	105,000
eIFRS and website grant	25,000	25,000
Diversity grant	5,000	5,000
Total grants received	\$ 327,010	\$ 298,615

See Independent Auditors' Report.



**INTERNATIONAL ASSOCIATION FOR  
ACCOUNTING EDUCATION AND RESEARCH**

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

**YEAR ENDED DECEMBER 31, 2011**

	<i>Program</i>				<i>Total</i>
	<i>Member Services</i>	<i>Meetings and Conferences</i>	<i>Research Projects</i>	<i>Management and General</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
<b>Total program and support expenses</b>	<b>\$ 25,000</b>	<b>\$ 38,325</b>	<b>\$ 178,838</b>	<b>\$ 46,947</b>	<b>\$ 289,110</b>

See Independent Auditors' Report.

June 6, 2012

Martin Glaum  
Professor of International Accounting  
Justus-Liebig-Universität Giessen  
35394 Giessen  
Germany

Dear Martin Glaum:

We have audited the financial statements (cash basis) of the International Association for Accounting Education and Research (the Association) for the year ended December 31, 2011, and have issued our report thereon dated June 6, 2012. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such planning information in our letter to you dated April 11, 2012. Professional standards also require that we communicate to you the following information related to our audit.

#### **SIGNIFICANT AUDIT FINDINGS**

##### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Association are described in Note 1 to the financial statements. There were no new accounting pronouncements that had a material impact on the financial statements. We noted no transactions entered into by the Association during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Management has appropriately handled the estimates included in the financial statements. We have evaluated the estimates and determined that they are reasonable in relation to the financial statements taken as a whole.

##### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

##### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

*Disagreements with Management*

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

*Management Representations*

We have requested certain representations from management that are included in the management representation letter dated June 6, 2012.

*Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Association's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

*Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Association's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

**CONCLUSION**

This information is intended solely for the use of the Board of Trustees and management of the International Association for Accounting Education and Research and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

BATTELLE & BATTELLE LLP

By - 

Todd P. Pleiman  
Partner