

**Inuit Art Foundation**  
**Financial Statements**  
**March 31, 2016**

**Inuit Art Foundation**  
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**March 31, 2016**

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# MACNEILL EDMUNDSON

PROFESSIONAL CORPORATION

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## INDEPENDENT AUDITOR'S REPORT

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To the Members of Inuit Art Foundation

### *Report on the Financial Statements*

We have audited the accompanying financial statements of Inuit Art Foundation, which comprise the statement of financial position as at March 31, 2016, and the statements of revenues and expenditures, 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 audit. We conducted our audit 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 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. 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 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 Inuit Art Foundation as at March 31, 2016 and its financial performance and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

London, Ontario  
August 4, 2016

*MacNeill Edmundson*

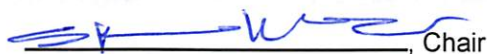
PROFESSIONAL CORPORATION  
CHARTERED PROFESSIONAL ACCOUNTANTS  
Authorized to practice public accounting by  
the Chartered Professional Accountants of Ontario

*James B. MacNeill CPA, CA   Jeremy A. Giles CPA, CA   Lissa Savage CPA, CA*  
*Robert F. Edmundson CPA, CA (Retired)*

**Inuit Art Foundation**  
**Statement of Financial Position**

March 31	Operating Fund	Endowment Fund	2016 Total (\$)	2015 Total (\$) <i>(restated)</i>
<b>Assets</b>				
<b>Current Assets</b>				
Cash	416,795		416,795	626,601
Investments (note 3)	314,900		314,900	
HST receivable	25,361		25,361	10,616
Accounts receivable	30,753		30,753	39,858
Prepaid expenses	1,045		1,045	1,045
Due from INAC - Core funding (note 7)	41,745		41,745	6,575
Due from INAC - Igloo Tag funding (note 7)	21,125		21,125	
	851,724		851,724	684,695
<b>Long-Term Assets</b>				
Endowment fund (note 4)		50,255	50,255	48,608
	851,724	50,255	901,979	733,303
<b>Liabilities</b>				
<b>Current Liabilities</b>				
Accounts payable and accrued liabilities	9,810		9,810	84,554
Payroll liabilities	4,011		4,011	10,258
Deferred revenue (note 8)	16,685		16,685	22,729
Deferred contributions (note 9)	393,788		393,788	171,230
Due to related parties (note 5)	5,022		5,022	4,830
Due to INAC (note 7)				10,523
	429,316		429,316	304,124
<b>Net Assets</b>				
Unrestricted	422,408		422,408	380,571
Restricted (note 4)		50,255	50,255	48,608
	422,408	50,255	472,663	429,179
	851,724	50,255	901,979	733,303

Approved on behalf of the Board:

 \_\_\_\_\_, Chair

 \_\_\_\_\_, Member

**Inuit Art Foundation**  
**Statement of Net Assets**

March 31	Operating Fund (\$)	Endowment Fund (\$)	2016 Total (\$)	2015 Total (\$) <i>(restated)</i>
<b>Excess of Revenue over Expenditures</b>	<b>41,835</b>	<b>1,647</b>	<b>43,482</b>	36,695
<b>Net Change during the year</b>	<b>41,835</b>	<b>1,647</b>	<b>43,482</b>	36,695
<b>Net Assets, beginning of year</b>	<b>380,573</b>	<b>48,608</b>	<b>429,181</b>	392,486
<b>Net Assets, end of year</b>	<b>422,408</b>	<b>50,255</b>	<b>472,663</b>	429,181

**Inuit Art Foundation**  
**Statement of Revenue and Expenditures**

<b>Year ended March 31</b>	<b>2016</b> <b>(\$)</b>	<b>2015</b> <b>(\$)</b> <i>(restated)</i>
<b>Revenue</b>		
Core funding (note 7)	<b>458,000</b>	401,677
Igloo tag project funding (note 7), (schedule 2)	<b>93,425</b>	65,750
Magazine	<b>79,031</b>	104,899
Donations	<b>45,177</b>	68,268
Interest	<b>3,877</b>	1,384
Unrealized gain on endowment investments	<b>1,647</b>	5,037
Endowment		3,847
	<b>681,157</b>	650,862
<b>Expenditures</b>		
Professional fees	<b>151,702</b>	63,537
Inuit Art Quarterly	<b>120,511</b>	117,382
Salary and wages	<b>102,642</b>	75,516
Igloo tag project (schedule 2)	<b>97,733</b>	79,204
Travel	<b>58,033</b>	46,655
Advocacy	<b>20,896</b>	1,565
Board meetings	<b>18,282</b>	13,993
Rent	<b>19,583</b>	25,271
Office	<b>17,282</b>	9,152
Advertising	<b>7,420</b>	20,372
Accommodations	<b>6,916</b>	31,818
Bad debts	<b>6,200</b>	
Interest and bank charges	<b>3,360</b>	4,321
Consulting fees	<b>2,819</b>	115,441
Telephone, internet and website	<b>2,066</b>	6,858
Insurance	<b>1,730</b>	2,582
Dues and subscriptions	<b>500</b>	500
	<b>637,675</b>	614,167
<b>Excess of Revenue over Expenditures</b>	<b>43,482</b>	36,695

**Inuit Art Foundation**  
**Statement of Cash Flows**

<b>Year ended March 31</b>	<b>2016</b> <b>(\$)</b>	<b>2015</b> <b>(\$)</b>
<b>Cash Flows From (Used In) Operating Activities</b>		
Excess of revenue over expenditures		
Operating fund	<b>41,835</b>	31,658
Endowment fund	<b>1,647</b>	5,037
Items not affecting cash		
Unrealized gain on endowment fund investments	<b>(1,647)</b>	(5,037)
	<b>41,835</b>	31,658
Changes in non-cash working capital		
Accounts receivable	<b>9,105</b>	(30,816)
Government remittances	<b>(20,992)</b>	25,602
Due to (from) INAC	<b>(66,818)</b>	61,198
Deferred revenue	<b>216,513</b>	168,177
Prepaid expenses		15,490
Accounts payable and accrued liabilities	<b>(74,741)</b>	6,592
Due to related parties	<b>192</b>	(6,942)
	<b>63,259</b>	239,301
<b>Cash Flows From Operating Activities</b>	<b>105,094</b>	270,959
<b>Cash Flows From (Used In) Investing Activities</b>		
Proceeds from (acquisition of) operating investments	<b>(314,900)</b>	200,000
<b>Net Increase (Decrease) in Cash During Year</b>	<b>(209,806)</b>	470,959
<b>Cash, beginning of year</b>	<b>626,601</b>	155,642
<b>Cash, end of year</b>	<b>416,795</b>	626,601

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# Inuit Art Foundation

## Notes to the Financial Statements

March 31, 2016

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### Description of Operations

The Inuit Art Foundation (the "Foundation") is a Canadian registered charity, formed to provide advocacy on behalf of Inuit artists and to enhance the image and visibility of Inuit art in Canada and abroad. The Foundation also makes itself available as a resource to the Inuit art community and supports measures that enrich the environment in which Inuit artists create. As a registered charity, the Foundation is exempt from income taxes under the *Income Tax Act*.

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### 1. Summary of Significant Accounting Policies

The Foundation uses Canadian accounting standards for not-for-profit organizations in preparing its financial statements and the following describes the more significant policies:

#### a) Revenue Recognition

The Foundation 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.

Endowment contributions are recognized as a direct increase to net assets. Investment income earned on endowment assets is unrestricted and is recorded on an accrual basis.

The Foundation records magazine revenues on an edition by edition basis provided there is clear evidence that an arrangement exists between the Foundation and the customer, the revenue amount can be reasonably determined and the ability to collect from the customer is reasonably assured.

#### b) Measurement uncertainty

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the period. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

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### 2. Financial Instruments

The Foundation's financial instruments consist of cash, term deposits, accounts receivable, due to related parties, deferred revenue and accounts payable. Unless otherwise noted, it is management's opinion that the Foundation is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of these financial instruments approximate their carrying values, unless otherwise noted.

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# Inuit Art Foundation

## Notes to the Financial Statements

March 31, 2016

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### 3. Investments

	2016 (\$)	2015 (\$)
Cashable term deposits - Unrestricted Funds	300,000	
Cashable term deposits - Restricted	14,900	
	<b>314,900</b>	

Investments are comprised of guaranteed investment certificates maturing in the next fiscal year. The restricted investment relates to the Kenjuak Ashevak Memorial Fund.

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### 4. Endowment Fund

The Foundation transfers endowment contributions to the Community Foundation of Ottawa ("CFO") which holds and manages the contributions on behalf of the Foundation. CFO distributes net investment income to the Foundation based upon the market performance of the fund. Endowment contributions are not available for operating purposes. Investment income earned on endowment assets are available for operations.

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### 5. Related Party Transactions

At the end of the year, the amounts due to related parties are as follows:

	2016 (\$)	2015 (\$)
Due to Barry Appleton (a former director)	5,022	4,772
Due to AAC		58
	<b>5,022</b>	4,830

These balances are interest-free, payable on demand and they have arisen from the funding of operating expenses. All related party balances were paid in full subsequent to the year-end.

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### 6. Bank Indebtedness

Under the terms of the Foundation's credit agreement, the Foundation has an operating line of credit available to a maximum of \$75,000, bearing interest at bank prime plus 1.55%. At March 31, 2016 there was no balance owing on this facility (2015 - nil).

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# Inuit Art Foundation

## Notes to the Financial Statements

March 31, 2016

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### 7. Government Grant

The Foundation receives funds from Indigenous and Northern Affairs Canada (INAC). As per the agreements in force, any funds received in excess of budgeted expenditures are repayable to INAC, who also has the right to request audits to ensure project expenditures are eligible as outlined in the agreement. Any significant ineligible expenditure may result in the Foundation reimbursing that portion of the funding. The INAC funding consists of the following:

	2016 (\$)	2015 (\$)
Core funding	458,000	458,000
Funding clawback		(56,323)
	<b>458,000</b>	<b>401,677</b>
Igloo tag project funding	100,000	65,750
Funding clawback	(6,575)	
	<b>93,425</b>	<b>65,750</b>

The following amounts are receivable from (payable to) INAC:

	2016 (\$)	2015 (\$)
Core funding holdback (clawback)	41,745	(10,523)
Igloo tag project funding holdback	21,125	6,575
	<b>62,870</b>	<b>(3,948)</b>

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### 8. Deferred Revenues

Deferred revenues consists of the following:

	2016 (\$)	2015 (\$)
Prepaid magazine subscriptions	16,685	22,729

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# Inuit Art Foundation

## Notes to the Financial Statements

March 31, 2016

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### 9. Deferred contributions

Funds of \$393,788 (2015 - \$171,230) have been received in the form of donations which are restricted for the following purposes:

Kenojuak Cultural Centre	<b>380,173</b>
Kenojuak Ashevak Memorial Fund	<b>13,615</b>
	<b>393,788</b>

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The funds related to the Kenojuak Cultural Centre have been placed in a separate bank account under the Foundation's control. Quarterly repayments, which had been previously waived, are expected to commence in fiscal 2017. Under the agreement the Foundation has the option of charging a 3% fee to cover administration costs. No accrual to date has been made in these financial statements in respect of this fee.

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### 10. Comparative Figures

The prior period comparative figures have been reclassified to conform with the current year presentation.

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### 11. Contingencies

Legal actions had been commenced affecting the Foundation. As of June 2016 all known legal actions have been settled without any further action or material costs anticipated by management.

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### 12. Prior Period Restatement

During the year it was discovered that an error was made in the calculation of the prior year's magazine advertising receivable, magazine advertising revenue, magazine advertising revenue and magazine subscription revenue as follows:

Magazine advertising revenue:	
As originally stated in 2015	<b>74,730</b>
Corrected for 2015	<b>54,400</b>
	<b>20,330</b>
Decrease to revenue	<b>20,330</b>
Magazine subscription revenue:	
As originally stated in 2014	<b>25,780</b>
Corrected for 2014	<b>25,780</b>
Decrease to revenue in 2014	<b>25,780</b>
As originally stated in 2015	<b>38,950</b>
Corrected for 2015	<b>50,501</b>
Increase to revenue in 2015	<b>11,551</b>
Total decrease to revenues:	<b>34,559</b>

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## Inuit Art Foundation

### Core Funding Revenue and Expenditures

Year ended March 31	2016 (\$)	2015 (\$)
<b>Revenue</b>		
INAC Core funding (note 7)	458,000	401,677
Inuit Art Quarterly	79,031	104,899
	<b>537,031</b>	506,576
<b>Expenditures</b>		
Professional fees	151,702	63,537
Inuit Art Quarterly	120,511	117,382
Salary and wages	102,642	75,516
Travel	58,033	46,655
Advocacy	20,896	1,565
Rent	19,583	25,271
Board meetings	18,282	13,993
Office	17,282	9,152
Advertising	7,420	20,372
Accommodations	6,916	31,818
Bad debt	6,200	
Interest and bank charges	3,360	4,322
Consulting fees	2,819	115,441
Telephone, internet and website	2,066	6,858
Insurance	1,730	2,582
Dues and subscriptions	500	500
	<b>539,942</b>	534,964
<b>Deficiency of Revenue over Expenditures</b>	<b>(2,911)</b>	<b>(28,388)</b>

**Inuit Art Foundation**  
**Igloo Tag Revenue and Expenditures**

<b>Year ended March 31</b>	<b>2016</b> ( <b>\$</b> )	<b>2015</b> ( <b>\$</b> )
<b>Revenue</b>		
Igloo Tag Project Funding (note 7)	<b>93,425</b>	65,750
<b>Expenditures</b>		
Database	<b>59,572</b>	37,346
Co-ordinator	<b>20,125</b>	8,250
Database supervisor	<b>12,456</b>	
Legal	<b>5,101</b>	31,718
Advisory group	<b>479</b>	1,890
	<b>97,733</b>	79,204
<b>Deficiency of Revenue over Expenditures</b>	<b>(4,308)</b>	(13,454)