

**INUIT ART FOUNDATION**  
**Financial Statements**  
**Year Ended March 31, 2017**

**INUIT ART FOUNDATION**  
**Index to Financial Statements**  
**Year Ended March 31, 2017**

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## INDEPENDENT AUDITOR'S REPORT

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To the Members of Inuit Art Foundation

I have audited the accompanying financial statements of Inuit Art Foundation, which comprise the statement of financial position as at March 31, 2017 and the statements of revenues and expenditures, changes in net assets and cash flow 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

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified audit opinion.

### Basis for Qualified Opinion

In common with many not-for-profit organizations, Inuit Art Foundation derives revenue from fundraising activities the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of Inuit Art Foundation. Therefore, I was not able to determine whether any adjustments might be necessary to fundraising revenue, excess of revenues over expenses, and cash flows from operations for the year ended March 31, 2017, current assets and net assets as at March 31, 2017.

### Qualified Opinion

In my opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Inuit Art Foundation as at March 31, 2017 and the results of its operations and its cash flow for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

The financial statements for the year ended March 31, 2016 were audited by another accounting firm and are presented for comparative purposes only.





London, Ontario  
June 30, 2017

JAMES K. JEFFERY CPA, CA  
CHARTERED PROFESSIONAL ACCOUNTANT  
Authorized to practice public accounting by  
the Chartered Professional Accountants of Ontario

**INUIT ART FOUNDATION**  
**Statement of Financial Position**  
**March 31, 2017**

	2017	2016
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash	\$ 318,889	\$ 416,795
Term deposits (Note 3)	321,091	314,900
Accounts receivable	14,945	30,753
Due from INAC - Igloo Tag funding	-	21,125
Due from INAC - Core funding	-	41,745
Harmonized sales tax recoverable	21,737	25,361
Prepaid expenses	8,700	1,045
	<u>685,362</u>	<u>851,724</u>
ENDOWMENT FUND (Note 10)	50,673	50,255
	<u>\$ 736,035</u>	<u>\$ 901,979</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT</b>		
Accounts payable and accrued liabilities	\$ 158,583	\$ 9,810
Wages payable	5,022	4,011
Due to related parties (Note 9)	-	5,022
Deferred contributions (Note 8)	91,986	393,788
Deferred revenue (Note 4)	20,299	16,685
	<u>275,890</u>	<u>429,316</u>
NET ASSETS	<u>460,145</u>	<u>472,663</u>
	<u>\$ 736,035</u>	<u>\$ 901,979</u>

ON BEHALF OF THE BOARD

 Director  
 Director

See notes to financial statements

**INUIT ART FOUNDATION**  
**Statement of Changes in Net Assets**  
**Year Ended March 31, 2017**

	Operating Fund (unrestricted)	Endowment Fund (restricted)	<b>2017</b>	2016
<b>NET ASSETS - BEGINNING OF YEAR</b>	\$ 422,408	\$ 50,255	<b>\$ 472,663</b>	\$ 429,180
Excess of revenues over expenses	(12,936)	418	<b>(12,518)</b>	43,483
<b>NET ASSETS - END OF YEAR</b>	<b>\$ 409,472</b>	<b>\$ 50,673</b>	<b>\$ 460,145</b>	<b>\$ 472,663</b>

**INUIT ART FOUNDATION**  
**Statement of Revenues and Expenditures**  
**Year Ended March 31, 2017**

	2017	2016
<b>REVENUES</b>		
Core funding	\$ 458,000	\$ 458,000
Unrestricted donations	60,642	45,177
Inuit Art Quarterly advertising	59,748	46,403
Grants (Note 8)	48,024	-
Inuit Art Quarterly magazine	23,631	32,628
Igloo Tag funding	20,000	93,425
Interest	4,885	3,877
Endowment fund (Note 10)	2,523	1,648
	<u>677,453</u>	<u>681,158</u>
<b>EXPENDITURES</b>		
Salaries and benefits	177,920	102,642
Magazine production	172,796	120,511
Igloo tag	106,913	97,733
Policy advocacy	76,237	20,896
Office	54,574	17,782
Professional fees	37,914	151,702
Consulting fees	26,262	2,819
Rental	25,531	19,583
Travel	24,897	68,120
Advertising and promotion	9,858	7,420
Bank charges	5,329	2,983
Board meetings	4,218	15,111
Telephone	2,101	2,066
Insurance	1,800	1,730
Interest charges	769	377
Bad debts (recovery)	(2,645)	6,200
	<u>724,474</u>	<u>637,675</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES FROM OPERATIONS</b>	<u>(47,021)</u>	<u>43,483</u>
<b>OTHER INCOME (EXPENDITURES)</b>		
Donations - Kenojuak Cultural Centre	1,144,091	-
Distribution to the Hamlet of Cape Dorset	(1,109,588)	-
	<u>34,503</u>	<u>-</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>\$ (12,518)</u>	<u>\$ 43,483</u>

See notes to financial statements

**INUIT ART FOUNDATION**  
**Statement of Cash Flow**  
**Year Ended March 31, 2017**

	2017	2016
<b>OPERATING ACTIVITIES</b>		
Excess (deficiency) of revenues over expenditures	\$ (12,518)	\$ 43,483
Changes in non-cash working capital:		
Accounts receivable	20,701	(7,617)
Due from INAC	21,125	(21,125)
Due from INAC	41,745	(35,170)
Allowance for doubtful accounts	(4,893)	6,200
Accounts payable	148,773	(74,744)
Prepaid expenses	(7,655)	-
Harmonized sales tax payable	3,624	(14,745)
Deferred contributions	(301,802)	222,558
Deferred revenue	3,614	(6,044)
Wages payable	1,011	(6,247)
	<u>(73,757)</u>	<u>63,066</u>
Cash flow from (used by) operating activities	<u>(86,275)</u>	<u>106,549</u>
<b>INVESTING ACTIVITY</b>		
Long term Investments	<u>(418)</u>	<u>(1,647)</u>
<b>FINANCING ACTIVITY</b>		
Advances from (to) related parties	<u>(5,022)</u>	<u>192</u>
<b>INCREASE (DECREASE) IN CASH FLOW</b>	<b>(91,715)</b>	<b>105,094</b>
Cash - beginning of year	<u>731,695</u>	<u>626,601</u>
<b>CASH - END OF YEAR</b>	<b>\$ 639,980</b>	<b>\$ 731,695</b>

See notes to financial statements

**INUIT ART FOUNDATION**  
**Notes to Financial Statements**  
**Year Ended March 31, 2017**

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**1. PURPOSE AND NATURE OF THE ORGANIZATION**

The Inuit Art Foundation (the "Foundation") is a Canadian based not for profit organization. The Foundation was created to provide an international platform for scholarly discussion, direct support for artistic development and to serve as an advocate for Inuit artists throughout Canada.

As a registered charity in both Canada and the United States, the Foundation is exempt from income taxes under the *Income Tax Act* and the *Internal Revenue Code* respectively.

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements were prepared by management in accordance with Canadian accounting standards for not-for-profit organizations (ASNFPO) applied within the framework of the following accounting policies:

Revenue recognition

The Inuit Art 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 direct increases in net assets.

Magazine revenues are recorded on an edition by edition basis provided there is clear evidence that an arrangement exists with the customer, the revenue amount can be reasonably determined and the ability to collect from the customer is reasonably assured.

Grants

Grant revenue is recognized when there is reasonable assurance that the Foundation had complied with, and will continue to comply with, all the necessary conditions to obtain the grant.

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 amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues 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.

Contributed services

The operations of the organization may benefit from time to time from the contribution of donated materials and services from various sources. The fair value of donated materials and services cannot be reasonably determined and are therefore are not reflected in these financial statements.

Financial instruments policy

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, financial assets with actively traded markets are reported at fair value, with any unrealised gains and losses reported in income. All other financial instruments are reported at amortized cost, and tested for impairment at each reporting date. Transaction costs on the acquisition, sale, or issue of financial instruments are expensed when incurred.

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**INUIT ART FOUNDATION**  
**Notes to Financial Statements**  
**Year Ended March 31, 2017**

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**3. TERM DEPOSITS**

	<u>2017</u>	<u>2016</u>
Cashable term deposits - unrestricted	\$ 300,297	\$ 300,000
Cashable term deposits - restricted	<u>20,794</u>	<u>14,900</u>
	<u>\$ 321,091</u>	<u>\$ 314,900</u>

The terms deposits consists of Guaranteed Investment Certificates (GIC's). The GIC's have various maturity dates and interest rates between 0.6% to 0.74%. The restricted term deposits relate to the Kenojuak Ashevak Memorial Fund.

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**4. DEFERRED REVENUES**

	<u>2017</u>	<u>2016</u>
Inuit Art Quarterly Prepaid magazine subscriptions	\$ 20,299	\$ 16,685

**5. GOVERNMENT FUNDING**

The Foundation receives funding from Indigenous and Northern Affairs Canada (INAC). As per the agreement in force, any funds received in excess of budgeted eligible expenditures ("a surplus of funds") are required to be repaid to INAC by the Foundation.

As a result of operations in 2015-2016 INAC assessed the Foundation with a surplus of funds of \$30,090 to be spent in 2016-2017.

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**6. BANK INDEBTEDNESS**

Under the terms of the Foundation's credit agreement with the Royal Bank of Canada, the Foundation has an operating line of credit available to a maximum of \$50,000 (2016 - \$75,000), bearing interest at bank prime plus 1.55%.

At March 31, 2017 there was no balance owing on this facility (2016 - nil).

The credit limit on this facility was decreased in the current year to allow for an increase in the credit limit on the Foundation's Visa credit card.

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**7. FINANCIAL INSTRUMENTS**

The Foundation is exposed to various risks through its financial instruments. It is management's opinion that the foundation is not exposed to any significant risk.

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**INUIT ART FOUNDATION**  
**Notes to Financial Statements**  
**Year Ended March 31, 2017**

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**8. DEFERRED CONTRIBUTIONS**

The funds related to the Kenojuak Cultural Centre have been placed in a separate bank account under the Foundation's control. Under the agreement the Foundation will charge a 3% fee to cover administration costs.

The funds related to the Kenojuak Ashevak Memorial Fund have been segregated into a separate bank account and distinct guaranteed investment certificates.

Grants received from government and charitable organizations have been deferred on the basis of completion of the stated purposes of the various grants. The balance of the grant funding is expected to be recognized as income in 2017-2018.

	<b>2017</b>
<b>Kenojuak Cultural Centre</b>	
Opening balance of deferred contributions	<b>380,173</b>
Additional contributions received	<b>789,781</b>
Interest earned on bank balance	<b>930</b>
Less 3% administration fee	<b>(34,503)</b>
Less Distributions to the Hamlet of Cape Dorset	<b>(1,109,588)</b>
	<b>26,793</b>
Deferred balance at March 31, 2017	<b>26,793</b>

During the fiscal year a total of \$1,144,091 in revenues was recognized related to the Kenojuak Cultural Centre. Additionally during the year, a contribution of \$1,109,588 was made from the Foundation to the Hamlet of Cape Dorset to help fund the building of the Centre. The difference of \$34,503 represents a 3% administration fee retained as an unrestricted revenue to the Foundation.

<b>Kenojuak Ashevak Memorial Fund</b>	
Opening balance	<b>13,615</b>
Additional contributions received	<b>6,578</b>
	<b>20,193</b>
Deferred balance at March 31, 2017	<b>20,193</b>
<b>Grant Revenues</b>	
Grant amounts received	<b>93,024</b>
Grants completed and recognized in revenue	<b>(48,024)</b>
	<b>45,000</b>
Deferred balance at March 31, 2017	<b>45,000</b>
Total deferred contributions at March 31, 2017	<b>\$ 91,986</b>

**9. RELATED PARTY TRANSACTIONS**

	<b>2017</b>	<b>2016</b>
Due to Barry Appleton (a former director)	<b>\$ -</b>	<b>\$ 5,022</b>

Amounts due to/from the related parties are non-interest bearing and were repaid within the fiscal year.

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**INUIT ART FOUNDATION**  
**Notes to Financial Statements**  
**Year Ended March 31, 2017**

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**10. ENDOWMENT ASSETS**

The Community Foundation of Ottawa ("CFO") holds and manages the endowment 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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**11. DONATIONS IN KIND**

During the year the Foundation received contributions of materials and services from various organizations. As these types of contributions can present challenges in maintaining consistent and appropriate record keeping they have not been recorded in these statements.

The following is a summary listing of the in kind contributions received during this fiscal year:

1. Osler, Hoskin and Harcourt LLP served as legal council for the Foundation from October 1, 2015 to June 15, 2016. The law firm waived its fee to the Foundation as part of its Community Law Program. The firm valued its service to the Foundation at \$154,000.
2. A number of other smaller in kind donations were received from Google, the Bata Shoe Museum, The Government of Nunavut and Informa Canada.

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**12. COMPARATIVE FIGURES**

Some of the comparative figures have been reclassified to conform to the current year's presentation.

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**13. COMMITMENTS**

The foundation is committed to payments for the rental of office space and service contracts with varying terms in 2017-2018 of \$33,400.

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**INUIT ART FOUNDATION**  
**Funding Arrangement**  
**Year Ended March 31, 2017**  
**(Schedule 1)**

	Budget	INAC	Core Funding	INAC	Igloo Tag	Inuit Art Quarterly	Other	Total March 31
<b>REVENUES</b>								
INAC - Core Funding	\$ 458,000	\$	458,000	\$	-	-	-	\$ 458,000
INAC - 2016 Surplus	30,090		30,090		-	-	-	30,090
INAC - Igloo Tag	20,000		-	20,000	-	-	-	20,000
Magazine subscriptions	-		-	-	23,631	-	-	23,631
Advertising	-		-	-	59,748	-	-	59,748
Endowment	-		-	-	-	2,523	-	2,523
Donations	-		-	-	-	60,642	-	60,642
Grants	-		-	-	-	48,024	-	48,024
Administration fees	-		-	-	-	34,503	-	34,503
Other	-		-	-	-	4,885	-	4,885
	508,090		488,090	20,000	83,379	150,577		742,046
<b>EXPENDITURES</b>								
<b>HUMAN RESOURCES</b>								
Salaries and wages	160,580		143,935	-	26,485	7,500		177,920
Consultants	8,000		22,181	-	4,081	-		26,262
Professional fees	55,000		32,022	-	5,892	-		37,914
Board meetings and travel	50,000		19,587	-	3,604	-		23,191
<b>OFFICE ADMINISTRATION</b>								
Rent	26,100		21,563	-	3,968	-		25,531
Postage and delivery	3,000		814	-	150	-		964
Insurance	2,000		1,520	-	280	-		1,800
Internet/telephone	2,000		1,774	-	327	-		2,101
Office supplies	18,480		45,279	-	8,331	-		53,610
Staff travel	-		5,003	-	922	-		5,925
<b>PROGRAM</b>								
Inuit Art advocacy	27,840		49,010	-	9,018	-		58,028
Travel for advocacy	10,000		6,895	-	1,269	-		8,164
Stakeholder engagement	10,000		8,484	-	1,561	-		10,045
<b>SPECIAL PROJECTS</b>								
Inuit Art Quarterly	85,000		145,942	-	26,854	-		172,796
Bad debt recovery	-		-	-	-	(2,645)		(2,645)
Bank and service fee charges	-		4,500	-	828	-		5,328
Interest	-		-	-	-	769		769
Advertising and promotion	-		8,326	-	1,532	-		9,858
Igloo tag	79,503		-	106,913	-	-		106,913
	537,503		516,835	106,913	95,102	5,624		724,474
<b>INCOME (LOSS) FROM OPERATIONS</b>	\$ (29,413)	\$	(28,745)	\$ (86,913)	\$ (11,723)	\$ 144,953	\$	17,572

The purpose of this schedule is to assist the Foundation with the reporting of INAC provided funding. Allocations made above are only intended to reflect the allocations required by INAC. No other inference should be made regarding the above schedule.