

INUIT ART FOUNDATION
Financial Statements
Year Ended March 31, 2018

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Year Ended March 31, 2018

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INDEPENDENT AUDITOR'S REPORT

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, 2018 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, 2018, current assets and net assets as at March 31, 2018.

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, 2018 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.

London, Ontario
September 28, 2018



JAMES K. JEFFERY CPA, CA
CHARTERED PROFESSIONAL ACCOUNTANT
Licensed Public Accountant

INUIT ART FOUNDATION
Statement of Financial Position
March 31, 2018

	2018	2017
ASSETS		
CURRENT		
Cash	\$ 214,917	\$ 318,889
Term deposits (Note 3)	331,043	321,091
Accounts receivable	145,061	14,945
Harmonized sales tax recoverable	17,579	21,737
Prepaid expenses	12,945	8,700
	<u>721,545</u>	<u>685,362</u>
CAPITAL ASSETS (Note 4)	10,910	-
ENDOWMENT ASSETS (Note 10)	50,993	50,673
	<u>\$ 783,448</u>	<u>\$ 736,035</u>
LIABILITIES AND NET ASSETS		
CURRENT		
Accounts payable	\$ 48,098	\$ 158,583
Wages payable	12,071	5,022
Deferred contributions (Note 8)	194,639	91,986
Deferred revenue (Note 5)	32,086	20,299
	<u>286,894</u>	<u>275,890</u>
NET ASSETS		
Unrestricted fund (Note 2)	417,276	383,441
Restricted fund (Note 2)	26,215	26,031
Endowment fund (Note 2)	53,063	50,673
	<u>496,554</u>	<u>460,145</u>
	<u>\$ 783,448</u>	<u>\$ 736,035</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, 2018

	Unrestricted Fund	Restricted Fund	Endowment Fund	2018	2017
NET ASSETS - BEGINNING OF YEAR	\$ 383,441	\$ 26,031	\$ 50,673	\$ 460,145	\$ 472,663
EXCESS OF REVENUES OVER EXPENDITURES	33,835	184	2,390	36,409	(12,518)
NET ASSETS - END OF YEAR	\$ 417,276	\$ 26,215	\$ 53,063	\$ 496,554	\$ 460,145

See notes to financial statements

INUIT ART FOUNDATION
Statement of Revenues and Expenditures
Year Ended March 31, 2018

	2018	2017
REVENUES		
INAC - core funding	\$ 458,000	\$ 458,000
Grants and other funding	288,680	48,024
Donations	113,459	60,642
Inuit Art Quarterly advertising	97,566	59,748
Inuit Art Quarterly Magazine sales	44,305	23,631
INAC - other funding	26,106	20,000
Interest	5,136	4,885
Endowment fund income	2,390	2,523
Copyright income	2,152	-
	<u>1,037,794</u>	<u>677,453</u>
EXPENDITURES		
Salaries and benefits	428,701	177,920
Magazine production	153,869	181,732
Igloo tag	83,081	106,913
Policy advocacy	65,333	76,237
Consulting fees	54,098	26,262
Travel	50,701	24,897
Office	49,569	54,574
Rental	47,632	25,531
Advertising and promotion	29,565	922
Professional fees	34,478	37,914
Bank charges	6,615	5,329
Board meetings	5,946	4,218
Bad debts (recovery)	3,333	(2,645)
Amortization	2,774	-
Telephone	2,587	2,101
Insurance	1,800	1,800
Interest	1,125	769
	<u>1,021,207</u>	<u>724,474</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES FROM OPERATIONS	<u>16,587</u>	<u>(47,021)</u>
OTHER INCOME		
Donations - Kenojuak Cultural Centre	660,843	1,144,091
Distribution to the Hamlet of Cape Dorset	(641,021)	(1,109,588)
	<u>19,822</u>	<u>34,503</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ 36,409</u>	<u>\$ (12,518)</u>

See notes to financial statements

INUIT ART FOUNDATION
Statement of Cash Flow
Year Ended March 31, 2018

	2018	2017
OPERATING ACTIVITIES		
Excess (deficiency) of revenues over expenditures	\$ 36,409	\$ (12,518)
Item not affecting cash:		
Amortization of capital assets	<u>2,774</u>	-
	<u>39,183</u>	<u>(12,518)</u>
Changes in non-cash working capital:		
Accounts receivable	(130,116)	15,808
Due from INAC	-	21,125
Due from INAC	-	41,745
Accounts payable	(110,484)	148,773
Prepaid expenses	(4,245)	(7,655)
Harmonized sales tax payable	4,158	3,624
Deferred contributions	102,653	(301,802)
Deferred revenue	11,787	3,614
Wages payable	<u>7,049</u>	<u>1,011</u>
	<u>(119,198)</u>	<u>(73,757)</u>
Cash flow used by operating activities	<u>(80,015)</u>	<u>(86,275)</u>
INVESTING ACTIVITIES		
Purchase of capital assets	(13,685)	-
Long term Investments	(320)	(418)
Term deposits	<u>(9,952)</u>	<u>(6,191)</u>
Cash flow used by investing activities	<u>(23,957)</u>	<u>(6,609)</u>
FINANCING ACTIVITY		
Advances to related parties	-	(5,022)
DECREASE IN CASH FLOW	(103,972)	(97,906)
Cash - beginning of year	<u>318,889</u>	<u>416,795</u>
CASH - END OF YEAR	\$ 214,917	\$ 318,889
CASH CONSISTS OF:		
Cash	<u>\$ 214,917</u>	<u>\$ 318,889</u>

See notes to financial statements

INUIT ART FOUNDATION
Notes to Financial Statements
Year Ended March 31, 2018

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNFPO).

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.

(continues)

INUIT ART FOUNDATION
Notes to Financial Statements
Year Ended March 31, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

Capital assets

Capital assets are stated at cost or deemed cost less accumulated amortization. Capital assets are amortized over their estimated useful lives on a declining balance basis at the following rates and methods:

Computer equipment	55%	declining balance method
Furniture and fixtures	20%	declining balance method

The Foundation regularly reviews its capital assets to eliminate obsolete items.

Capital assets acquired during the year but not placed into use are not amortized until they are placed into use.

3. TERM DEPOSITS

	<u>2018</u>	<u>2017</u>
Cashable term deposits - unrestricted	\$ 304,752	\$ 300,297
Cashable term deposits - restricted	<u>26,290</u>	<u>20,794</u>
	<u>\$ 331,042</u>	<u>\$ 321,091</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 1.29%. The restricted term deposits relate to the Kenojuak Ashevak Memorial Fund.

4. CAPITAL ASSETS

	Cost	Accumulated amortization	2018 Net book value	2017 Net book value
Computer equipment	\$ 8,032	\$ 2,209	\$ 5,823	\$ -
Furniture and fixtures	5,652	565	<u>5,087</u>	-
	<u>\$ 13,684</u>	<u>\$ 2,774</u>	<u>\$ 10,910</u>	<u>\$ -</u>

5. DEFERRED REVENUES

	<u>2018</u>	<u>2017</u>
Inuit Art Quarterly Prepaid magazine subscriptions	\$ 32,086	\$ 20,299

INUIT ART FOUNDATION
Notes to Financial Statements
Year Ended March 31, 2018

6. 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.

7. DEFERRED GRANTS AND 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.

	2018
Kenojuak Cultural Centre	
Opening balance of deferred contributions	26,793
Additional contributions received	634,306
Interest earned on bank balance	125
Less fees	(20,203)
Less Distributions to the Hamlet of Cape Dorset	(641,021)
	-
Deferred balance at March 31, 2018	-

During the fiscal year a total of \$660,843 (\$1,144,091 - 2017) in revenues was recognized related to the Kenojuak Cultural Centre. Additionally during the year, a contribution of \$641,021 (\$1,109,588 - 2017) was made from the Foundation to the Hamlet of Cape Dorset to help fund the building of the Centre. The difference of \$19,822 (\$34,503 - 2017) represents a 3% administration fee retained as an unrestricted revenue to the Foundation.

Kenojuak Ashevak Memorial Fund	
Opening balance	20,193
Additional contributions received	5,250
	25,443
Deferred balance at March 31, 2018	25,443

Grant Revenues	
Opening balance	45,000
Grant amounts received or receivable at year end	896,982
Grants recognized in revenue in fiscal 2018	(772,786)
	169,196
Deferred balance at March 31, 2018	169,196
Total deferred contributions at March 31, 2017	\$ 194,639

INUIT ART FOUNDATION
Notes to Financial Statements
Year Ended March 31, 2018

8. 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 (2017 - \$50,000), bearing interest at bank prime plus 1.55%.

At March 31, 2018 there was no balance owing on this facility (2017 - nil).

9. 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.

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.

11. CONTRACTUAL OBLIGATIONS

The foundation is committed to payments for the rental of office space and service contracts with varying terms as follows:

Contractual obligation repayment schedule:

2018	\$	67,318
2019		74,432
2020		75,583
2021		76,733
Thereafter		<u>367,553</u>
	<u>\$</u>	<u>661,619</u>

12. COMPARATIVE FIGURES

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