

**INUIT ART FOUNDATION**  
**Financial Statements**  
**Year Ended March 31, 2019**

**INUIT ART FOUNDATION**  
**Index to Financial Statements**  
**Year Ended March 31, 2019**

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## INDEPENDENT AUDITOR'S REPORT

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To the Members of Inuit Art Foundation

### *Qualified Opinion*

I have audited the financial statements of Inuit Art Foundation (the Foundation), which comprise the statement of financial position as at March 31, 2019, and the statements of changes in net assets, revenues and expenditures and cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of my report, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as at March 31, 2019, and its results of operations and its cash flow for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

### *Basis for Qualified Opinion*

In common with many not-for-profit organizations, the 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 the 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, 2019, current assets and net assets as at March 31, 2019. My audit opinion on the financial statements for the year ended March 31, 2018 was modified accordingly because of the possible effects of this limitation of scope.

I conducted my audit in accordance with Canadian generally accepted auditing standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the Foundation in accordance with the ethical requirements that are relevant to my audit of the financial statements in Canada, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified audit opinion.

### *Responsibilities of Management and Those Charged with Governance for the Financial Statements*

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing the Foundation's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Foundation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Foundation's financial reporting process.

### *Auditor's Responsibilities for the Audit of the Financial Statements*

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

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Independent Auditor's Report to the Members of Inuit Art Foundation *(continued)*

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Foundation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Foundation's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Foundation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

London, Ontario  
September 28, 2019



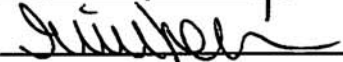
JAMES K. JEFFERY CPA, CA  
CHARTERED PROFESSIONAL ACCOUNTANT  
Licensed Public Accountant

**Statement of Financial Position**  
**March 31, 2019**

	2019	2018
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash	\$ 338,350	\$ 214,917
Term deposits (Note 3)	410,344	331,043
Accounts receivable	105,228	145,061
Harmonized sales tax recoverable	14,235	17,579
Prepaid expenses	21,112	12,945
	<u>889,269</u>	<u>721,545</u>
CAPITAL ASSETS (Note 4)	68,742	10,910
ENDOWMENT ASSETS (Note 10)	48,969	50,993
	<u>\$ 1,006,980</u>	<u>\$ 783,448</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT</b>		
Accounts payable	\$ 65,071	\$ 48,098
Wages payable	14,189	12,071
Deferred contributions (Note 8)	365,915	194,639
Deferred revenue (Note 5)	40,091	32,086
	<u>485,266</u>	<u>286,894</u>
<b>NET ASSETS</b>		
Unrestricted fund (Note 2)	407,501	417,276
Restricted fund (Note 2)	60,810	26,215
Endowment fund (Note 2)	53,403	53,063
	<u>521,714</u>	<u>496,554</u>
	<u>\$ 1,006,980</u>	<u>\$ 783,448</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, 2019**

	Unrestricted Fund	Restricted Fund	Endowment Fund	<b>2019</b>	2018
<b>NET ASSETS - BEGINNING OF YEAR</b>	\$ 417,276	\$ 26,215	\$ 53,063	<b>\$ 496,554</b>	\$ 460,145
EXCESS OF REVENUES OVER EXPENDITURES	(9,775)	34,595	340	<b>25,160</b>	36,409
<b>NET ASSETS - END OF YEAR</b>	<b>\$ 407,501</b>	<b>\$ 60,810</b>	<b>\$ 53,403</b>	<b>\$ 521,714</b>	<b>\$ 496,554</b>

See notes to financial statements

**INUIT ART FOUNDATION**  
**Statement of Revenues and Expenditures**  
**Year Ended March 31, 2019**

	2019	2018
<b>REVENUES</b>		
Grants and other funding	\$ 464,788	\$ 288,680
CIRNAC - core funding	458,000	458,000
Donations	152,119	113,459
Inuit Art Quarterly advertising	87,726	97,566
CIRNAC - other funding	64,161	26,106
Inuit Art Quarterly Magazine sales	52,139	44,305
Interest	18,162	5,136
Endowment fund income	340	2,390
Copyright income	(1,170)	2,152
	<u>1,296,265</u>	<u>1,037,794</u>
<b>EXPENDITURES</b>		
Salaries and benefits	647,166	428,701
Magazine production	150,748	153,869
Office	118,652	49,569
Policy advocacy	72,756	65,333
Professional fees	67,297	34,478
Advertising and promotion	48,345	29,565
Consulting fees	45,846	54,098
Rental	37,882	47,632
Travel	32,429	50,701
Igloo tag	23,908	83,081
Amortization	9,792	2,774
Bank charges	7,289	6,615
Board meetings	4,154	5,946
Telephone	2,957	2,587
Training	2,304	-
Insurance	1,800	1,800
Interest	1,287	1,125
Bad debts (recovery)	(3,507)	3,333
	<u>1,271,105</u>	<u>1,021,207</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES FROM OPERATIONS</b>	<u>25,160</u>	<u>16,587</u>
<b>OTHER INCOME</b>		
Donations - Kenojuak Cultural Centre	-	660,843
Distribution to the Hamlet of Cape Dorset	-	(641,021)
	<u>-</u>	<u>19,822</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<u>\$ 25,160</u>	<u>\$ 36,409</u>

See notes to financial statements

**INUIT ART FOUNDATION**  
**Statement of Cash Flow**  
**Year Ended March 31, 2019**

	2019	2018
<b>OPERATING ACTIVITIES</b>		
Excess of revenues over expenditures	\$ 25,160	\$ 36,409
Item not affecting cash:		
Amortization of capital assets	9,792	2,774
	<u>34,952</u>	<u>39,183</u>
Changes in non-cash working capital:		
Accounts receivable	39,833	(130,116)
Accounts payable	16,974	(110,484)
Prepaid expenses	(8,167)	(4,245)
Harmonized sales tax payable	3,344	4,158
Deferred contributions	171,276	102,653
Deferred revenue	8,005	11,787
Wages payable	2,118	7,049
	<u>233,383</u>	<u>(119,198)</u>
Cash flow from (used by) operating activities	<u>268,335</u>	<u>(80,015)</u>
<b>INVESTING ACTIVITIES</b>		
Purchase of capital assets	(67,625)	(13,685)
Long term Investments	2,024	(320)
Term deposits	(79,301)	(9,952)
	<u>(144,902)</u>	<u>(23,957)</u>
Cash flow used by investing activities	<u>(144,902)</u>	<u>(23,957)</u>
<b>INCREASE (DECREASE) IN CASH FLOW</b>	<b>123,433</b>	<b>(103,972)</b>
Cash - beginning of year	<u>214,917</u>	<u>318,889</u>
<b>CASH - END OF YEAR</b>	<b>\$ 338,350</b>	<b>\$ 214,917</b>
<b>CASH CONSISTS OF:</b>		
Cash	<u>\$ 338,350</u>	<u>\$ 214,917</u>

See notes to financial statements



**INUIT ART FOUNDATION**  
**Notes to Financial Statements**  
**Year Ended March 31, 2019**

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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

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.

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**INUIT ART FOUNDATION**  
**Notes to Financial Statements**  
**Year Ended March 31, 2019**

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
Leasehold improvements	8 years	straight-line 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>2019</u>	<u>2018</u>
Cashable term deposits - unrestricted	\$ 345,362	\$ 304,753
Cashable term deposits - restricted	64,972	26,290
	<u>\$ 410,334</u>	<u>\$ 331,043</u>

The terms deposits consists of Guaranteed Investment Certificates (GIC's). The GIC's have various maturity dates and interest rates between 0.65% to 1.73%. The restricted term deposits relate to the Kenojuak Ashevak Memorial Fund.

4. CAPITAL ASSETS

	Cost	Accumulated amortization	2019 Net book value	2018 Net book value
Computer equipment	\$ 9,702	\$ 5,871	\$ 3,831	\$ 5,823
Furniture and fixtures	16,863	2,704	14,159	5,087
Leasehold improvements	54,744	3,992	50,752	-
	<u>\$ 81,309</u>	<u>\$ 12,567</u>	<u>\$ 68,742</u>	<u>\$ 10,910</u>

**INUIT ART FOUNDATION**  
**Notes to Financial Statements**  
**Year Ended March 31, 2019**

5. DEFERRED REVENUES

	2019	2018
Inuit Art Quarterly Prepaid magazine subscriptions	\$ <u>40,091</u>	\$ <u>32,086</u>

6. GOVERNMENT FUNDING

The Foundation receives funding from Crown-Indigenous Relations and Northern Affairs (CIRNAC), formally 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 CIRNAC by the Foundation.

7. DEFERRED GRANTS AND CONTRIBUTIONS

During fiscal 2018 funds related to the Kenojuak Cultural Centre had been placed in a separate bank account under the Foundation's control. Under the agreement in place the Foundation charged a 3% fee to cover administration costs. All activity under this agreement was concluded in fiscal 2018.

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 as disbursed and came to a conclusion in fiscal 2018.

**Kenojuak Ashevak Memorial Fund**

Opening balance	25,443
Additional contributions received	43,941
Awards paid out	(10,000)
	-
Deferred balance at March 31, 2019	59,384

**Grant Revenues**

Opening balance	169,196
Grant amounts received or receivable at year end	1,124,284
Grants recognized in revenue in fiscal 2019	(986,949)
	306,531
Deferred balance at March 31, 2019	306,531
Total deferred contributions at March 31, 2019	\$ 365,915

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 (2018 - \$50,000), bearing interest at bank prime plus 1.55%.

At March 31, 2019 there was no balance owing on this facility (2018 - nil).

**INUIT ART FOUNDATION**  
**Notes to Financial Statements**  
**Year Ended March 31, 2019**

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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.

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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. 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:

2019	\$ 85,780
2020	92,894
2021	94,045
2022	95,195
2023	99,416
Thereafter	<u>346,601</u>
	<u>\$ 813,931</u>

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