



Financial Statements

Inuit Art Foundation

March 31, 2021

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Independent Auditor's Report

To the Members of
Inuit Art Foundation

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Qualified Opinion

We have audited the financial statements of Inuit Art Foundation (the "Foundation"), which comprise the statement of financial position as at March 31, 2021, and the statements of revenue and expenditures, changes in fund balances, and cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the *Basis of Qualified Opinion* paragraph, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as at March 31, 2021, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations ("ASNPO").

Basis for Qualified Opinion

In common with many charitable organizations, the Foundation derives revenue from donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of this revenue was limited to the amounts recorded in the records of the Foundation. Therefore, we were not able to determine whether any adjustments might be necessary to donation revenue, excess of revenue over expenditures, and cash flows from operations for the years ended March 31, 2021 and 2020, current assets at March 31, 2021 and 2020, and fund balances at April 1, 2020 and 2019 and March 31, 2021 and 2020. Our audit opinion on the financial statements for the year ended March 31, 2020 was modified accordingly because of the possible effects of this limitation of scope.

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

Other Matter

Our audit was conducted for the purposes of forming an opinion on the financial statements taken as a whole. The supplementary information included in the Schedule is presented for the purposes of additional information and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied only to the extent necessary to express an opinion in the audit of the financial statements taken as a whole.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with ASNPO, 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 related to a 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 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

Our 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 our 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, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- 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 our 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 we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our 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.

We 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 we identify during our audit.

Mississauga, Canada
September 27, 2021

Grant Thornton LLP

Chartered Professional Accountants
Licensed Public Accountants

Inuit Art Foundation

Statement of Financial Position

As at March 31

2021

2020

Assets

Current

Cash	\$ 1,068,660	\$ 649,612
Short-term investments (Note 3)	-	404,204
Accounts receivable	167,241	121,946
Prepaid expenses	<u>33,058</u>	<u>24,414</u>

1,268,959 1,200,176

Investments (Note 3)	423,649	-
Capital assets (Note 4)	<u>49,730</u>	<u>56,961</u>

\$ 1,742,338 \$ 1,257,137

Liabilities

Current

Accounts payable and accrued liabilities	\$ 144,300	\$ 193,474
Deferred revenue and contributions (Note 5)	<u>790,920</u>	<u>572,274</u>

935,220 765,748

Loan payable – CEBA (Note 6)	<u>30,000</u>	-
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965,220 765,748

Fund balances

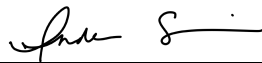
Unrestricted	716,308	430,579
Internally restricted fund	<u>60,810</u>	<u>60,810</u>

777,118 491,389

\$ 1,742,338 \$ 1,257,137

Commitments (Note 7)

On behalf of the Board of Directors



Director



Director

See accompanying notes and schedule to the financial statements.

Inuit Art Foundation

Statement of Revenue and Expenditures

Year ended March 31

2021

2020

Revenue

Grants and other funding	\$ 459,448	\$ 888,582
CIRNAC - core funding	438,000	458,000
Government assistance (Note 8)	432,518	-
Donations	334,269	259,541
Magazine and advertising sales	152,012	152,836
Other	46,348	31,330
Igloo tag	1,001	5,750
	<u>1,863,596</u>	<u>1,796,039</u>

Expenditures

Inuit art quarterly	595,414	555,576
Operating	505,002	650,412
Artist services	229,865	193,061
Igloo tag	99,327	192,966
IAQ profiles	77,574	78,089
Training and mentorship	70,685	107,291
	<u>1,577,867</u>	<u>1,777,395</u>

Excess of revenue over expenditures	<u>\$ 285,729</u>	<u>\$ 18,644</u>
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See accompanying notes and schedule to the financial statements.

Inuit Art Foundation

Statement of Changes in Fund Balances

Year ended March 31

	Unrestricted Fund	Internally Restricted Fund	2021 Total	2020 Total
Balance, beginning of year	\$ 430,579	\$ 60,810	\$ 491,389	\$ 472,745
Excess of revenue over expenditures	<u>285,729</u>	<u>-</u>	<u>285,729</u>	<u>18,644</u>
Balance, end of year	<u>\$ 716,308</u>	<u>\$ 60,810</u>	<u>\$ 777,118</u>	<u>\$ 491,389</u>

See accompanying notes and schedule to the financial statements.

Inuit Art Foundation

Statement of Cash Flows

Year ended March 31

2021

2020

Increase (decrease) in cash

Operating

Excess of revenue over expenditures	\$ 285,729	\$ 18,644
Item not affecting cash		
Amortization of capital assets	11,128	11,781
COVID-19 related funding relating to loan forgiveness	(10,000)	-
Unrealized gain on investments	(22,735)	-
Deferred revenue recognized	<u>(1,410,960)</u>	<u>(1,391,801)</u>

(1,146,838) (1,361,376)

Changes in non-cash working capital

Accounts receivable	(45,295)	(2,483)
Prepaid expenses	(8,644)	(3,302)
Accounts payable and accrued liabilities	(49,174)	114,214
Deferred revenue received	<u>1,629,606</u>	<u>1,558,069</u>

379,655 305,122

Financing

Proceeds of loan payable – CEBA	<u>40,000</u>	-
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Investing

Purchase of capital assets	(3,897)	-
Purchase of investments (net)	<u>3,290</u>	<u>6,140</u>

(607) 6,140

Increase in cash

419,048 311,262

Cash, beginning of year

649,612 338,350

Cash, end of year

\$ 1,068,660 **\$ 649,612**

See accompanying notes and schedule to the financial statements.

Inuit Art Foundation

Notes to the Financial Statements

March 31, 2021

1. Purpose of the organization

The Inuit Art Foundation (the "Foundation") is a Canadian based not-for-profit organization incorporated under the Canada Not-for-Profit Corporations Act. 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

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations ("ASNPO"). ASNPO requires entities to select policies appropriate for their circumstances from policies provided in these standards. The significant accounting policies selected by the Foundation and applied in these financial statements are as follows.

Fund accounting

The Foundation's accounts are maintained in accordance with the principles of fund accounting, whereby fund balances of the Foundation are classified for accounting and reporting purposes into funds to be used as determined by the Foundation.

The Unrestricted Fund accounts for the core operating activities of the Foundation. The unrestricted fund also includes assets, liabilities, revenue and expenses invested in capital assets.

The Internally Restricted Fund is to ensure the stability of the Foundation's mission, programs and services by providing additional funds to be drawn upon in the future due to unforeseen events.

Revenue recognition

The Foundation follows the deferral method of accounting for contributions. Externally 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.

Magazine, advertising and interest income are recorded as earned provided there is clear evidence that an arrangement exists, the amount be reasonably determinable, and collection is reasonably assured.

Deferred revenue and contributions represents magazine income received in advance of the edition being published and externally restricted contributions received prior to the related expense being incurred.

Government assistance relates to the Canada Emergency Wage Subsidy, Canada Emergency Rent Subsidy, COVID-19 Emergency Support Grant and the forgiveness of the CEBA loan and is recognized in the statement revenue and expenditures when received or receivable in the year to which it relates.

Inuit Art Foundation

Notes to the Financial Statements

March 31, 2021

2. Summary of significant accounting policies (continued)

Contributed materials and services

Achievement of the mission of the Foundation is dependent upon materials and the many hours generously contributed by volunteers. Because of the difficulty in determining their fair value, contributed materials and services are not recognized in these financial statements.

Use of estimates

Certain items in the preparation of the financial statements require management's best estimate. Management reviews the carrying amounts of items in the financial statements at each statement of financial position date to assess the need for revision or any possibility of impairment. Management determines these estimates based on assumptions that reflect the most probable set of economic conditions and planned course of action.

These estimates are reviewed periodically and adjustments are made to the excess of revenue over expenditures as appropriate in the year they become known. Estimates include the allowance for doubtful accounts related to accounts receivable.

Financial instruments

The Foundation considers any contract creating a financial asset, liability or equity instrument as a financial instrument. The Foundation accounts for cash, short-term investments, accounts receivable, investments, accounts payable and loan payable – CEBA as financial instruments. All financial instruments are measured initially at fair value and subsequently at amortized cost with the exception of investments in mutual funds, which are subsequently measured at fair value. Unrealized gains (losses) on investments are recognized as other income in the statement of revenue and expenditures.

Capital assets

Capital assets are stated at cost less accumulated amortization. Capital assets are amortized over their estimated useful lives at the following rates and methods:

Computer equipment	55% declining balance
Furniture and fixtures	20% declining balance
Leasehold improvements	the lesser of 8 years and the term of the lease

Capital assets are tested for impairment when events or changes in circumstances indicate that an asset might be impaired. The assets are tested for impairment by comparing the net carrying value to their fair value or replacement cost. If the asset's fair value or replacement cost is determined to be less than its net carrying value, the resulting impairment is reported in the statement of revenue and expenditures. Any impairment recognized is not reversed.

3. Investments

Investments consist of an investment in a conservative mutual fund.

Prior year short-term investments relate to Guaranteed Investment Certificates (GICs). The GICs earned interest at a rate from 1.25% to 2.10% and matured between June 10 and October 11, 2020.

Inuit Art Foundation

Notes to the Financial Statements

March 31, 2021

4. Capital assets

			<u>2021</u>	<u>2020</u>
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Computer equipment	\$ 13,600	\$ 9,998	\$ 3,602	\$ 1,725
Furniture and fixtures	16,863	7,801	9,062	11,327
Leasehold improvements	<u>54,744</u>	<u>17,678</u>	<u>37,066</u>	<u>43,909</u>
	<u>\$ 85,207</u>	<u>\$ 35,477</u>	<u>\$ 49,730</u>	<u>\$ 56,961</u>

5. Deferred revenue and contributions

	<u>2020</u>	<u>Received</u>	<u>Recognized</u>	<u>2021</u>
Magazine subscriptions	\$ 45,349	\$ 61,761	\$ (51,844)	\$ 55,266
Kenojuak Ashevak Memorial Fund	82,956	22,196	-	105,152
Donations	-	161,634	(29,150)	132,484
Ontario Arts Council Grant	22,500	125,769	(88,596)	59,673
Other grants	<u>421,469</u>	<u>1,258,246</u>	<u>(1,241,370)</u>	<u>438,345</u>
	<u>\$ 572,274</u>	<u>\$ 1,629,606</u>	<u>\$ (1,410,960)</u>	<u>\$ 790,920</u>

6. Loan payable – CEBA

During the year, the Foundation obtained the Canada Emergency Business Account (CEBA) loan of \$40,000. The loan is interest free and due no later than December 31, 2022. If the Foundation is able to pay \$30,000 on or before December 31, 2022, the remaining \$10,000 will be forgiven. If the loan cannot be repaid by December 31, 2022, the loan will be converted into a 3-year term loan, with an interest rate of 5% due no later than December 31, 2025. As the Foundation intends to pay the loan prior to December 31, 2022, the \$10,000 has been recognized as government assistance in the statement of revenue and expenditures.

7. Commitments

The Foundation is committed to payments for the rental of office space including operation costs, excluding HST and service contracts as follows:

2022	\$ 152,198
2023	121,036
2024	99,104
2025	100,255
2026	103,420
Thereafter	<u>43,892</u>
	<u>\$ 619,905</u>

Inuit Art Foundation

Notes to the Financial Statements

March 31, 2021

8. Government assistance

During the year, the Foundation received the following government assistance:

Canada Emergency Wage Subsidy	\$	287,168
COVID-19 Emergency Grant Support		120,676
Canada Emergency Rent Subsidy		14,674
CEBA loan forgiveness		<u>10,000</u>
	\$	<u>432,518</u>

Included in accounts receivable is \$93,978 relating to the Canada Emergency Wage Subsidy and \$11,339 relating to the Canada Emergency Rent Subsidy.

9. Financial instruments

Transactions in financial instruments may result in an entity assuming or transferring to another party one or more of the financial risks described below. The required disclosures provide information that assists users of financial statements in assessing the extent of risk related to financial instruments.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Foundation's main credit risks relate to its accounts receivable.

The Foundation reduces its exposure to credit risk by performing credit valuations on a regular basis and creating an allowance for doubtful accounts when applicable. At March 31, 2021, the allowance for doubtful accounts is \$Nil (2020 - \$Nil). In the opinion of management, the credit risk exposure to the Foundation is low and is not material.

Liquidity risk

Liquidity risk is the risk that the Foundation will encounter difficulty in meeting the obligations associated with its financial liabilities. The Foundation is exposed to this risk mainly in respect of its accounts payable and loan payable – CEBA.

The Foundation reduces its exposure to liquidity risk by ensuring that it documents when authorized payments become due, maintains adequate cash reserves and has an operating line of credit available as needed.

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, bearing interest at bank prime plus 1.55%. At March 31, 2021, \$Nil balance has been drawn on this facility (2020 - \$Nil).

Interest rate price risk

Interest rate price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Foundation is exposed to interest rate price risk with respect to investments with fixed interest rates.

Inuit Art Foundation

Notes to the Financial Statements

March 31, 2021

9. Financial instruments (continued)

Other price risk

The Foundation is subject to other price risk on its investments carried at fair value. These investments are subject to market risk such that the fair value of these investments may change as a result of factors specific to a particular investment or as a result of factors affecting all instruments trading in the market. The Foundation manages this risk by investing in accordance with a diversified strategy as dictated by the Board of Directors.

10. Comparative information

Certain comparative amounts have been reclassified from those previously presented to conform to the presentation of the 2021 financial statements.

Inuit Art Foundation

Schedule of Revenue and Expenditures

Schedule 1

Year ended March 31, 2021

	General Operations	Crown- Indigenous Relations and Northern Affairs Core Funding	Crown- Indigenous Relations and Northern Affairs Igloo Tag	Ontario Arts Council-Core	Ontario Arts Council- Project	Canada Council for the Arts	Canada Council- COVID	Inuit Art Quarterly Magazine	2021 Total	2020 Total
Revenue										
Grants and other funding	\$ 189,304	\$ -	\$ -	\$ 48,760	\$ 22,500	\$ 154,019	\$ -	\$ 44,865	\$ 459,448	\$ 888,582
CIRNAC - core funding	-	428,000	10,000	-	-	-	-	-	438,000	458,000
COVID-19 related funding	347,318	-	-	-	-	-	85,200	-	432,518	-
Donations	258,756	-	-	-	-	-	-	75,513	334,269	259,541
Magazine and advertising sales	-	-	-	-	-	-	-	152,012	152,012	152,836
Other	46,000	-	-	-	-	-	-	348	46,348	31,330
Igloo Tag	1,001	-	-	-	-	-	-	-	1,001	5,750
	<u>842,379</u>	<u>428,000</u>	<u>10,000</u>	<u>48,760</u>	<u>22,500</u>	<u>154,019</u>	<u>85,200</u>	<u>272,738</u>	<u>1,863,596</u>	<u>1,796,039</u>
Expenditures										
Inuit art quarterly	38,323	175,272	-	-	22,500	77,500	9,081	272,738	595,414	555,576
Operating	164,214	204,040	4,337	48,760	-	7,532	76,119	-	505,002	650,412
Artist services	144,821	24,897	-	-	-	60,147	-	-	229,865	193,061
Igloo tag	78,701	14,963	5,663	-	-	-	-	-	99,327	192,966
IAQ profiles	69,492	8,082	-	-	-	-	-	-	77,574	78,089
Training and mentorship	61,099	746	-	-	-	8,840	-	-	70,685	107,291
	<u>556,650</u>	<u>428,000</u>	<u>10,000</u>	<u>48,760</u>	<u>22,500</u>	<u>154,019</u>	<u>85,200</u>	<u>272,738</u>	<u>1,577,867</u>	<u>1,777,395</u>
Excess of revenues expenditures	<u>\$ 285,729</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 285,729</u>	<u>\$ 18,644</u>