



Grant Thornton

Financial Statements

Inuit Art Foundation

March 31, 2020

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# Independent Auditor's Report

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To the Members of  
Inuit Art Foundation

## 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, 2020, 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, 2020, 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 year ended March 31, 2020, current assets at March 31, 2020, and fund balances at April 1, 2019 and March 31, 2020. The predecessor auditor's opinion on the financial statements for the year ended March 31, 2019 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.

## Emphasis of Matter – Restated Comparative Information

We draw attention to Note 6 to the financial statements, which explains that certain comparative information for the year ended March 31, 2019 has been restated. The financial statements for the year ended March 31, 2019, excluding the adjustments that were applied to restate certain comparative information, were audited by another auditor who express a qualified opinion on those financial statements on September 28, 2019. Our opinion is not modified in respect of the matter.

As part of our audit of the financial statements for the year ended March 31, 2020, we also audited the adjustments applied to restate certain comparative information presented for the year ended March 31, 2019. In our opinion, such adjustments are appropriate and have been properly applied.

Other than with respect to the adjustments that were applied to restate certain comparative information, we were not engaged to audit, review or apply any procedures to the financial statements for the year ended March 31, 2019. Accordingly, we do not express an opinion or any form of assurance on the financial statements for the year ended March 31, 2019 taken as a whole.

### **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 Schedule 1 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.

*Grant Thornton LLP*

Mississauga, Canada  
October 7, 2020

Chartered Professional Accountants  
Licensed Public Accountants

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# Inuit Art Foundation

## Statement of Financial Position

As at March 31

2020

2019

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### Assets

#### Current

Cash	\$ 649,612	\$ 338,350
Term deposits (Note 3)	404,204	410,344
Accounts receivable	121,946	119,463
Prepaid expenses	<u>24,414</u>	<u>21,112</u>
	1,200,176	889,269

#### Capital assets (Note 4)

<u>56,961</u>	<u>68,742</u>
<u>\$ 1,257,137</u>	<u>\$ 958,011</u>

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### Liabilities

#### Current

Accounts payable and accrued liabilities	\$ 193,474	\$ 79,260
Deferred revenue and contributions (Note 5)	<u>572,274</u>	<u>406,006</u>
	<u>765,748</u>	<u>485,266</u>

### Fund balances

Unrestricted (Note 6)	430,579	411,935
Internally restricted fund	<u>60,810</u>	<u>60,810</u>
	<u>491,389</u>	<u>472,745</u>
	<u>\$ 1,257,137</u>	<u>\$ 958,011</u>

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Commitments (Note 7)

On behalf of the Board of Directors

*Ryan Rice*

Director



Director

See accompanying notes and schedule to the financial statements.

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# Inuit Art Foundation

## Statement of Revenue and Expenditures

Year ended March 31

2020

2019

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### Revenue

Grants and other funding	\$ 888,582	\$ 528,949
CIRNAC - core funding	458,000	458,000
Donations (Note 6)	259,541	144,903
Magazine and advertising sales	152,836	137,616
Other	31,330	26,571
Igloo tag	5,750	2,250
	<u>1,796,039</u>	<u>1,298,289</u>

### Expenditures

Operating	694,604	515,354
Inuit art quarterly	526,777	404,258
Artist services	193,061	43,951
Igloo tag	187,835	173,313
Training and mentorship	97,029	14,055
IAQ profiles	78,089	120,174
	<u>1,777,395</u>	<u>1,271,105</u>

Excess of revenue over expenditures	<u>\$ 18,644</u>	<u>\$ 27,184</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	Endowment Fund	<b>2020 Total</b>	2019 Total
Balance, beginning of year, as previously stated	\$ 407,501	\$ 60,810	\$ 53,403	<b>\$ 521,714</b>	\$ 496,554
Prior period adjustment (Note 6)	<u>4,434</u>	<u>-</u>	<u>(53,403)</u>	<b><u>(48,969)</u></b>	<u>(50,993)</u>
As restated	411,935	60,810	-	<b>472,745</b>	445,561
Excess of revenue over expenditures	<u>18,644</u>	<u>-</u>	<u>-</u>	<b><u>18,644</u></b>	<u>27,184</u>
Balance, end of year	<b><u>\$ 430,579</u></b>	<b><u>\$ 60,810</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 491,389</u></b>	<b><u>\$ 472,745</u></b>

See accompanying notes to the financial statements.



# Inuit Art Foundation

## Statement of Cash Flows

Year ended March 31

2020

2019

Increase (decrease) in cash

### Operating

Excess of revenue over expenditures	\$ 18,644	\$ 27,184
Item not affecting cash		
Amortization of capital assets	11,781	9,792
Deferred revenue recognized	<u>(1,391,801)</u>	<u>(1,029,035)</u>
	<b>(1,361,376)</b>	(992,059)

Changes in non-cash working capital

Accounts receivable	(2,483)	43,177
Prepaid expenses	(3,302)	(8,167)
Accounts payable and accrued liabilities	114,214	19,092
Deferred revenue received	<u>1,558,069</u>	<u>1,208,316</u>
	<b><u>305,122</u></b>	<u>270,359</u>

### Investing

Purchase of capital assets	-	(67,625)
Increase (proceeds from sale) of term deposits	<u>6,140</u>	<u>(79,301)</u>
	<b><u>6,140</u></b>	<u>(146,926)</u>

Increase in cash

**311,262**      123,433

Cash, beginning of year

**338,350**      214,917

Cash, end of year

**\$ 649,612**      \$ 338,350

See accompanying notes and schedule to the financial statements.

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# **Inuit Art Foundation**

## **Notes to the Financial Statements**

March 31, 2020

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### **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.

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### **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 included 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. 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, 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 represents magazine income received in advance of the edition being published and externally restricted contributions received prior to the related expense being incurred.

#### **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.

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# Inuit Art Foundation

## Notes to the Financial Statements

March 31, 2020

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### 2. Summary of significant accounting policies (continued)

#### 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 and the deferral of revenue.

#### Financial instruments

The Foundation considers any contract creating a financial asset, liability or equity instrument as a financial instrument. The Foundation accounts for cash, term deposits, accounts receivable, and accounts payable as financial instruments. All financial instruments are measured initially at fair and subsequently at amortized cost.

#### 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

#### Adoption of new accounting standards

On April 1, 2019, the Foundation adopted new accounting standards *Section 4433 Tangible capital assets held by not-for-profit organizations* and *Section 4434 Intangible assets held by not-for-profit organizations* ("the standards"). The most significant requirements include:

- tangible capital assets must be separated into their component parts, when practicable, and when estimates can be made of the lives of the separate components;
- tangible capital assets and intangible assets are written down to fair value or replacement cost to reflect partial impairments when conditions indicate that the assets no longer contribute to an organization's ability to provide goods and services, or that the value of future economic benefits or service potential associated with the tangible capital assets are less than their net carrying amounts; and
- additional disclosures when an impairment has occurred.

The adoption of the new accounting standards was applied prospectively, except the Foundation was permitted to recognize an adjustment to opening fund balances at April 1, 2019 to reflect partial impairments of tangible and intangible assets existing at that date, if any. The adoption of these standards did not have any impact on the statement of financial position as at April 1, 2019 and the changes in financial position for the current period.

# Inuit Art Foundation

## Notes to the Financial Statements

March 31, 2020

### 3. Term deposits

Terms deposits consist of Guaranteed Investment Certificates (GICs). The GICs earn interest at a rate from 1.25% to 2.10% (2019 – 0.65% to 1.73%) and mature between June 10, 2020 and October 11, 2020 (2019 - between April 1, 2019 and December 11, 2019).

### 4. Capital assets

	<u>2020</u>			<u>2019</u>
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Computer equipment	\$ 9,703	\$ 7,978	\$ 1,725	\$ 3,831
Furniture and fixtures	16,863	5,536	11,327	14,159
Leasehold improvements	<u>54,744</u>	<u>10,835</u>	<u>43,909</u>	<u>50,752</u>
	<u>\$ 81,310</u>	<u>\$ 24,349</u>	<u>\$ 56,961</u>	<u>\$ 68,742</u>

### 5. Deferred revenue and contributions

	<u>2019</u>	<u>Received</u>	<u>Recognized</u>	<u>2020</u>
Magazine subscriptions	\$ 40,091	\$ 50,477	\$ (45,219)	\$ 45,349
Kenojuak Ashevak Memorial Fund	59,384	23,572	-	82,956
Grants	<u>306,531</u>	<u>1,484,020</u>	<u>(1,346,582)</u>	<u>443,969</u>
	<u>\$ 406,006</u>	<u>\$ 1,558,069</u>	<u>\$ (1,391,801)</u>	<u>\$ 572,274</u>

# Inuit Art Foundation

## Notes to the Financial Statements

March 31, 2020

### 6. Prior period adjustment

During the year, the Foundation identified that it was mistakenly accounting for its contributions to another organization as an endowment investment held by the Foundation. As a result, the Foundation overstated its endowment asset, its endowment fund, and endowment income and understated its donation income. The Foundation has adjusted these items retroactively and is no longer recognizes its contributions to the organization as an endowment asset or fund balance.

The impact on prior year's financial statements is as follows:

	Previously Reported	Adjustment	<b>Restated</b>
<i>Statement of Financial Position</i>			
Endowment asset	\$ 48,969	\$ (48,969)	\$ -
Unrestricted	407,501	4,434	<b>411,935</b>
Endowment fund	53,403	(53,403)	-
<i>Statement of Operations</i>			
Revenue	1,296,265	2,024	<b>1,298,289</b>
<i>Statement of Changes in Fund Balances</i>			
Balance, beginning of year (2019)	496,554	(50,993)	<b>445,561</b>
Excess of revenue over expenditures	25,160	2,024	<b>27,184</b>
Balance, end of year (2019)	521,714	(48,969)	<b>472,745</b>
<i>Statement of Cash Flows</i>			
Excess of revenue over expenditures	25,160	2,024	<b>27,184</b>
Long term investments	2,024	(2,024)	-

### 7. Commitments

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

2021	\$ 178,949
2022	95,099
2023	98,936
2024	102,005
2025	103,157
Thereafter	<u>151,376</u>
	<b><u>\$ 729,522</u></b>

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# Inuit Art Foundation

## Notes to the Financial Statements

March 31, 2020

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### 8. 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, 2020, the allowance for doubtful accounts is \$Nil (2019 - \$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.

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, 2020 there was no balance has been drawn on this facility (2019 - \$Nil).

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### 9. Comparative information

Certain comparative amounts have been reclassified from those previously presented to conform to the presentation of the 2020 financial statements.

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# **Inuit Art Foundation**

## **Notes to the Financial Statements**

March 31, 2020

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### **10. COVID-19**

Since March 31, 2020, the spread of COVID-19 has severely impacted many local economies around the globe. In many countries, including Canada, businesses are being forced to cease or limit operations for long or indefinite periods of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown. Global stock markets have also experienced great volatility and a significant weakening. Governments and central banks have responded with monetary and fiscal interventions to stabilize economic conditions.

The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and central bank responses, remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of the Foundation for future periods. At the board approval date, the Foundation's major funding agreements have remained unchanged and the Foundation is moving forward with its strategies, committed to adjusting expenditures to ensure the sustainability of the Foundation.

# Inuit Art Foundation

## Schedule of Revenue and Expenditures

Schedule 1

Year ended March 31, 2020

	General Operations	Crown- Indigenous Relations and Northern Affairs Core Funding	Crown- Indigenous Relations and Northern Affairs Igloo Tag	Ontario Arts Council	Indigenous Economic Development Fund	Canada Council for the Arts	Inuit Art Quarterly Magazine	<b>2020 Total</b>	2019 Total
<b>Revenue</b>									
Grants and other funding	\$ 289,372	\$ -	\$ 21,000	\$ 62,829	\$ 100,000	\$ 337,853	\$ 77,528	\$ <b>888,582</b>	\$ 528,949
CIRNAC - core funding	-	458,000	-	-	-	-	-	<b>458,000</b>	458,000
Donations	259,541	-	-	-	-	-	-	<b>259,541</b>	144,903
Magazine and advertising sales	-	-	-	-	-	-	152,836	<b>152,836</b>	137,616
Other	24,744	-	-	-	-	-	6,586	<b>31,330</b>	26,571
Igloo Tag	5,750	-	-	-	-	-	-	<b>5,750</b>	2,250
	<u>579,407</u>	<u>458,000</u>	<u>21,000</u>	<u>62,829</u>	<u>100,000</u>	<u>337,853</u>	<u>236,950</u>	<b><u>1,796,039</u></b>	<u>1,298,289</u>
<b>Expenditures</b>									
Operating	169,995	348,330	-	17,268	10,505	148,489	17	<b>694,604</b>	515,354
Inuit art quarterly	1,870	46,670	-	23,430	-	77,917	376,890	<b>526,777</b>	404,258
Artist services	85,833	63,000	-	-	-	44,228	-	<b>193,061</b>	43,951
Igloo tag	5,952	-	21,315	408	89,495	70,665	-	<b>187,835</b>	173,313
Training and mentorship	92,153	-	-	4,876	-	-	-	<b>97,029</b>	14,055
IAQ profiles	61,242	-	-	16,847	-	-	-	<b>78,089</b>	120,174
	<u>417,045</u>	<u>458,000</u>	<u>21,315</u>	<u>62,829</u>	<u>100,000</u>	<u>341,299</u>	<u>376,907</u>	<b><u>1,777,395</u></b>	<u>1,271,105</u>
Excess (deficiency) of revenues expenditures	<u>\$ 162,362</u>	<u>\$ -</u>	<u>\$ (315)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (3,446)</u>	<u>\$ (139,957)</u>	<b><u>\$ 18,644</u></b>	<u>\$ 27,184</u>