

SASKATCHEWAN CRAFT COUNCIL

FINANCIAL STATEMENTS

MARCH 31, 2022

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The accompanying financial statements of **Saskatchewan Craft Council** have been prepared by the Council's management in accordance with Canadian accounting standards for not-for-profit organizations and necessarily include some amounts based on informed judgement and management estimates.

To assist management in fulfilling its responsibilities, a system of internal controls has been established to provide reasonable assurance that the financial statements are accurate and reliable and that assets are safeguarded.

The board of directors have reviewed and approved these financial statements.

These financial statements have been examined by the independent auditors, **Virtus Group LLP**, and their report is presented separately.



Carmen Milenkovic
Executive Director

INDEPENDENT AUDITORS' REPORT



**VIRTUS
GROUP**
Chartered Professional Accountants
& Business Advisors LLP

Saskatchewan Craft Council

Opinion

We have audited the financial statements of **Saskatchewan Craft Council**, which comprise the statement of financial position as at March 31, 2022, and the statements of operations, changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

Basis for Opinion

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 Council in accordance with the ethical requirements that are relevant to our audit of the financial statements in Saskatchewan, 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 opinion.

Information Other than the Financial Statements and Auditors' Report Thereon

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditors' report thereon. The annual report is expected to be made available to us after the date of this auditors' report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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 Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Council or to cease operations, or has no realistic alternative but to do so.

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

INDEPENDENT AUDITORS' REPORT *continued*

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 Council'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 Council'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 Council 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 significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

June 20, 2022
Saskatoon, Saskatchewan

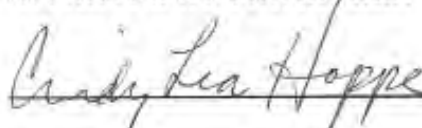
Virtus Group LLP
Chartered Professional Accountants


SASKATCHEWAN CRAFT COUNCIL
STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2022
(with comparative figures for 2021)

ASSETS		
	<u>2022</u>	<u>2021</u>
Current assets		
Cash	\$ 130,831	\$ 170,069
Accounts receivable	560	580
Grants receivable	31,831	11,721
Inventory (Note 3)	2,095	2,505
Prepaid expenses	2,561	2,196
	<u>167,878</u>	<u>187,071</u>
Tangible capital assets (Note 4)	<u>895,140</u>	<u>905,872</u>
	<u><u>\$ 1,063,018</u></u>	<u><u>\$ 1,092,943</u></u>
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	\$ 52,985	\$ 41,624
Government remittances payable	249	135
Due to Emma International Collaboration Inc. (Note 6)	-	46,915
Customer deposits	1,244	1,244
Deferred revenue (Note 7)	25,386	75,988
Current portion of due to related party (Note 6)	67,000	-
Current portion of long-term debt (Note 8)	48,480	6,844
Current portion of deferred capital contributions (Note 9)	3,272	-
	<u>198,616</u>	<u>172,750</u>
Deferred capital contributions (Note 9)	127,617	124,459
Long-term debt (Note 8)	86,841	135,638
Due to related party (Note 6)	-	67,000
	<u>413,074</u>	<u>499,847</u>
NET ASSETS		
Administration - unrestricted	(34,427)	(92,990)
Administration - capital	678,718	678,933
Externally restricted	5,653	7,153
	<u>649,944</u>	<u>593,096</u>
	<u><u>\$ 1,063,018</u></u>	<u><u>\$ 1,092,943</u></u>

See accompanying notes to the financial statements.

APPROVED BY THE BOARD:

 Director

 Director

SASKATCHEWAN CRAFT COUNCIL
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED MARCH 31, 2022
(with comparative figures for the year ended March 31, 2021)

	Administration		Externally		<u>2022</u>	<u>2021</u>
	Unrestricted	Capital	Restricted			
Balance, beginning of year	\$ (92,990)	\$ 678,933	\$ 7,153	\$	593,096	\$ 527,980
Excess (deficiency) of revenue over expenses	75,511	(17,163)	(1,500)		56,848	65,116
Tangible capital asset additions	(9,787)	9,787	-	-	-	-
Repayment of long-term debt	(7,161)	7,161	-	-	-	-
Balance, end of year	\$ (34,427)	\$ 678,718	\$ 5,653	\$	649,944	\$ 593,096

See accompanying notes to the financial statements.

SASKATCHEWAN CRAFT COUNCIL
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED MARCH 31, 2022
(with comparative figures for the year ended March 31, 2021)

	<u>Administration</u>	<u>Externally Restricted</u>	<u>2022</u>	<u>2021</u>
Revenue				
Grant revenues (Note 10)	\$ 701,354	\$ -	\$ 701,354	\$ 597,287
Donations and sponsorships	9,851	-	9,851	7,037
Program fees and revenues	4,321	-	4,321	4,398
Gallery and boutique sales (Note 11)	66,468	-	66,468	33,653
Membership fees	25,569	-	25,569	23,028
Rental income	16,918	-	16,918	16,271
Amortization of deferred capital contributions	3,356	-	3,356	1,257
	<u>827,837</u>	<u>-</u>	<u>827,837</u>	<u>682,931</u>
Expenses				
Amortization	20,519	-	20,519	8,835
Administration	60,786	-	60,786	50,910
Building	65,859	-	65,859	58,046
Program costs	52,993	-	52,993	34,164
Artist royalties and fees (Note 12)	38,772	1,500	40,272	28,529
Marketing	48,573	-	48,573	31,719
Wages and benefits	481,987	-	481,987	405,612
	<u>769,489</u>	<u>1,500</u>	<u>770,989</u>	<u>617,815</u>
Excess (deficiency) of revenue over expenses	<u>\$ 58,348</u>	<u>\$ (1,500)</u>	<u>\$ 56,848</u>	<u>\$ 65,116</u>

See accompanying notes to the financial statements.

SASKATCHEWAN CRAFT COUNCIL
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2022
(with comparative figures for the year ended March 31, 2021)

	<u>2022</u>	<u>2021</u>
Cash provided by (used in) operating activities:		
Excess (deficiency) of revenue over expenses	\$ 56,848	\$ 65,116
Items not involving cash:		
- Amortization	20,519	8,835
- Amortization of deferred capital contributions	(3,356)	(1,257)
	<u>74,011</u>	<u>72,694</u>
Non-cash operating working capital (Note 14)	(106,087)	94,316
	<u>(32,076)</u>	<u>167,010</u>
Cash provided by (used in) investing activities:		
Additions to tangible capital assets	(9,787)	(2,665)
Cash provided by (used in) financing activities:		
Proceeds from long-term debt	-	40,000
Repayment of long-term debt	(7,161)	(6,841)
Increase in deferred capital contributions	9,786	-
Proceeds from related party loan	-	47,000
	<u>2,625</u>	<u>80,159</u>
Increase (decrease) in cash	(39,238)	244,504
Cash position - beginning of year	<u>170,069</u>	<u>(74,435)</u>
Cash position - end of year	<u><u>\$ 130,831</u></u>	<u><u>\$ 170,069</u></u>

See accompanying notes to the financial statements.

SASKATCHEWAN CRAFT COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2022
(with comparative figures for the year ended March 31, 2021)

1. Nature of operations

Saskatchewan Craft Council (the "Council") was incorporated under *The Non-profit Corporations Act* in the province of Saskatchewan and is exempt from taxes under income tax legislation. The Council is a member-based organization, governed by a volunteer Board of Directors. The mission of the Council is to foster an environment where excellence in craft is nurtured, recognized and valued, and where Saskatchewan craftspeople flourish creatively and economically.

2. Summary of significant accounting policies

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations which required management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in earnings in the period in which they become known. The financial statements reflect the following policies:

Fund accounting

The accounts of the Council are maintained in accordance with the principles of fund accounting. For financial reporting purposes, accounts with similar characteristics have been combined into the following major funds:

The Administration Unrestricted Fund reflects the primary operations of the Council including grant revenues received and invoices for member services, programs, and sales. Expenses are for delivery of services.

The Administration Capital Fund reflects the equity of the Council in capital assets after taking into consideration any associated amortization expense.

The Externally Restricted Fund is a restricted fund that reflects revenues received from restricted donations. This balance is maintained to provide prizes for future *Dimensions* exhibitions. Transfers to/from designated equity must be approved by the Board of Directors.

Financial instruments

Financial assets and liabilities are recorded on the statement of financial position when the Council becomes party to the contractual provisions of the financial instrument. All financial instruments are required to be recognized at fair value upon initial recognition, except for certain related party transactions. Measurement in subsequent periods of equity instruments is at fair value. All other financial assets and financial liabilities are subsequently measured at amortized cost adjusted by transactions costs, which are amortized over the expected life of the instrument. Fair value is the amount at which a financial instrument could be exchanged at arm's length between willing, unrelated parties in an open market. Changes in fair values of financial assets and financial liabilities measured at fair value are recognized in excess of revenue over expenses. When there is an indication of impairment the carrying amount of financial assets measured at amortized cost may be reduced. Such impairments can be subsequently reversed if the value improves.

The Council's recognized financial instruments consist of cash, accounts receivable, grants receivable, accounts payable and accrued liabilities, due to related party, and long-term debt.

SASKATCHEWAN CRAFT COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2022
(with comparative figures for the year ended March 31, 2021)

2. Summary of significant accounting policies (continued)

Tangible capital assets

Tangible capital assets are recorded at cost less accumulated amortization. Amortization is provided on the straight-line basis over the estimated useful life of the assets at the following rates:

Automotive equipment	10 years
Buildings	40 years
Computer equipment	3 years
Furniture and equipment	10 years

Deferred capital contributions

Contributions restricted for the acquisition of capital assets are recorded as deferred capital contributions when the amount is invested in tangible capital assets and are amortized to revenue on the same basis as the related tangible assets are amortized to expense.

Revenue recognition

The Council follows the restricted fund method of accounting for contributions. Restricted contributions are recognized as revenue when they are received in the appropriate restricted fund. Restricted contributions received for which there is no corresponding restricted fund are accounted for using the deferral method and recognized as revenue in the administration unrestricted fund when the related expenses are incurred. Unrestricted contributions are recognized as revenue when received.

Program fees and sales are recognized as revenue when the goods and services are provided and collection is reasonably assured.

Membership fees and rental income are recognized as revenue in the fiscal period to which they relate.

Grants are recognized as revenue when the related program expenses are incurred. Grants received pertaining to specific programs for subsequent years are reflected on the statement of financial position as deferred revenue.

The Council recognizes subsidies and grants received from various government programs as revenue in the period earned after all necessary applications have been completed and collection is reasonably assured. If the grant or subsidy arose as a result of incurring certain expenses, the corresponding grant or subsidy revenue will be reported in the same period as the expenses. These amounts may be subject to review by Canada Revenue Agency or other government agencies. Any differences between the amounts recorded in the financial statements and the amounts received will be recognized in income in the period in which new information becomes known.

3. Inventory

Inventory consists of art held for resale through the boutique and online store. It is recorded at the lower of cost and net realizable value with cost being determined by the first-in, first-out method.

Art held on consignment for sale in the boutique and gallery is not included in the financial records of the Council.

SASKATCHEWAN CRAFT COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2022
(with comparative figures for the year ended March 31, 2021)

4. Tangible capital assets

	2022		2021	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Automotive equipment	\$ 12,363	\$ 12,363	\$ -	\$ 1,023
Buildings	614,708	76,552	538,156	543,738
Computer equipment	3,517	2,409	1,108	1,729
Furniture and equipment	43,393	37,517	5,876	9,382
Land	350,000	-	350,000	350,000
	<u>\$ 1,023,981</u>	<u>\$ 128,841</u>	<u>\$ 895,140</u>	<u>\$ 905,872</u>

5. Bank indebtedness / credit arrangements

The Council has an authorized line of credit which bears interest at prime. The line of credit is secured by a mortgage on the Council's building. At year-end, the line of credit was not utilized (2021 - \$nil).

6. Due to Emma International Collaboration Inc. and related party loan

During the 2020 fiscal year, the Council and Emma International Collaboration Inc. ("Emma") drafted an agreement to transfer \$66,915 cash and certain tangible capital assets including a sea-can container to Emma. As of the previous year end, the agreement had not been signed but the financial terms were deemed to be substantially correct. During fiscal 2019, the Council advanced \$20,000 to Emma, with the remaining \$46,915 being set up as a payable at the fiscal 2020 year end, due upon signing of the agreement. In the 2020 fiscal year, the Council had set aside \$41,602 as internally restricted net assets for Emma. The agreement was signed and the remaining balance was paid to Emma during the current fiscal year.

To finance the transfer of cash to Emma, the Council entered into a loan agreement with a related party to borrow up to \$67,000. This loan bears interest at a rate of 4.41% which will accrue until the due date of the loan which is April 2022. It is the intention of the Council to pay out this amount by adding it to the mortgage when it comes up for renewal in April 2022. As of this date, \$67,000 has been advanced on this loan.

7. Deferred revenue

	2022	2021
Creative Saskatchewan grants	\$ -	\$ 47,776
Membership fees	14,217	15,085
Designated donations	-	10,000
Other	11,169	3,127
	<u>\$ 25,386</u>	<u>\$ 75,988</u>

SASKATCHEWAN CRAFT COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2022
(with comparative figures for the year ended March 31, 2021)

8. Long-term debt

	<u>2022</u>	<u>2021</u>
Loan payable to Royal Bank of Canada in monthly payments of \$1,008 including interest at 4.95%. Land and building with a net book value of \$888,156 pledged as security. Due April 2022.	\$ 95,321	\$ 102,482
Loan payable to Royal Bank of Canada with no set terms of repayment and 0% interest. Loan is secured by the Government of Canada through the Canada Emergency Business Account (CEBA) funding. Up to \$10,000 of the loan will be forgiven for eligible recipients, if the remaining amount is repaid by December 31, 2023. This \$10,000 forgivable portion has not been included in income in the year, as the Council has been deemed ineligible.	40,000	40,000
	135,321	142,482
Current portion due within one year	48,480	6,844
	<u>\$ 86,841</u>	<u>\$ 135,638</u>

Subsequent to year end, the first loan payable to the Royal Bank of Canada was refinanced. The terms of the refinanced agreement require monthly payments of \$1,322 including interest at 5.64%. The security pledged remains the same as the prior agreement. The estimated principal repayments due in each of the next five years, considering the new agreement, are as follows:

2023	\$ 48,480
2024	9,750
2025	10,350
2026	10,950
2027	11,500

9. Deferred capital contributions

Deferred capital contributions represent the unamortized amount received for the purchase of capital assets. The amortization of the capital contributions is recorded as revenue in the statement of operations, which offsets the related amortization expense for the year.

	<u>2022</u>	<u>2021</u>
Balance, beginning of the year	\$ 124,459	\$ 125,716
Current year additions	9,786	-
Less amounts amortized to revenue	(3,356)	(1,257)
	130,889	124,459
Current portion	3,272	-
	<u>\$ 127,617</u>	<u>\$ 124,459</u>

SASKATCHEWAN CRAFT COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2022
(with comparative figures for the year ended March 31, 2021)

10. Grant revenue

Details of grant revenue recognized are as follows:

	<u>2022</u>	<u>2021</u>
Creative Saskatchewan		
Operating	\$ 380,000	\$ 380,000
Projects	184,620	12,482
	<u>564,620</u>	<u>392,482</u>
Restricted		
City of Saskatoon - property tax abatement	25,240	21,077
Broadway Business Improvement District	1,000	1,831
Other	11,950	-
	<u>38,190</u>	<u>22,908</u>
Unrestricted		
City of Saskatoon - cultural operations	30,500	30,500
Saskatchewan Small Business Emergency Payment Program	-	1,912
Canada Emergency Wage Subsidy	68,044	149,485
	<u>98,544</u>	<u>181,897</u>
Total grant revenue	<u><u>\$ 701,354</u></u>	<u><u>\$ 597,287</u></u>

11. Gallery and boutique sales

Gallery and boutique sales are the net profit received from the sale of art held on consignment based on the terms of agreement with each individual artist.

	<u>Boutique</u>	<u>Gallery</u>	<u>Total</u>
Gross sales	\$ 137,141	\$ 24,384	\$ 161,525
Less members' discounts	-	(621)	(621)
Less payments to artists	<u>(79,893)</u>	<u>(14,543)</u>	<u>(94,436)</u>
Net profits	<u><u>\$ 57,248</u></u>	<u><u>\$ 9,220</u></u>	<u><u>\$ 66,468</u></u>

12. Artist payments

The Council has made payments to artists in the year for the following:

	<u>2022</u>	<u>2021</u>
Artist royalties and fees	\$ 40,272	\$ 28,529
Dimension prizes	13,500	-
Total payments to artists	<u><u>\$ 53,772</u></u>	<u><u>\$ 28,529</u></u>

SASKATCHEWAN CRAFT COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2022
(with comparative figures for the year ended March 31, 2021)

13. Economic dependence

A significant portion of the Council's revenue is derived from funding provided by Creative Saskatchewan which is used in the delivery of specific programs and operations. The Council's ongoing operations are dependent on continued funding.

14. Non-cash operating working capital

Details of net change in each element of working capital relating to operations excluding cash are as follows:

	<u>2022</u>	<u>2021</u>
(Increase) decrease in current assets:		
Accounts receivable	\$ 20	\$ 731
Grants receivable	(20,110)	40,358
Inventory	410	50
Prepaid expenses	(365)	4,130
	<u>(20,045)</u>	<u>45,269</u>
Increase (decrease) in current liabilities:		
Accounts payable and accrued liabilities	(35,554)	(2,557)
Government remittances payable	114	135
Deferred revenue	(50,602)	51,469
	<u>(86,042)</u>	<u>49,047</u>
	<u>\$ (106,087)</u>	<u>\$ 94,316</u>

15. Financial risk management

The Council has a comprehensive risk management framework to monitor, evaluate and manage the principal risks assumed with financial instruments. The significant financial risks to which the Council is exposed are:

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 Council is exposed to credit risk on the accounts receivable from its customers, however, does not have a significant exposure to any individual customer or counterpart.

Interest rate risk

Interest rate 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 Council's exposure to interest rate risk is limited to the line of credit, due to related party, and long-term debt. The interest rate on the line of credit is variable; therefore, the Council may face increasing interest costs in an increasing interest rate market. All other credit facilities have fixed interest rates and therefore, do not expose the Council to additional risk.

SASKATCHEWAN CRAFT COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2022
(with comparative figures for the year ended March 31, 2021)

15. Financial risk management (continued)

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Council's exposure to liquidity risk is dependent on the receipt of funds from its operations and grant funding. Funds from these sources are primarily used to finance working capital and capital expenditure requirements, and are considered adequate to meet the Council's financial obligations.
