

**SASKATCHEWAN CRAFT COUNCIL**

**FINANCIAL STATEMENTS**

**MARCH 31, 2023**

## **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

### To the Members, 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, 2023, 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.

#### *Material Uncertainty Relating to Going Concern*

Without qualifying our report, we draw attention to Note 2 of the financial statements, which outlines some conditions that indicate the existence of a material uncertainty that may cast doubt about the Council's ability to continue as a going concern.

#### *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, timing of the audit, and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

July 16, 2023  
Saskatoon, Saskatchewan

*Virtus Group LLP*  
Chartered Professional Accountants

**SASKATCHEWAN CRAFT COUNCIL**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT MARCH 31, 2023**  
**(with comparative figures for 2022)**

<b>ASSETS</b>		<b>2023</b>	<b>2022</b>
<b>Current assets</b>			
Cash	\$ -	\$ 130,831	
Accounts receivable	523	560	
Grants receivable	43,026	31,831	
Inventory (Note 4)	1,699	2,095	
Prepaid expenses	9,078	2,561	
	<u>54,326</u>	<u>167,878</u>	
<b>Tangible capital assets (Note 5)</b>	<u>902,039</u>	<u>895,140</u>	
	<u>\$ 956,365</u>	<u>\$ 1,063,018</u>	
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Bank indebtedness (Note 6)	\$ 44,776	\$ -	
Accounts payable and accrued liabilities	59,503	52,985	
Government remittances payable	657	249	
Customer deposits	-	1,244	
Deferred revenue (Note 8)	52,189	25,386	
Due to related party (Note 7)	-	67,000	
Current portion of long-term debt (Note 9)	9,800	48,480	
Current portion of deferred capital contributions (Note 10)	3,796	3,272	
	<u>170,721</u>	<u>198,616</u>	
<b>Deferred capital contributions (Note 10)</b>	148,040	127,617	
<b>Long-term debt (Note 9)</b>	<u>102,731</u>	<u>86,841</u>	
	<u>421,492</u>	<u>413,074</u>	
<b>NET ASSETS</b>			
<b>Administration - unrestricted</b>	(108,452)	(24,639)	
<b>Administration - capital</b>	637,672	668,930	
<b>Externally restricted</b>	<u>5,653</u>	<u>5,653</u>	
	<u>534,873</u>	<u>649,944</u>	
	<u>\$ 956,365</u>	<u>\$ 1,063,018</u>	

See accompanying notes to the financial statements.

**APPROVED BY THE BOARD:**

- Cindy Lea Hoppe Director  
CHAIR

Lenneke Vening Director

**SASKATCHEWAN CRAFT COUNCIL**  
**STATEMENT OF OPERATIONS**  
**FOR THE YEAR ENDED MARCH 31, 2023**  
(with comparative figures for the year ended March 31, 2022)

	<u>Administration</u>	<u>Externally Restricted</u>	<u>2023</u>	<u>2022</u>
<b>Revenue</b>				
Grant revenue (Note 11)	\$ 583,591	\$ -	\$ 583,591	\$ 701,354
Donations and sponsorships	1,317	-	1,317	9,851
Program fees and revenue	29,810	-	29,810	4,321
Gallery and boutique sales (Note 12)	66,798	-	66,798	66,468
Membership fees	26,158	-	26,158	25,569
Rental income	7,620	-	7,620	16,918
Amortization of deferred capital contributions	3,893	-	3,893	3,356
	<u>719,187</u>	<u>-</u>	<u>719,187</u>	<u>827,837</u>
<b>Expenses</b>				
Amortization	19,822	-	19,822	20,519
Administration	55,378	-	55,378	60,786
Building	79,686	-	79,686	65,859
Program costs	78,596	-	78,596	52,993
Artist royalties and fees (Note 13)	15,756	-	15,756	40,272
Marketing	48,930	-	48,930	48,573
GST expense	5,444	-	5,444	-
Wages and benefits	530,646	-	530,646	481,987
	<u>834,258</u>	<u>-</u>	<u>834,258</u>	<u>770,989</u>
<b>Excess (deficiency) of revenue over expenses</b>	<u>\$ (115,071)</u>	<u>\$ -</u>	<u>\$ (115,071)</u>	<u>\$ 56,848</u>

See accompanying notes to the financial statements.

**SASKATCHEWAN CRAFT COUNCIL**  
**STATEMENT OF CHANGES IN NET ASSETS**  
**FOR THE YEAR ENDED MARCH 31, 2023**  
(with comparative figures for the year ended March 31, 2022)

	Administration		Externally		
	Unrestricted	Capital	Restricted	<u>2023</u>	<u>2022</u>
<b>Balance, beginning of year</b>	\$ (24,639)	\$ 668,930	\$ 5,653	<b>\$ 649,944</b>	\$ 593,096
<b>Excess (deficiency) of revenue over expenses</b>	(99,142)	(15,929)	-	<b>(115,071)</b>	56,848
<b>Tangible capital asset additions</b>	(26,721)	26,721	-	-	-
<b>Repayment of long-term debt</b>	(103,790)	103,790	-	-	-
<b>Long-term debt received</b>	121,000	(121,000)	-	-	-
<b>Deferred capital contributions received</b>	24,840	(24,840)	-	-	-
<b>Balance, end of year</b>	<b>\$ (108,452)</b>	<b>\$ 637,672</b>	<b>\$ 5,653</b>	<b>\$ 534,873</b>	<b>\$ 649,944</b>

See accompanying notes to the financial statements.

**SASKATCHEWAN CRAFT COUNCIL**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED MARCH 31, 2023**  
(with comparative figures for the year ended March 31, 2022)

	<u><b>2023</b></u>	<u><b>2022</b></u>
<b>Cash provided by (used in) operating activities:</b>		
Excess (deficiency) of revenue over expenses	\$ (115,071)\$	56,848
Items not involving cash:		
- Amortization	19,822	20,519
- Amortization of deferred capital contributions	(3,893)	(3,356)
	(99,142)	74,011
Non-cash operating working capital (Note 15)	15,206	(106,087)
	<u>(83,936)</u>	<u>(32,076)</u>
<b>Cash provided by (used in) investing activities:</b>		
Additions to tangible capital assets	<u>(26,721)</u>	<u>(9,787)</u>
<b>Cash provided by (used in) financing activities:</b>		
Proceeds from long-term debt	121,000	-
Repayment of long-term debt	(143,790)	(7,161)
Increase in deferred capital contributions	24,840	9,786
Repayment of note payable to related party	(67,000)	-
	<u>(64,950)</u>	<u>2,625</u>
<b>Decrease in cash</b>	(175,607)	(39,238)
<b>Cash position - beginning of year</b>	<u>130,831</u>	<u>170,069</u>
<b>Cash position - end of year</b>	<u><u>\$ (44,776)\$</u></u>	<u><u>130,831</u></u>

See accompanying notes to the financial statements.



**SASKATCHEWAN CRAFT COUNCIL**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MARCH 31, 2023**  
**(with comparative figures for the year ended March 31, 2022)**

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**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. Going concern assumption**

The accompanying financial statements have been prepared on the going concern assumption that the Council will be able to realize its assets and discharge its liabilities in the normal course of operations. A decrease in revenue combined with increased expenses have resulted in the Council experiencing significant cash flow issues. In addition, the Council's unrestricted net assets have been in a deficit position for the past two years. The continuation of the Council is dependent on the support of those providing operating and program grants (Note 14), as well as other sources of income such as sales, program fees, membership fees, rental income, and donations. A decrease in these sources of income could impede the Council's ability to realize its assets and discharge its liabilities without significant changes to the nature or scope of operations. Management does believe that a number of the expenses incurred in the current year are non-recurring.

The accompanying financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Council be unable to continue operations.

**3. 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.

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**SASKATCHEWAN CRAFT COUNCIL**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MARCH 31, 2023**  
**(with comparative figures for the year ended March 31, 2022)**

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**3. Summary of significant accounting policies** (continued)

**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/bank indebtedness, accounts receivable, grants receivable, accounts payable and accrued liabilities, and long-term debt.

**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 capital assets are amortized to expense.

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**SASKATCHEWAN CRAFT COUNCIL**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MARCH 31, 2023**  
(with comparative figures for the year ended March 31, 2022)

**3. Summary of significant accounting policies** (continued)

**Revenue recognition**

The Council follows the restricted fund method of accounting for contributions. Restricted contributions are recognized as revenue in the appropriate restricted fund when they are received. 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.

**4. 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.

**5. Tangible capital assets**

	<b>2023</b>		<b>2022</b>	
	<b>Cost</b>	<b>Accumulated Amortization</b>	<b>Net Book Value</b>	<b>Net Book Value</b>
Automotive equipment	\$ 12,363	\$ 12,363	\$ -	\$ -
Buildings	641,429	92,587	548,842	538,156
Computer equipment	3,517	3,030	487	1,108
Furniture and equipment	43,393	40,683	2,710	5,876
Land	350,000	-	350,000	350,000
	<u>\$ 1,050,702</u>	<u>\$ 148,663</u>	<u>\$ 902,039</u>	<u>\$ 895,140</u>

**SASKATCHEWAN CRAFT COUNCIL**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MARCH 31, 2023**  
(with comparative figures for the year ended March 31, 2022)

**6. Bank indebtedness / credit arrangements**

The Council has an authorized line of credit which bears interest at prime plus 2.00% per annum. The line of credit is secured by a mortgage on the Council's building. At year-end, the line of credit used was \$35,000 (2022 - \$nil). The remaining balance consists of an overdraft of \$9,776 and cheques outstanding.

**7. Related party loan**

The Council entered into a loan agreement with a related party to borrow up to \$67,000. This loan had an interest rate of 4.41%. The loan was paid in full in April 2022.

**8. Deferred revenue**

	<u>2023</u>	<u>2022</u>
Creative Saskatchewan grants	\$ 31,667	\$ -
Membership fees	16,533	14,217
Other	3,989	11,169
	<u>\$ 52,189</u>	<u>\$ 25,386</u>

**9. Long-term debt**

Loan payable to **Royal Bank of Canada** in monthly payments of \$1,322 including interest at 5.64%. Land and building with a net book value of \$888,156 pledged as security. Due April 2027.

\$ 112,531	\$ 95,321
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Loan payable to **Royal Bank of Canada** with no set terms of repayment and 0% interest. Loan 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. Loan paid in full with the \$10,000 forgivable portion included in income in the year.

-	40,000
112,531	135,321
9,800	48,480
<u>\$ 102,731</u>	<u>\$ 86,841</u>

Current portion due within one year

The estimated principal repayments due in each of the next five years, are as follows:

2024	\$ 9,800
2025	10,300
2026	10,900
2027	11,550
2028	69,981

**SASKATCHEWAN CRAFT COUNCIL**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MARCH 31, 2023**  
(with comparative figures for the year ended March 31, 2022)

**10. 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>2023</u>	<u>2022</u>
Balance, beginning of the year	\$ 130,889	\$ 124,459
Current year additions	24,840	9,786
Less amounts amortized to revenue	<u>(3,893)</u>	<u>(3,356)</u>
	151,836	130,889
Current portion	<u>3,796</u>	<u>3,272</u>
	<u>\$ 148,040</u>	<u>\$ 127,617</u>

**11. Grant revenue**

Details of grant revenue recognized are as follows:

	<u>2023</u>	<u>2022</u>
<b>Creative Saskatchewan</b>		
Operating	\$ 380,000	\$ 380,000
Projects	<u>131,740</u>	<u>184,620</u>
	<u>511,740</u>	<u>564,620</u>
<b>Restricted</b>		
City of Saskatoon - property tax abatement	28,633	25,240
Broadway Business Improvement District	-	1,000
Other	<u>1,589</u>	<u>11,950</u>
	<u>30,222</u>	<u>38,190</u>
<b>Unrestricted</b>		
City of Saskatoon - cultural operations	30,500	30,500
CEBA loan forgivable portion	10,000	-
Canada Emergency Wage Subsidy	<u>1,129</u>	<u>68,044</u>
	<u>41,629</u>	<u>98,544</u>
<b>Total grant revenue</b>	<u>\$ 583,591</u>	<u>\$ 701,354</u>

**SASKATCHEWAN CRAFT COUNCIL**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MARCH 31, 2023**  
(with comparative figures for the year ended March 31, 2022)

**12. 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	\$ 137,820	\$ 28,342	\$ 166,162
Less members' discounts	-	(890)	(890)
Less payments to artists	(81,727)	(16,747)	(98,474)
Net profits	<u>\$ 56,093</u>	<u>\$ 10,705</u>	<u>\$ 66,798</u>

**13. Artist payments**

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

	<u>2023</u>	<u>2022</u>
Artist royalties and fees	\$ 15,756	\$ 40,272
Dimension prizes	-	13,500
Total payments to artists	<u>\$ 15,756</u>	<u>\$ 53,772</u>

**14. 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.

**15. Non-cash operating working capital**

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

	<u>2023</u>	<u>2022</u>
<b>(Increase) decrease in current assets:</b>		
Accounts receivable	\$ 37	\$ 20
Grants receivable	(11,195)	(20,110)
Inventory	396	410
Prepaid expenses	(6,517)	(365)
	<u>(17,279)</u>	<u>(20,045)</u>
<b>Increase (decrease) in current liabilities:</b>		
Accounts payable and accrued liabilities	6,518	(35,554)
Government remittances payable	408	114
Customer deposits	(1,244)	-
Deferred revenue	26,803	(50,602)
	<u>32,485</u>	<u>(86,042)</u>
	<u>\$ 15,206</u>	<u>\$ (106,087)</u>

**SASKATCHEWAN CRAFT COUNCIL**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MARCH 31, 2023**  
**(with comparative figures for the year ended March 31, 2022)**

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**16. 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 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.

**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.

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