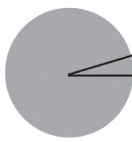


MANITOBA CRAFT COUNCIL INC.
Financial Statements
Year Ended July 31, 2022



INDEPENDENT AUDITOR'S REPORT

To the Members of Manitoba Craft Council Inc.

Qualified Opinion

We have audited the financial statements of Manitoba Craft Council Inc. (the Organization), which comprise the statement of financial position as at July 31, 2022, and the statements of revenue and expenditures, 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.

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at July 31, 2022, and the results of its operations and 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 not-for-profit organizations, the Organization derives revenue from fundraising activities the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of the Organization. Therefore, we were not able to determine whether any adjustments might be necessary to fundraising revenue, (deficiency) excess of revenue over expenses, and cash flows from operations for the year ended July 31, 2022, current assets and net assets as at July 31, 2022.

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 Organization in accordance with 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 audit opinion.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with 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 Organization'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 Organization or to cease operations, or has no realistic alternative but to do so.

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

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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 Organization'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 Organization'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 Organization 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.



Chartered Professional Accountants
1515 One Lombard Place
Winnipeg MB R3B 0X3
January 19, 2023


MANITOBA CRAFT COUNCIL INC.

Statement of Financial Position

July 31, 2022

	2022	2021
ASSETS		
CURRENT		
Cash	\$ 120,651	\$ 126,861
Short-term investment and accrued interest (Note 3)	21,212	21,085
Grants receivable (Note 4)	2,868	2,499
Goods and Services Tax recoverable	258	-
Inventory	807	1,085
Prepaid expenses	3,489	1,624
	<u>\$ 149,285</u>	<u>\$ 153,154</u>
 LIABILITIES AND NET ASSETS		
CURRENT		
Accounts payable and accrued liabilities (Note 5)	\$ 16,207	\$ 10,951
Goods and Services Tax payable	-	1,538
Deferred revenue (Note 6)	49,547	50,571
	<u>65,754</u>	<u>63,060</u>
 NET ASSETS		
Unrestricted	56,531	83,094
Internally restricted - Future Projects Reserve (Note 7)	27,000	7,000
	<u>83,531</u>	<u>90,094</u>
	<u>\$ 149,285</u>	<u>\$ 153,154</u>

APPROVED ON BEHALF OF THE BOARD:



Director



Director

MANITOBA CRAFT COUNCIL INC.

Statement of Revenue and Expenditures

Year Ended July 31, 2022

	2022	2021
REVENUE		
Earned revenue		
Artist sales	\$ 24,109	\$ 92,924
Co-production	-	316
Conference and event fees	-	2,400
Membership fees	10,365	7,400
Merchandise sales	644	1,052
Miscellaneous	745	2,149
Workshop fees	1,476	-
Private sector		
Corporate sponsorships	1,050	250
Donations	8,987	7,247
Foundations		
Bursaries	1,154	2,121
Project grants	10,676	1,561
Fundraising	6,068	4,781
Public sector		
Federal		
Canada Council for the Arts		
Core funding grant	48,000	40,000
Emergency support funding	-	17,500
Canada Heritage	5,886	-
Canada Summer Jobs	2,558	2,813
Student Work Placement	1,417	-
Province of Manitoba		
Province of Manitoba		
COVID-19 Manitoba Bridge Grant	-	20,000
COVID-19 Sector Support (Note 10)	3,000	-
Manitoba Arts Council		
Operating grants	46,485	46,485
Project grants	2,000	4,500
Municipal		
Project grants	11,000	10,000
COVID-19 Economic Support (Note 10)	1,500	-
Interest	423	513
	187,543	264,012
EXPENDITURES (Schedule)		
Administrative	54,494	56,391
Artistic	117,300	154,336
Facility operating	12,237	10,846
Fundraising	1,050	5,066
Marketing and communications	9,025	13,041
	194,106	239,680
(DEFICIENCY) EXCESS OF REVENUE OVER EXPENDITURES FOR THE YEAR	\$ (6,563)	\$ 24,332

MANITOBA CRAFT COUNCIL INC.

Statement of Changes in Net Assets

Year Ended July 31, 2022

	2022			2021
	Unrestricted	Internally Restricted - Future Projects	Total	Total
NET ASSETS - BEGINNING OF YEAR	\$ 83,094	\$ 7,000	\$ 90,094	\$ 65,762
(DEFICIENCY) EXCESS OF REVENUE OVER EXPENDITURES FOR THE YEAR	(6,563)	-	(6,563)	24,332
INTERFUND TRANSFER <i>(Note 7)</i>	(20,000)	20,000	-	-
NET ASSETS - END OF YEAR	\$ 56,531	\$ 27,000	\$ 83,531	\$ 90,094

MANITOBA CRAFT COUNCIL INC.

Statement of Cash Flows

Year Ended July 31, 2022

	2022	2021
OPERATING ACTIVITIES		
Cash received from grants	\$ 130,522	\$ 138,359
Other receipts	54,409	120,274
Interest received	423	513
Cash paid to suppliers and employees	<u>(191,437)</u>	<u>(234,863)</u>
Cash flow (used) provided by operating activities	(6,083)	24,283
INVESTING ACTIVITY		
Purchase of short-term investment	<u>(127)</u>	<u>(255)</u>
(DECREASE) INCREASE IN CASH FLOW	(6,210)	24,028
CASH - BEGINNING OF YEAR	<u>126,861</u>	<u>102,833</u>
CASH - END OF YEAR	\$ 120,651	\$ 126,861

MANITOBA CRAFT COUNCIL INC.
Notes to Financial Statements
Year Ended July 31, 2022

1. NATURE OF ACTIVITIES

Manitoba Craft Council Inc. (the "Organization") is incorporated without share capital, under the laws of the Province of Manitoba. The purpose of the Organization is to encourage excellence in fine contemporary craft by supporting and promoting craftspeople and increasing community awareness. The Organization is unique in its focus on the traditional crafts media from a contemporary perspective. As a registered charity, the Organization is exempt from corporate income taxes under Section 149 of the Income Tax Act.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNFPO).

Inventory

Inventory is valued at the lower of cost and net realizable value with the cost being determined on a first-in, first-out basis.

Revenue recognition

The Organization follows the deferral method of accounting for contributions and government grants. Restricted contributions are recognized as revenue in the year in which the related expenditures are recognized.

Grants are recorded when received or receivable if related to the current year. Deferred grants are those which pertain to the following year, but were received in the current year.

Revenue from interest, donations, membership fees and miscellaneous income is recognized as revenue when received.

Government assistance

Government assistance for acquiring fixed assets and related to expenses is recorded as deferred government assistance and is amortized on the same basis and according to the same rates as the related fixed assets or to income as eligible expenditures are incurred. Government assistance for current expenses is recorded as revenue. Government assistance for acquiring fixed assets is recorded as a reduction of the cost of related assets.

Contributed goods

Volunteers contributed goods towards a fundraising project. These contributed goods have been recognized in the financial statements in the amount of \$796 (2021 - \$2,803) as both a revenue and an expenditure of the Organization.

Contributed services

The operations of the organization depend on both the contribution of time by volunteers and donated materials from various sources. The fair value of donated materials and services cannot be reasonably determined and are therefore not reflected in these financial statements.

(continues)

MANITOBA CRAFT COUNCIL INC.
Notes to Financial Statements
Year Ended July 31, 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Capital assets

Items of a capital nature purchased by the Organization are expensed in the year of acquisition. In the current year, there were expenditures of a capital nature in the amount of \$6,227 (2021 - \$Nil).

Leases

Leases are classified as operating leases. Rental payments under operating leases are expensed as incurred.

Financial instrument measurement

The Organization initially measures its financial assets and financial liabilities at fair value. It subsequently measures all of its financial assets and financial liabilities at amortized cost. Any transaction costs are expensed when incurred.

The financial assets subsequently measured at amortized cost include cash, short-term investment and accrued interest, and grants receivable. The financial liabilities measured at amortized cost include accounts payable and accrued liabilities.

Unless otherwise mentioned, it is management's opinion that the Corporation is not exposed to significant interest and currency risks arising from these financial instruments.

Measurement uncertainty

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the period. Such estimates are periodically reviewed and any adjustments necessary are reported in the period in which they become known. Actual results could differ from these estimates.

Significant areas requiring the use of management estimates relate to accrued liabilities. Management believes its estimates to be appropriate; however, actual results could differ from these estimates.

3. SHORT-TERM INVESTMENT AND ACCRUED INTEREST

	2022	2021
Assiniboine Credit Union - Redeemable GIC		
0.60% due May 13, 2022	\$ -	\$ 21,058
0.60% due May 13, 2023	21,184	-
Accrued interest	28	27
	\$ 21,212	\$ 21,085

MANITOBA CRAFT COUNCIL INC.
Notes to Financial Statements
Year Ended July 31, 2022

4. GRANTS RECEIVABLE

	2022	2021
Government of Canada Canada Summer Jobs	\$ 2,868	2,499

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2022	2021
Accrued vacation pay	\$ 469	\$ 267
Accrued salaries	2,230	1,390
Accrued rent	1,310	-
Employee deductions	550	278
Provincial sales tax	386	308
Suppliers	11,262	8,708
	\$ 16,207	\$ 10,951

6. DEFERRED REVENUE

	2022	2021
Gift certificates outstanding	\$ 712	\$ 712
Government of Canada Canada Summer Jobs	1,024	-
Manitoba Arts Council Operating grant	23,500	34,864
Share-Present grant for Eco-Craft	11,500	-
Manitoba Craft Museum and Library	472	351
The Winnipeg Foundation	324	-
Winnipeg Arts Council Multi-year program support grant	10,000	10,000
Bursary Fund Winnipeg Foundation	-	54
Reaching out Raffle	2,015	4,590
	\$ 49,547	\$ 50,571

MANITOBA CRAFT COUNCIL INC.
Notes to Financial Statements
Year Ended July 31, 2022

7. RESTRICTED FUND

Effective July 31, 2015, the Board of Directors created an internally restricted Future Projects Reserve Fund in the amount of \$7,000 through an appropriation from unrestricted net assets.

On January 19, 2022, the Board approved an interfund transfer of \$20,000 of operating surplus to the Internally Restricted Fund for future projects. As at July 31, 2022, the Future Projects Reserve Fund has a balance of \$27,000.

8. FINANCIAL INSTRUMENTS

The Organization is exposed to various risks through its financial instruments. The following analysis represents the Organization's exposure to significant risk at July 31, 2022.

(a) Credit risk

Credit risk arises from the potential that a counter party will fail to perform its obligation. The Organization is exposed to credit risk with respect to amounts receivable. The Organization records receivables based on amounts that it is virtually certain to receive. There has been no significant change in the exposure to credit risk since the prior year.

9. LEASE COMMITMENTS

The Organization leases office and programming space under a lease expiring June 30, 2027. Future minimum lease payments under the lease total \$44,024. Minimum lease payments required over the next five years are as follows:

2023	\$	8,161
2024		8,698
2025		8,954
2026		8,977
2027		9,234
		<hr/>
	\$	<u>44,024</u>

MANITOBA CRAFT COUNCIL INC.
Notes to Financial Statements
Year Ended July 31, 2022

10. IMPACT OF COVID -19 GLOBAL PANDEMIC

In March 2020, the World Health Organization declared the outbreak of the novel coronavirus (COVID-19) as a global pandemic, which continues to spread in Canada and around the world.

During the 2022 fiscal year, the Organization experienced disruptions in its operations and activities due to the outbreak of the pandemic. Management believes that any disturbance may be temporary. However, there is uncertainty about the length and potential effect of the disturbance and management is unable to estimate the potential future impact on the Organization's operations.

The Organization received government assistance from the Government of Canada and the Province of Manitoba, as follows:

- a) A COVID-19 Sector Support Grant from the Government of Manitoba in the amount of \$3,000.
 - b) A COVID-19 Economic Support Grant from the City of Winnipeg in the amount of \$1,500.
-

11. ECONOMIC DEPENDENCE

The volume of financial activity undertaken by the Organization with its main funding bodies is of significant magnitude that the discontinuance of their funding would endanger the ability of the Organization to continue as a going concern.

12. ENDOWMENT FUND

On August 17, 2022, the Board of Directors approved the establishment of an organizational endowment fund with the Winnipeg Foundation in the name of the Manitoba Craft Council. The funds are to be contributed by the end of the 2023 fiscal year. Contributions by the Organization will be matched by The Winnipeg Foundation and the Federal Government.

13. COMPARATIVE FIGURES

Some of the comparative figures on the income statement have been reclassified to conform to the presentation adopted for the current year

MANITOBA CRAFT COUNCIL INC.

Schedule of Expenditures

Year Ended July 31, 2022

	2022	2021
Administrative		
Administrative expenses, office supplies and professional development	\$ 11,812	\$ 9,748
Administrative salaries	24,533	24,584
Office rent	7,026	6,776
Professional fees	11,123	15,283
	<u>\$ 54,494</u>	<u>\$ 56,391</u>
Artistic		
Artist and professional fees	\$ 21,315	\$ 19,736
Artistic salaries	51,334	36,292
Artist awards and bursaries	4,730	4,821
Artist sales	14,799	77,191
Catalogues	5,032	6,918
Co-publish support	2,746	2,674
Exhibition and programming	10,159	2,490
Hospitality and staff travel	712	246
Memberships	1,405	1,130
Merchandise sales	355	760
Manitoba Craft Museum and Library partnership	2,275	1,968
Professional fees	2,438	110
	<u>\$ 117,300</u>	<u>\$ 154,336</u>
Facility operating		
Gallery/programming rent	\$ 8,248	\$ 7,954
Facility expenses	3,989	2,892
	<u>\$ 12,237</u>	<u>\$ 10,846</u>
Fundraising		
Events	\$ 254	\$ 2,263
In-kind	796	2,803
	<u>\$ 1,050</u>	<u>\$ 5,066</u>
Marketing and communications		
Marketing contract	\$ -	\$ 1,667
Marketing salaries	8,083	8,046
Program promotion	942	3,328
	<u>\$ 9,025</u>	<u>\$ 13,041</u>