Quarterly Financial Report
(Unaudited)

Period ended September 30, 2012
Published November 30, 2012

Canada Council for the Arts
Conseil des arts du Canada

Management Discussion and Analysis

Change Technology Communities Transparency Adaptability Flexibility Leadership Responsiveness Synergy Artists Partnership Equity Knowledge Experience Connections Engagement Public Trust

INTRODUCTION

This narrative discussion relates to the financial results of the Canada Council for the Arts (the Council) for the six-month period ended September 30, 2012 as set out in the accompanying unaudited quarterly financial statements. Those statements are disclosed in accordance with the requirements of section 131.1 of the F*inancial Administration Act* and are prepared in accordance with Public Sector Accounting Standards (PSAS) issued by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants.

Management is responsible for the information presented in the unaudited quarterly financial statements and this narrative discussion, both of which have been reviewed and endorsed by the Audit and Finance Committee of the Council's Board of Directors. In assessing what information is to be provided in the narrative discussion, management applies the materiality principle as guidance for disclosure. Management considers information material if it is probable that its omission or misstatement, judged in the surrounding circumstances, would influence the decisions of the primary user of this information, the Government of Canada.

This discussion contains "forward-looking statements" that reflect management's expectations regarding the Council's results of operations. These statements are not facts but only estimates based upon information and assumptions that are currently available to, or made by, management and which are subject to a number of risks and uncertainties. These and other factors may cause actual results to differ substantially from the expectations stated or implied in t forward-looking statements.

The *Financial Administration Act* does not require the Council to file a Corporate Plan with the Government of Canada. Therefore, neither this narrative discussion nor the unaudited quarterly financial statements disclose a comparison of results as against the Council's Corporate Plan. As required by PSAS, they do provide comparisons to the Council's approved annual budget for the year.

HIGHLIGHTS

Net Results

	Three months ending September 30				Six months ending September 30			
(in thousands of dollars)	2012	2011	$ change	% change	2012	2011	$ change	% change
Revenues	1,821	(754)	2,575	341.51%	2,994	635	2,359	371.50%
Expenses	(23,773)	(23,807)	34	0.14%	(135,566)	(140,537)	4,971	3.54%
Government funding	47,127	41,948	5,179	12.35%	125,127	128,961	(3,834)	(2.97%)
Net results for the period	**25,175**	**17,387**	**7,788**	44.79%	**(7,445)**	**(10,941)**	**3,496**	(31.95%)

Overview of the Second Quarter Net Results

Net results for the quarter were $25.2M, an increase of $7.8M over the second quarter of the previous fiscal year. This increase reflects the following changes in revenues, expenses and government funding which are also explained in more detail in the Financial Results section:

- Revenues for the second quarter were $2.6M higher compared to last year. This increase is mainly due to an increase of $1.8M in investment income compared to the same period last year which is detailed in Note 9 and an increase of $0.5M in other revenues.
- Expenses in the quarter were consistent with the prior year.
- Government funding was $5.2M (12.4%) higher compared to the second quarter of last year. This increase is due to a difference in timing in matching the funding to actual costs over the six-month period.

The Council will continue to monitor its financial results with the aim of achieving the target projections set out during the mid-year budget review exercise which projects a year-end surplus modestly above budget.

IMPORTANT CHANGES

Programs

The Council is currently undertaking a review of some of its major programs as part of ongoing efforts to ensure that they continue to be relevant, cost-effective and responsive to the changing needs of the community. Savings realized from implemented changes to programs and operations will be reinvested back into the sector. Earlier this year, the Council announced that the October 2012 competition of the Flying Squad program would be suspended while the program undergoes a comprehensive review. The Council also announced that it is adding $2M to its existing support to individual artists and arts organizations to access international markets, bringing dedicated international market access funding this year to $7M. The Council is now in the process of re-allocating funds to respond to this new initiative.

Operational Activities

- **Mid-Year Budget Review**

In September 2012, Management finalized its 2012-13 Mid-Year Budget review. This process is undertaken once a year to supplement and complement the Forecasting activities executed throughout the year. The review of in-year activities provides an opportunity for every section to review the activities of the current fiscal year and identify resources that can be made available for use by others and additional resources that may be needed to address newly identified priorities and cost pressures. The mid-year review is forecasting that the Council will be slightly ahead of the 2012-13 budgeted surplus presented to the Board in January 2012.

- **Move to 150 Elgin Street**

With the move to 150 Elgin Street just over a year away, the Council is working closely with the contractor to develop a calendar of milestones in the building's progress and a timeline of preparations for the actual move. The construction is making good progress and PCL, the construction company, indicated that the project is on schedule.

The net effect of the use of new technology, modern construction techniques, favorable interest rates, joint fit-up collaboration with the landlord and a reduced environmental footprint is a direct cost saving to the Council such that it will take up to five years for ongoing accommodation costs to reach the 2012-13 level.

- **Systems Modernization**

The Council is currently undergoing significant changes to its suite of information systems. A Request for Proposal for the Council's new granting and client relationship management system was posted during the quarter. RFP evaluations and a final vendor recommendation are planned for early November.

The Council is also working towards a significant reduction of paper document storage due to the digitization of records. This initiative will allow a smaller storage space requirement in the Council's new premises.

When implemented over the next three years, these and other changes relating to its programs will transform the Council's manner of operation while reducing costs.

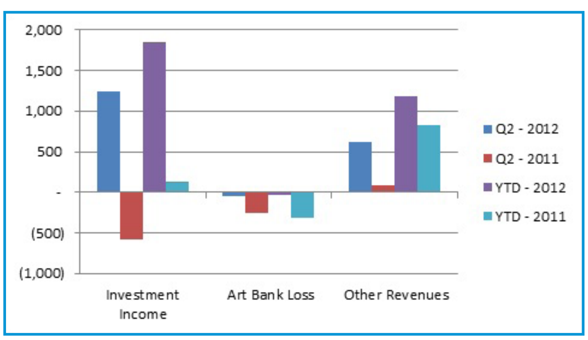
Leadership and Governance

On September 25, 2012, the Chief Finance Officer (CFO) and Director of Finance and Administration left the Council. The Head of Finance, who has been with the Council for twelve years, has assumed the interim position until the recruitment of a new CFO is completed.

We are pleased that the Minister of Canadian Heritage and Official Languages announced the re-appointment of Luc LaRochelle as a Board member for another four- year term, effective June 21, 2012. Mr. LaRochelle's resumé can be found on the Council's website.

FINANCIAL RESULTS

The following section provides further detail and explanation of financial results presented in the quarterly financial statements:



Revenues

Investment Income

- The increase of $1.8M over last year's second quarter is mainly due to a stronger Canadian dollar against other currencies which generated a $1.4M gain in the second quarter of 2012-13 versus a loss of $1.4M for the same period last year. This increase was offset by a reduction of $1.2M in income transferred from the externally restricted endowment. Details are provided in Note 9.

Art Bank Loss

- The major variances between this year's and last year's results for the Art Bank is due to the purchase of artworks for $294K last year which is recorded as an expense, as per the Public Sector accounting standards, compared to only $8K for the current year. No major purchases are expected for this fiscal year.

Other Revenues

Expenses

	Three months ending September 30				Six months ending September 30			
(in thousands of dollars)	2012	2011	$ change	% change	2012	2011	$ change	% change
Grants	15,085	14,667	(418)	(2.85%)	118,341	122,554	4,213	3.44%
Program delivery costs	4,017	4,243	226	5.33%	8,408	8,964	556	6.20%
Canadian Commission for UNESCO	392	625	233	37.28%	908	1,089	181	16.62%
General administration	4,279	4,272	(7)	(0.16%)	7,909	7,930	21	0.26%
Net results for the period	**23,773**	**23,807**	**34**	0.14%	**135,566**	**140,537**	**4,971**	3.54%

- The increase of $0.5M compared to the second quarter of last year is mainly due to a return on brokerage commission from the real estate service firm.

No major variances were noted in the expenses except for the decrease in costs for the Canadian Commission for UNESCO which reflects savings in travel and hosting costs related to its Annual General Meeting.

Financial Assets

(in thousands of dollars)	September 30 2012	March 31 2012	$ change	% change
Cash equivalent	14,127	18	14,109	78383%
Accounts receivable	743	2,290	(1,547)	(66%)
Derivatives	27	25	2	8%
Portfolio investment	276,334	270,522	5,812	2%
Net results for the period	**291,231**	**272,855**	**18,376**	7%

Grants and other expenses are forecast to be close to budget.

Cash Equivalent

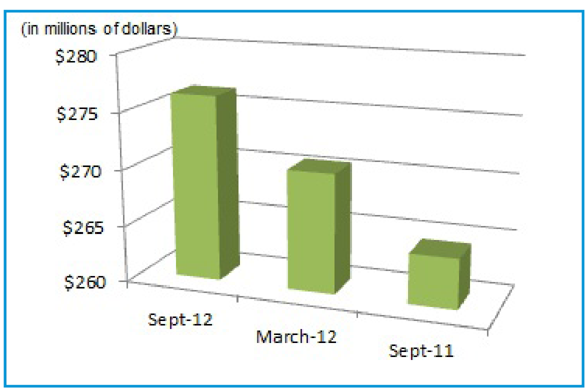
The increase of $14.1M in Cash Equivalent is primarily the result of the difference in timing the cash flow requirements in drawing down the Parliamentary appropriation, which is recognized during the year as the appropriation is received, and the payments of grants.

Accounts Receivable

The reduction of $1.5M in accounts receivable arises primarily from a decrease in accrued dividend income of $0.6M, which is due to timing in distributing dividends by investment managers, and the receipt of $0.5M from the City of Ottawa for the 2012 property tax rebates which was recorded as a receivable as at March 31, 2012.

Portfolio Investments

The total market value of the portfolio as at September 30, 2012 was $276.3M of which $73.6M was externally restricted. This represents an increase of $5.8M since March 31, 2012 and $11.9M since September 30, 2011.



The total fund generated an absolute return of 3.3% for the quarter which was higher than the benchmark return by 0.3% and all asset classes had positive returns. The main contributors to the benchmark for that period were the performance of the Canadian Equity and the Global Equity managers. We continue to see a moderate global economic growth and the actions taken by central banks around the world to mitigate the uncertainty surrounding the European financial crisis were positively received by the market.

For the year-to-date, the total fund generated an absolute return of 6.7% which was higher than the benchmark return by 0.2%. The main contributors for year-to-date return were the performance of the Global and Canadian Equity managers.

Liabilities

(in thousands of dollars)	September 30 2012	March 31 2012	$ change	% change
Bank indebtedness	403	1,581	1,178	75%
Grants payable	53,997	27,760	(26,237)	(95%)
Accounts payable and accrued liablities	1,636	3,710	2,074	56%
Deferred revenues	1,508	1,827	319	17%
Derivatives	7	62	55	89%
Employee future benefits	4,237	4,237	-	-
Externally restricted contributions	23,695	23,594	(101)	(1%)
Net results for the period	**85,483**	**62,771**	**(22,712)**	(36%)

Bank indebtedness

The bank indebtedness represents the value of outstanding cheques at the Statement of Financial Position's date. The decrease of $1.2M is mainly due to the reduction of outstanding cheques to authors that received a payment through the Public Lending Right program which were issued in February 2012.

Grants payable

The increase of $26.2M in comparison to the value as at March 31, 2012 arises primarily from multi-year grants expensed at the start of the year which had not been paid by the end of the six-month period.

Accounts payable and accrued liabilities

The decrease of $2.0M in comparison to the value as at March 31, 2012 is mainly due to a reduction of $1.0M in commercial invoices due to the timing of the payment schedule and a payment of $0.5M to Canadian Heritage for unspent funds for the National Translation Program for Book Publishing which was recorded as a payable as at March 31, 2012.

Non-Financial Assets

	September 30	March 31		
(in thousands of dollars)	2012	2012	$ change	% change
Tangible capital assets	2,085	2,156	(71)	(3%)
Works of arts and musical instruments	1	1	-	-
Prepaid expenses	285	273	12	4%
Net results for the period	**2,371**	**2,430**	**(59)**	(2%)

Works of art and musical instruments

The Council owns approximately 17,000 works of art. These are held by its Art Bank and rented out. The Council also operates a Musical Instrument Bank and it currently owns a fine cello bow and eight quality musical instruments. In addition, the Council manages 11 instruments on loan, 9 of which are lent by anonymous donors. At September 30, 2012 the appraised value of the Council's works of art was approximately $70M and the appraised value of its musical instruments was $28M USD. These are included on the Statement of Financial Position at a nominal value.

Cash Flow

	Three months ending September 30				Six months ending September 30			
(in thousands of dollars)	2012	2011	$ change	% change	2012	2011	$ change	% change
Beginning of period	17,643	21,311	(3,668)	(17%)	(1,563)	(2,234)	671	(30%)
Cash (used in) from operating activitIes	(2,568)	(1,291)	(1,277)	(99%)	17,161	22,974	(5,813)	(25%)
Cash (used in) for capital transactions	(282)	(120)	(162)	(135%)	(417)	(164)	(253)	(154%)
Cash (used in) from investing activities	(1,069)	492	(1,561)	(318%)	(1,457)	(184)	(1,273)	(692%)
Net Change	(3,919)	(919)	(3,000)	(326%)	15,287	22,626	(7,339)	(32%)
Ending balance for the period	**13,724**	**20,392**	**(6,668)**	(33%)	**13,724**	**20,392**	**(6,668)**	(33%)

Operating Transactions

Cash used in operating activities was $2.6M in comparison to $1.3 million last year for the same period. This change is mostly accounted for by a variance of $1.2M in resources used for externally restricted contributions, at which point the contributions are recognized as revenue. Other variances for non-cash items are detailled in Note 12.

Investing Transactions

The transactions that took place during the quarter in the portfolio are re-investments of income received through the settlements of the forward contracts in comparison to having to sell assets during the same period last year because of losses on forward contracts.

RISK MANAGEMENT

Corporate Risk

In line with good governance practices, the Council updates and revises its Corporate Risk Profile on an ongoing basis, identifying and including any changes in the Council's risk environment. In order to address the risks within the Council's corporate risk profile that are outside the Council's appetite for risk, effective risk mitigation strategies and action plans are developed, under the oversight of assigned members of executive management, to reduce the risk exposure to an acceptable and manageable level.

Executive management is continuing to develop risk mitigation strategies and plans for the risks identified during the 2011-12 risk assessment process which will be presented to the Audit and Finance Committee in January 2013.

Financial Risk

The Council is exposed to a variety of financial risks as a result of its activities. The Council's Parliamentary appropriation for 2012-13 is not affected by the government's Deficit Reduction Action Plan. This significantly reduces the revenue uncertainly from its primary source of revenue and liquidity risk. The Council's investment portfolio is primarily exposed to price risk, interest rate risk and currency risk. The Investment Committee will proceed with its annual review of the Council's investment policy during the third quarter. This policy sets out the long term investment objectives and guidelines under which the portfolio is to be invested.

USE OF PARLIAMENTARY APPROPRIATION

The following information is intended to supplement that provided elsewhere in this discussion regarding the Council's use of its Parliamentary appropriation.

The Council receives its main funding through an appropriation voted by Parliament. The Council records the Parliamentary appropriation received in the period as revenue in the Statement of Operations. The Council submits a monthly cash flow analysis to the Department of Canadian Heritage to justify its monthly drawdown cash requirements. The cash-flow requirements may not necessarily match the timing of expenses reported in the Statement of Operations. The monthly drawdown is invested in a short-term pooled fund managed by a professional investment manager from which the Council draws its daily cash requirements.

The Parliamentary appropriation approved and received by the Council during the second quarter was as follows:

	September	
(in thousands of dollars)	2012	2011
Approved Annual Operating funding		
Vote 10 - Operating costs	181,761	181,761
Supplementary Estimates	127	-
Reduction to non-recurring funding for programming initiatives	-	(52)
	181,888	181 709
Parliamentary appropriations for operating expenses recorded in the Statement of Operations	(125,127)	(128,961)
Balance of operating funding to be received	56,761	52,748

Quarterly Financial Statements

Connections Engagement Public Arts Change Technology Communities Transparency Adaptability Flexibility Leadership Trust Responsiveness Synergy Artists Partnership Equity Knowledge Experience

These financial statements for the quarter ended September 30, 2012 have not been audited or reviewed by our Auditor

STATEMENT OF MANAGEMENT RESPONSIBILITY

Management is responsible for the preparation and fair presentation of these quarterly financial statements in accordance with the Treasury Board of Canada Standard on Quarterly Financial Reports for Crown Corporations and for such internal controls as management determines is necessary to enable the preparation of quarterly financial statements that are free from material misstatement. Management is also responsible for ensuring all other information in this quarterly financial report is consistent, where appropriate, with the quarterly financial statements.

Based on our knowledge, these unaudited quarterly financial statements present fairly, in all material respects, the financial position, results of operations and cash flows of the corporation, as at the date of and for the periods presented in the quarterly financial statements.

November 30, 2012

Robert Sirman

Director and Chief Executive Officer
Robert Sirman

Acting Chief Financial Officer
Carole Boileau, CA

STATEMENT OF FINANCIAL POSITION

(Unaudited)

(in thousands of dollars)		September 30 2012		March 31 2012
FINANCIAL ASSETS				
Cash equivalents (Note 3)	$	14,127	$	18
Accounts receivable		743		2,290
Derivatives (Note 4)		27		25
Portfolio investments (Note 5)		276,334		270,522
TOTAL FINANCIAL ASSETS		291,231		272,855
LIABILITIES				
Bank indebtedness		403		1,581
Grants payable		53,997		27,760
Accounts payable and accrued liabilities		1,636		3,710
Deferred revenues		1,508		1,827
Derivatives (Note 4)		7		62
Employee future benefits		4,237		4,237
Deferred revenues - Externally restricted contributions (Note 7)		23,695		23,594
TOTAL LIABILITIES		85,483		62,771
NET FINANCIAL ASSETS		205,748		210,084
NON-FINANCIAL ASSETS				
Tangible capital assets		2,085		2,156
Works of art and musical instruments		1		1
Prepaid expenses		285		273
TOTAL NON-FINANCIAL ASSETS		2,371		2,430
ACCUMULATED SURPLUS (Note 8)	**$**	**208,119**	**$**	**212,514**
Accumulated surplus is comprised of:				
Accumulated surplus from operations		205,214		212,659
Accumulated remeasurement gains and losses		2,905		(145)
ACCUMULATED SURPLUS	**$**	**208,119**	**$**	**212,514**

(The accompanying notes form an integral part of the financial statements)

STATEMENT OF OPERATIONS

(Unaudited)

(in thousands of dollars)	Yearly Budget 2012	Three months ended September 30 2012	Three months ended September 30 2011	Six months ended September 30 2012	Six months ended September 30 2011
Revenue					
Net investment income (loss) (Note 9)	$ 9,353	$ 1,247	$ (581)	$ 1,856	$ 125
Net Art Bank income (loss) (Note 10)	6	(40)	(256)	(39)	(314)
Other revenue	1,277	614	83	1,177	824
Total revenue	10,636	1,821	(754)	2,994	635
Expenses					
Programs					
Grants	153,391	15,085	14,667	118,341	122,554
Administration	13,687	3,176	3,231	6,204	6,280
Services	6,683	841	1,012	2,204	2,684
	173,761	19,102	18,910	126,749	131,518
Canadian Commission for UNESCO (Note 11)	2,329	392	625	908	1,089
General administration	15,792	4,279	4,272	7,909	7,930
Total expenses	191,882	23,773	23,807	135,566	140,537
Deficit from operations before parliamentary appropriations for the period	(181,246)	(21,952)	(24,561)	(132,572)	(139,902)
Parliamentary appropriations	181,261	47,127	41,948	125,127	128,961
SURPLUS (DEFICIT) FROM OPERATIONS FOR THE PERIOD	15	25,175	17,387	(7,445)	(10,941)
ACCUMULATED SURPLUS FROM OPERATIONS, BEGINNING OF PERIOD	212,659	180,039	190,791	212,659	219,119
ACCUMULATED SURPLUS FROM OPERATIONS, END OF PERIOD	**$ 212,674**	**$ 205,214**	**$ 208,178**	**$ 205,214**	**$ 208,178**

(The accompanying notes form an integral part of the financial statements)

STATEMENT OF CHANGE IN NET FINANCIAL ASSETS

(Unaudited)

(in thousands of dollars)

	Three months ended September 30		Six months ended September 30	
	2012	2011	2012	2011
SURPLUS (DEFICIT) FROM OPERATIONS FOR THE PERIOD	$ 25,175	$ 17,387	$ (7,445)	$ (10,941)
Acquisition of tangible capital assets	(282)	(120)	(417)	(164)
Amortization of tangible capital assets	244	249	488	498
	(38)	129	71	334
Acquisition of prepaid expenses	(285)	(203)	(553)	(404)
Use of prepaid expenses	268	201	541	473
	(17)	(2)	(12)	69
Net remeasurement gains (losses)	5,315	(11,764)	3,050	(11,457)
INCREASE (DECREASE) IN NET FINANCIAL ASSETS	30,435	5,750	(4,336)	(21,995)
NET FINANCIAL ASSETS, BEGINNING OF PERIOD	175,313	188,867	210,084	216,612
NET FINANCIAL ASSETS, END OF PERIOD	**$ 205,748**	**$ 194,617**	**$ 205,748**	**$ 194,617**

STATEMENT OF REMEASUREMENT GAINS AND LOSSES

(Unaudited)

(in thousands of dollars)

	Three months ended September 30		Six months ended September 30	
	2012	2011	2012	2011
ACCUMULATED REMEASUREMENT GAINS (LOSSES), BEGINNING OF PERIOD	$ (2,410)	$ 307	$ (145)	$ -
Unrealized gains (losses) attributable to:				
Derivatives	(101)	(480)	43	(140)
Portfolio investments	5,560	(10,944)	3,194	(10,977)
Amounts reclassified to the Statement of Operations:				
Derivatives	(144)	(340)	(248)	(340)
Portfolio investments	-	-	61	-
NET MEASUREMENT GAINS (LOSSES) FOR THE PERIOD	5,315	(11,764)	3,050	(11,457)
ACCUMULATED REMEASUREMENT GAINS (LOSSES), END OF PERIOD	**$ 2,905**	**$ (11,457)**	**$ 2,905**	**$ (11,457)**

(The accompanying notes form an integral part of the financial statements)

STATEMENT OF CASH FLOWS

(Unaudited)

(in thousands of dollars)

	Three months ended September 30		Six months ended September 30	
	2012	2011	2012	2011
OPERATING TRANSACTIONS				
Surplus (Deficit) for the period	$ 25,175	$ 17,387	$ (7,445)	$ (10,941)
Gains (losses) from disposal of portfolio investments (Note 9)	-	(3)	82	(3)
Unrealized losses on change in derivatives fair value	(198)	(468)	(342)	(468)
Amortization of tangible capital assets	244	249	488	498
Increase (decrease) in prepaid expenses	(17)	(2)	(12)	69
Increase (decrease) in employee future benefits	(18)	66	-	108
Income transferred from (to) Deferred revenues -				
Externally restricted contributions (Note 7)	230	(994)	(638)	(2,426)
Transfer to other revenues	-	-	(363)	-
Net change in other non-cash items (Note 12)	(27,984)	(17,526)	25,391	36,137
Cash provided by (used by) operating activities	(2,568)	(1,291)	17,161	22,974
CAPITAL TRANSACTIONS				
Cash used to acquire tangible capital assets	(282)	(120)	(417)	(164)
INVESTING TRANSACTIONS				
Acquisition of portfolio investments	(1,297)	(1,312)	(3,437)	(4,209)
Disposal of portfolio investments	228	1,804	1,980	4,025
Cash provided by (used by) investing activities	(1,069)	492	(1,457)	(184)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(3,919)	(919)	15,287	22,626
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	17,643	21,311	(1,563)	(2,234)
CASH AND CASH EQUIVALENTS, END OF PERIOD	**$ 13,724**	**$ 20,392**	**$ 13,724**	**$ 20,392**
Represented by:				
Cash equivalents	$ 14,127	$ 21,398	$ 14,127	$ 21,398
Bank indebtedness	(403)	(1,006)	(403)	(1,006)
	$ 13,724	**$ 20,392**	**$ 13,724**	**$ 20,392**

(The accompanying notes form an integral part of the financial statements)

Notes to the Financial Statements

For the period ended September 30, 2012
(Unaudited)

1. AUTHORITY AND ACTIVITIES

The Canada Council for the Arts (the "Council"), established by the *Canada Council Act* in 1957 and subsequently amended in 2001 by Bill C-40 to the *Canada Council for the Arts Act*, is not an agent of Her Majesty and is deemed to be a registered charity for the purposes of the *Income Tax Act*. In accordance with section 85(1.1) of the *Financial Administration Act*, the Council is exempt from Divisions I to IV of Part X of this Act, except for subsection 105(2) and sections 113.1 and 119 of Division II, sections 131 to 148 of Division III and section 154.01 of Division IV. The Council is a Crown corporation whose objectives are to foster and promote the study and enjoyment of and the production works in the arts.

The Council achieves its objectives primarily through grant programs to professional Canadian artists and arts organizations. The Council incurs administration and services expenses in the delivery of programs. Program administration expenses represent the direct costs of program delivery. Program services expenses represent costs incurred for non-grant activities in fulfillment of the Council's mandate and costs associated with the adjudication of grants. General administration costs represent the costs related to corporate management, communications, human resources, information management, finance, accommodation and amortization.

The *Canada Council for the Arts Act* assigns the Council with the functions and duties for the Canadian Commission for UNESCO (the "Commission"). The Commission advises the Government of Canada on its relations with the United Nations Educational, Scientific and Cultural Organization (UNESCO). The Commission also fosters co-operation between Canadian organizations in civil society and UNESCO.

2. SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING

These unaudited interim financial statements have been prepared in accordance with Public Sector Accounting Standards (PSAS) pursuant to the *Standard on Quarterly Financial Reports for Crown Corporation* issued by the Treasury Board. This financial information should be read with the audited financial statements of the Council for the year ended March 31, 2012 prepared in accordance with PSAS.

The Council's significant accounting policies are as follows:

FINANCIAL INSTRUMENTS

All financial instruments are initially measured at fair value. The following table identifies the Council's financial assets and liabilities and identifies how they are subsequently measured:

Financial asset or liability	Subsequent measurement
Cash equivalents	Fair value
Accounts receivable	Amortized cost
Portfolio investments	Fair value
Derivatives	Fair value
Bank indebtedness	Fair value
Grants payable	Amortized cost
Accounts payable and accrued liabilities	Amortized cost

CASH EQUIVALENTS

Cash equivalents represent short-term, highly liquid investments that are readily convertible into known amounts of cash and that are subject to an insignificant risk of changes in value. Cash equivalents on the Council's Statement of Financial Position comprise units in a short-term pooled fund. Distributed income is recorded on an accrual basis and is recognized in the Statement of Operations under net investment income in the year in which it is earned.

DERIVATIVES

Derivatives are recognized at fair value on the Statement of Financial Position. Derivatives with a positive (negative) fair value are reported as assets (liabilities). All unrealized changes in the fair value of derivatives are recognized on the Statement of Remeasurement Gains and Losses under derivatives in the year in which they occur, except for the restricted portion which is recognized as a liability under Deferred revenues - Externally restricted contributions. Once realized, these gains and losses are recognized in the Statement of Operations.

PORTFOLIO INVESTMENTS

Portfolio investments are reported at fair value. Unrealized changes in the fair value of portfolio investments are recognized in the Statement of Remeasurement Gains and Losses, except for the restricted portion which is recognized as a liability under Deferred revenues - Externally restricted contributions. Once realized, the cumulative gain or loss previously recognized in the Statement of Remeasurement Gains and Losses are recorded in net investment income on an average cost basis for the year. The realized gains and losses on externally restricted contributions are recognized in accordance with the externally restricted contributions accounting policy. Purchases and dispositions of portfolio investments are recorded on the trade date. Management fees paid are expensed in the year.

TANGIBLE CAPITAL ASSETS

Office equipment and leasehold improvements are carried at cost less accumulated amortization. Amortization is calculated using the straight-line method, over the estimated useful lives of the assets as follows:

Office equipment	5 years
Leasehold improvements	remaining term of the lease

WORKS OF ART AND MUSICAL INSTRUMENTS

Works of arts and musical instruments, which have cultural and historical value are recorded at nominal value in the Statement of Financial Position as a reasonable estimate of the future benefits associated with such assets cannot be made.

EMPLOYEE FUTURE BENEFITS

i) Severance benefits

In previous years, employees were entitled to severance benefits, as provided for under conditions of employment and the collective agreement. The costs of these benefits were accrued as the employees rendered the services necessary to earn them. The liability was calculated based on management's best estimates and assumptions, on the employee's salary and number of years of service.

Since the severance benefits were terminated on June 2012, the Council did not complete an actuarial valuation for this benefit as the obligation has already been determined.

ii) Retiree's benefits

The Council provides extended health care and dental benefits to its current and retired employees. Retirees pay 50% of the extended health care premium and 100% of the dental premium. The Council accrues its obligations as the employees render the services necessary to earn these benefits. The cost of these benefits earned by employees has been estimated using the accrued benefit method (Unit Credit).

Actuarial gains (losses) on the accrued benefit obligation arise from differences between actual and expected experience and from changes in the actuarial assumptions used to determine the accrued benefit obligation. Actuarial gains (losses) are amortized over the average remaining service period of active employees.

Adjustments arising from plan amendments immediately recognized for plan service costs, experience gains and losses, and changes in assumptions are amortized over the expected average remaining service period of the employee groups. The average remaining service period of the active employees covered by the benefit plans is 10 years.

iii) Pension benefits

Substantially all of the employees of the Council are covered by the public service pension plan (the "Plan"), a contributory defined benefit plan established through legislation and sponsored by the Government of Canada. Contributions are required by both the employees and the Council to cover current service cost. Pursuant to legislation currently in place, the Council has no legal or constructive obligation to pay further contributions with respect to any past service or funding deficiencies of the Plan. Consequently, contributions are recognized as an expense in the year when employees have rendered service and represent the total pension obligation of the Council.

DEFERRED REVENUES - EXTERNALLY RESTRICTED CONTRIBUTIONS

Externally restricted income is recognized as revenue in the financial statements in the year in which the resources are used for the purpose or purposes specified. An externally restricted inflow, excluding original principal, received before this criterion has been met is reported as a liability until the resources are used for the purpose or purposes specified.

ENDOWMENT PRINCIPAL - EXTERNALLY RESTRICTED CONTRIBUTIONS

Externally restricted contributions consist of private endowments and restricted donations received by the Council that are required to be maintained intact. They are reported under Accumulated Surplus from Operations (see Note 8).

RESERVE FOR EXCESS INVESTMENT INCOME

This reserve represents the sum of excess investment income since the establishment of the Council in 1957 and is presented as a separate internal reserve within the accumulated surplus from operations (see Note 8). In years when net investment income exceeds the amount of net budgeted investment income, an amount may be transferred from the accumulated surplus (deficit) from operations to the reserve for excess investment income. In years when net investment income is less than the amount of net budgeted investment income, an amount may be transferred to the accumulated surplus (deficit) from operations from the reserve for excess investment income. These transfers are approved by the Board.

REVENUE RECOGNITION

i) Parliamentary appropriations

Parliamentary appropriations are considered government transfers and are recognized in the period they are received based on an approved budgeted outflow analysis provided to government. Parliamentary appropriations for specific projects are deferred and recognized on the Statement of Operations in the year in which the related expenses are incurred. Parliamentary appropriations are mainly used for operations.

ii) Contributions

The Council receives contributions that are externally restricted for specific purposes by the donors.

Externally restricted contributions that are to be held to perpetuity are recognized as revenue in the year in which they are received. The externally restricted contributions that are not held to perpetuity and realized and unrealized gains and losses for the associated externally restricted investment income, are recognized as a liability until the resources are used for their specified purpose, at which time the contributions are recognized as revenue.

Unrestricted contributions are recognized as other revenue in the period received or in the period the funds are committed to the Council if the amount can be reasonably estimated and collection is reasonably assured.

In-kind contributions are recorded at their fair value when they are received.

iii) Art Bank rental income

Revenues generated from the rental of works of art are recognized in the period in which services are provided. They are included in net Art Bank income (loss).

iv) Other revenues

Other revenues consist mainly of the cancellation in the current period of grants approved in previous years.

v) Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated to Canadian dollars at the exchange rate in effect at the date of the Statement of Financial Position. Revenue and expense items are translated at exchange rates prevailing throughout the year. Unrealized foreign exchange gains and losses are recognized in the Statement of Remeasurement Gains and Losses, except for the restricted portion which is recognized as a liability under Deferred revenues - Externally restricted contributions. Once realized, the cumulative gain or loss are recognized in net investment income.

GRANTS

Grants are considered to be a government transfer. They are recorded as an expense in the period for which they are budgeted and approved by the Board and authority to pay has been obtained through the Appropriation Act.

OPERATING LEASES

The Council enters into operating leases for its office accommodation which are recorded on a straight-line basis over the term of the lease. Lease inducements are recorded as a reduction to the office accommodation expense on a straight-line basis over the term of the lease.

MEASUREMENT UNCERTAINTY

The preparation of financial statements in accordance with Canadian PSAS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the financial statement date and the reported amounts of revenues and expenses during the reporting year. Employee-related liabilities, the estimated useful lives of capital assets and the fair value of financial instruments are the most significant items where estimates are used. Actual results could differ from those estimated.

BUDGETED FIGURES

Budgeted figures have been provided for comparison purposes and have been derived from the estimates approved by the Board.

3. CASH EQUIVALENTS

The Council invests its cash in excess of daily requirements in a short-term pooled fund managed by State Street Global Advisors. All instruments held in the pooled funds are rated R1 (low) or A (low) or better as rated by a recognized bond rating agency. These funds are comprised of securities issued by different levels of government, chartered banks and corporate issuers. Except for instruments guaranteed by governments, no more than 10% of the short-term portfolio is invested with any one issuer. The Council's investment in the pooled fund was $14,127,000 at September 30, 2012 (March 31, 2012 - $18,000).

4. DERIVATIVES

The use of derivatives is limited to foreign currency forward contracts. The Council currently uses foreign currency forward contracts that represent commitments to purchase or sell foreign currencies for delivery at a specific date in the future at a fixed rate to manage its foreign currency exchange risk. These contracts are typically for a one-month period.

The Council enters into foreign currency forward contracts to manage its exposure to foreign currency exchange risk on the non-Canadian dollar denominated portion of its investment portfolio, except for the emerging market component which was unhedged and represented approximately 0.9% (March 31, 2012 – 0.9%) of the investment portfolio. The hedge strategy allows hedging of the designated assets within a range of 30% to 70% of the foreign exposure.

Foreign currency forward contracts have notional amounts that serve as points of reference for calculating payments and are not the actual amounts that are exchanged. These amounts are not recorded on the Statement of Financial Position, as they do not represent their fair value. As at September 30, 2012, the Council held foreign currency forward contracts, for settlement on November 2, 2012, with a total notional amount of $40,998,000 (March 31, 2012 - $40,721,000) as follows:

(in thousands of dollars)		Year-to-date September 30 2012			Year-end March 31 2012	
Currency	**Forward rate**	**Notional amount[1] $**	**Fair value $**	**Forward rate**	**Notional amount[1] $**	**Fair value $**
US dollar	1.016	19,420	(5)	1.000	18,841	15
Euro	0.789	6,300	2	0.751	6,334	(14)
Switzerland Francs	0.954	5,026	1	0.904	4,694	(17)
British Pound	0.629	4,398	18	0.626	4,516	(24)
Japanese Yen	78.996	2,541	3	82.271	3,006	9
Other assets	3.822	1,387	3	4.510	1,489	1
Other liabilities	4.980	1,926	(2)	4.440	1,841	(7)

1 The notional amount represents the Council's exposure to those currencies as per its dynamic hedging strategy.

5. PORTFOLIO INVESTMENTS

(in thousands of dollars)				Year-to-date September 30 2012			Year-end March 31 2012	
	Cost $	**Unrealized losses $**	**Unrealized gains $**	**Fair Value $**	**%**	**Cost $**	**Fair Value $**	**%**
Canada Council Endowment and Special Funds								
Pooled funds								
Equity	100,890	529	-	100,361	45.6	100,890	99,787	46.3
Fixed income	73,312	-	1,667	74,979	34.0	73,311	72,448	33.6
Alternatives	20,017	-	2,093	22,110	10.0	20,017	21,856	10.1
Money market	5,960	-	-	5,960	2.7	5,589	5,589	2.6
Real estate	8,336	-	819	9,155	4.2	8,666	9,267	4.3
Infrastructure	8,266	489	-	7,777	3.5	7,208	6,757	3.1
	216,781	1,018	4,579	220,342	100.0	215,681	215,704	100.0
Killam Funds								
Pooled funds								
Equity	25,785	136	-	25,649	45.8	25,785	25,503	46.6
Fixed income	18,606	-	405	19,011	34.0	18,606	18,370	33.5
Alternatives	5,150	-	534	5,684	10.2	5,149	5,618	10.3
Money market	808	-	-	808	1.4	737	737	1.3
Real estate	2,235	-	228	2,463	4.4	2,318	2,487	4.5
Infrastructure	2,527	150	-	2,377	4.2	2,243	2,103	3.8
	55,111	286	1,167	55,992	100.0	54,838	54,818	100.0
Total investments	**$ 271,892**	**$ 1,304**	**$ 5,746**	**$ 276,334**		**$ 270,519**	**$ 270,522**	

Unrealized gains/losses on investments are primarily due to the timing of the market prices, foreign exchange movements, or the early years in the business cycle for some investments. Annually, the Council assesses each of its investment instruments against specific criteria to determine whether there is objective evidence that the adjusted cost may not be recovered and is therefore impaired. The Council does not consider these investments to be other-than-temporarily impaired.

The Council manages two separate portfolios, the Canada Council Endowment and Special Funds and the Killam Funds. The Killam Trustees requested that their donation be invested separately. Apart from the Killam Fund, all other externally restricted contributions are consolidated into the Canada Council Endowment and Special Funds and represent 7.99% (March 31, 2012 - 8.15%) of that Fund with a total fair value of $17,605,000 (March 31, 2012 - $17,580,000). The total fair value of the externally restricted investment including the Killam Fund is $73,597,000 (March 31, 2012 - $72,398,000).

The long-term objectives of the Canada Council Endowment and Special Funds and the Killam Funds are to generate long-term real returns to supplement the costs of administering the various programs, while maintaining the purchasing power of the endowed capital.

The Council invests in units of equity, fixed income and alternative pooled funds and in limited partnership units of four real estate funds and an infrastructure fund. The permitted and prohibited investments as well as the asset mix are governed by a Board approved investment policy. All of the investments are managed by professional investment managers.

The Council manages its portfolio to the following benchmarks adopted by the Board in January 2012. The benchmarks allow asset class allocations to vary between a minimum and a maximum.

Asset Classes	Actual Market Value	Minimum	Benchmark	Maximum
Canadian equities	10%	5%	10%	15%
Global equities	36%	25%	35%	45%
Fixed income	34%	25%	35%	40%
Alternatives	10%	5%	10%	15%
Real estate	4%	0%	5%	7%
Infrastructure	4%	0%	5%	7%
Money market	2%	0%	0%	15%

The money market asset class includes short-term pooled funds used for capital committed to future investment in limited partnership units of real estate and infrastructure funds. These funds had a balance of $6,768,000 (March 31, 2012 - $6,326,000).

Investments in the equity pooled funds are comprised of units of three pooled funds, one Canadian fund and two funds that are invested in the global equity markets. The Canadian equities are measured against the returns of the Standard and Poor's Toronto Stock exchange Index. The global equities are measured against the returns of the Morgan Stanley Capital International World Hedge Index. Investments in the fixed income pooled fund are comprised of Canadian Government and corporate bonds with a minimum credit quality of BBB or equivalent rated by a recognized bond rating agency. The fixed income fund is intended to replicate the returns of the DEX Universe Bond Index. Investments in the alternative pooled funds are comprised of units of two hedge funds with diversified positions across global asset classes. These investments are measured against the returns of the Scotia Capital 91-day T-bill plus 20%. The assets included in the real estate funds are commercial real estate properties in Canada and the United States. These investments are measured against the returns of the Investment Property Databank for the Canadian managers and the National Council of Real Estate Investment Fiduciaries (NCREIF) for the US manager. The infrastructure funds include two portfolios of diversified infrastructure investments. These investments are measured against the Consumer Price Index plus 4.5%.

6. FINANCIAL RISKS AND FAIR VALUE

The measurement categories of the Council's financial instruments, as well as their carrying amounts and fair values are as follows:

(in thousands of dollars) Financial assets and liabilities classifications	Measurement categories	Year-to-date September 30 2012 Carrying Amount and Fair Value ($)	Year-end March 31 2012 Carrying Amount and Fair Value ($)
Cash equivalents	Fair value	14,127	18
Accounts receivable	Amortized cost	743	2,290
Derivatives net	Fair value	20	(37)
Portfolio Investments[1]	Fair value	276,334	270,522
Bank indebtedness	Fair value	403	1,581
Grants payable	Amortized cost	53,997	27,760
Accounts payable and accrued liabilities	Amortized cost	1,636	3,710

1 The detailed fair value for the investments is listed in Note 5.

a) Establishing fair value

The carrying value of accounts receivable, grants payable and accounts payable and certain accrued liabilities approximates their fair values due to their short-term maturity.

The fair value of derivative instruments is calculated using the current market spot and the forward exchange rates at year end (see Note 4).

The fair values of the investments are determined as follows:

Pooled fund investments are valued at the unit values supplied by the pooled fund managers, which represent the Council's proportionate share of the underlying net assets at fair values, determined using closing market prices.

The Alternatives are pooled fund investments which are valued at the unit values supplied by the pooled fund managers. The fund manager manages multiple funds strategies within the fund and determines the unit's fair value using the closing market prices for some strategies when available or using valuation model with non-observable data for other strategies.

Real estate investment values are supplied by the fund managers using independently audited appraisals which are based on a valuation model with non-observable data. The independently audited appraisals are obtained annually.

Infrastructure investment values are supplied by the fund managers using internally determined appraisals. The appraisals are based on a valuation model with non-observable data.

b) Fair value hierarchy

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value

The following table presents the financial instruments recorded at fair value in the Statement of Financial Position, classified using the fair value hierarchy described above:

Financial assets at fair value

(in thousands of dollars)	Year-to-date September 30 2012				Year-end March 31 2012			
	Level 1	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Cash equivalents	-	14,127	-	14,127	-	18	-	18
Derivatives	27	-	-	27	25	-	-	25
	27	14,127	-	14,154	25	18	-	43
Portfolio Investments								
Canada Council Endowment and Special Funds								
Pooled Funds								
Equity	-	100,361	-	100,361	-	99,787	-	99,787
Fixed Income	-	74,979	-	74,979	-	72,448	-	72,448
Alternatives	-	-	22,110	22,110	-	-	21,856	21,856
Money Market	-	5,960	-	5,960	-	5,589	-	5,589
Real Estate	-	-	9,155	9,155	-	-	9,267	9,267
Infrastructure	-	-	7,777	7,777	-	-	6,757	6,757
Killam Funds								
Pooled Funds								
Equity	-	25,649	-	25,649	-	25,503	-	25,503
Fixed Income	-	19,011	-	19,011	-	18,370	-	18,370
Alternatives	-	-	5,684	5,684	-	-	5,618	5,618
Money Market	-	808	-	808	-	737	-	737
Real Estate	-	-	2,463	2,463	-	-	2,487	2,487
Infrastructure	-	-	2,377	2,377	-	-	2,103	2,103
	-	226,768	49,566	276,334	-	222,434	48,088	270,522
Total	**27**	**240,895**	**49,566**	**290,488**	**25**	**222,452**	**48,088**	**270,565**

Liabilities at fair value

(in thousands of dollars)	Year-to-date September 30 2012				Year-end March 31 2012			
	Level 1	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Bank indebtedness	403	-	-	403	1,581	-	-	1,581
Derivatives	7	-	-	7	62	-	-	62
Total	**410**	**-**	**-**	**410**	**1,643**	**-**	**-**	**1,643**

During the period, there were no significant transfers of amounts between levels.

The following table reconciles the changes in fair value of financial instruments classified as Level 3:

(in thousands of dollars)	Year-to-date September 30 2012				Year-end March 31 2012			
	Alternative funds	**Real estate funds**	**Infra-structure funds**	**Total**	**Alternative funds**	**Real estate funds**	**Infra-structure funds**	**Total**
Canada Council Endowment and Special Funds								
Opening balance	21,856	9,267	6,757	37,880	21,589	8,049	6,694	36,332
Total gains or losses								
• recognized in re-measurement statement	233	199	(35)	397	245	295	58	598
• recognized in externally restricted contributions	21	18	(3)	36	22	26	5	53
Purchases/Issues	-	(329)	1,058	729	-	897	-	897
Closing balance	**22,110**	**9,155**	**7,777**	**39,042**	**21,856**	**9,267**	**6,757**	**37,880**
Killam Funds								
Opening balance	5,618	2,487	2,103	10,208	5,550	2,154	2,082	9,786
Total gains or losses								
• recognized in re-measurement statement	-	-	-	-	-	-	-	-
• recognized in externally restricted contributions	66	58	(9)	115	68	95	21	184
Purchases /Issues	-	(82)	283	201	-	238	-	238
Closing balance	**5,684**	**2,463**	**2,377**	**10,524**	**5,618**	**2,487**	**2,103**	**10,208**

c) Risk management

The Council is exposed to a variety of financial risks as a result of its activities. These risks include credit risk, liquidity risk and market risk (price risk, interest rate risk and currency risk). The long term goal of the Council's investment policy is to produce long term real returns to supplement the costs of administering the various programs, while maintaining the purchasing power of the endowed capital. This policy allows the use of certain derivative financial instruments.

In order to manage risk, the Council invests in a diversified portfolio that is managed by professional investment managers. The Council's investments are guided by a Statement of Investment Policies and Goals which is approved by the Board and reviewed on an annual basis. The Council is assisted in the oversight and management of its portfolio by an Investment Committee that includes independent experts with experience in both the investment field and the asset classes being invested in. In addition, the Council uses the services of an independent investment consultant to assist the Investment Committee in its work. As the investment markets continue to evolve, the Investment Committee recommends adjustments to the asset mix to minimize the overall risk of the portfolio.

7. DEFERRED REVENUES - EXTERNALLY RESTRICTED CONTRIBUTIONS

The deferred revenues from externally restricted contributions consist of accumulated income received which has been deferred until the resources for the purpose or purposes specified by the endowment have been used. The restricted endowment principal of $37,569,000 is required to be maintained intact and is reported under accumulated surplus from operations (see Note 8).

(in thousands of dollars)	Year-to-date September 30 2012	Year-end March 31 2012
Balance, beginning of year	$ 23,594	$ 26,349
Transferred to investment income (Note 9)		
Net Investment income	291	717
Use of funds	(929)	(2,719)
	(638)	(2,002)
Transfer to other revenues	(363)	(520)
Unrealized gains (losses) on portfolio investment	1,160	(2,700)
Unrealized gains on derivatives	16	39
Reclassified to statement of operations		
Portfolio investment	21	2,428
Derivatives	(95)	-
Balance at end of period	**$ 23,695**	**$ 23,594**

The unrealized gains and losses on portfolio investment and derivatives are related to the change in fair value of those assets from the previous year.

8. ACCUMULATED SURPLUS

(in thousands of dollars)		Year-to-date September 30 2012		Year-end March 31 2012
Accumulated surplus from operations				
Endowment - original contribution		$ 50,000		$ 50,000
Endowment Principal – Externally restricted contributions		37,569		37,569
Reserve for excess investment income				
Balance at beginning of the period	118,445		121,445	
Appropriated to the accumulated surplus during the period	-		(3,000)	
Balance at end of the period		118,445		118,445
Surplus				
Balance at beginning of the period	6,645		10,105	
Appropriated from the reserve for excess investment income during the period	-		3,000	
Deficit for the period	(7,445)		(6,460)	
Balance at end of the period		(800)		6,645
Total accumulated surplus from operations		**205,214**		**212,659**
Accumulated remeasurement gains (losses)				
Balance at beginning of the period	(145)		533	
Change in fair value	3,050		(678)	
Balance at end of the period		**2,905**		**(145)**
Balance of accumulated surplus at end of period		**$ 208,119**		**$ 212,514**

Included in accumulated surplus is the original contribution by the Government of Canada of $50 million, which constituted a government transfer (“Endowment Fund”) when the Council was established in 1957.

9. NET INVESTMENT INCOME (LOSS)

(in thousands of dollars)	Three months ended September 30		Six months ended September 30	
	2012	2011	2012	2011
Gains (losses) from disposal of portfolio investments	$ -	$ 3	$ (82)	$ 3
Income transferred from (to) Deferred revenues-				
Externally restricted contributions (Note 7)	(230)	994	638	2,426
Net gains (losses) on derivatives	1,382	(1,440)	1,155	(1,964)
Interest and dividend income	384	340	781	559
Investment portfolio management costs	(289)	(478)	(636)	(899)
	$ 1,247	**$ (581)**	**$ 1,856**	**$ 125**

10. NET ART BANK INCOME (LOSS)

(in thousands of dollars)	Three months ended September 30		Six months ended September 30	
	2012	2011	2012	2011
Rental revenue	$ 366	$ 471	$ 749	$ 957
Other income	31	13	75	26
Artwork purchases	(8)	(276)	(8)	(294)
Administration expense	(422)	(458)	(841)	(992)
Amortization of other capital assets	(7)	(6)	(14)	(11)
	$ (40)	**$ (256)**	**$ (39)**	**$ (314)**

11. CANADIAN COMMISSION FOR UNESCO

(in thousands of dollars)	Three months ended September 30		Six months ended September 30	
	2012	2011	2012	2011
Program expenses	$ 83	$ 284	$ 289	$ 443
Program - contributions received	(1)	-	(1)	-
Administration expense	310	341	620	646
	$ 392	**$ 625**	**$ 908**	**$ 1,089**

12. NET CHANGE IN OTHER NON-CASH ITEMS

(in thousands of dollars)	Three months ended September 30		Six months ended September 30	
	2012	2011	2012	2011
Increase in accounts receivable	$ 35	$ 866	$ 1,547	$ 1,613
Increase (Decrease) in grants payable	(26,816)	(29,104)	26,237	26,625
Increase (Decrease) in accounts payable and accrued liabilities	(965)	947	(2,074)	(1,803)
Decrease in parliamentary appropriations	-	10,000	-	10,000
Decrease in deferred revenues	(238)	(235)	(319)	(298)
Net change	**$ (27,984)**	**$ (17,526)**	**$ 25,391**	**$ 36,137**

13. RELATED PARTY TRANSACTIONS

The Council is related in terms of common ownership to all Government of Canada departments, agencies and Crown corporations. The Council enters into transactions with related parties in the normal course of business on normal trade terms applicable to all individuals and enterprises, and these transactions are measured at the exchange amount, which is the amount of cnsideration established and agreed to by the related parties.

14. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the presentation adopted in 2012.