

# SHAPING OUR FUTURE



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ANNUAL REPORT 2015-16



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for the Arts

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The 59<sup>th</sup> Annual Report of the Canada Council for the Arts and supplementary information on grants, services and prizes are available on the Council's website.

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Indigenous cellist Cris Derksen braids layers of classical symphonic sounds with traditional pow wow pieces. In January 2016, she performed at a reception that the Canada Council hosted at the Association of Performing Arts Presenters conference in New York City. Photo: Courtesy of Nadya Kwandibens, Red Works Photography

## Mandate

The Canada Council for the Arts is Canada's national public arts funder, with a mandate to foster and promote the study and enjoyment of, and the production of works in, the arts."

The Council champions and invests in artistic excellence through a broad range of grants, services, prizes and payments to professional Canadian artists and arts organizations. Its work ensures that excellent, vibrant and diverse art and literature engages Canadians, enriches their communities and reaches markets around the world.

The Council also raises public awareness and appreciation of the arts through its communications, research and arts promotion activities. It is responsible for the Canadian Commission for UNESCO which promotes the values and programs of UNESCO to contribute to a more peaceful, equitable and sustainable future for Canadians. The Canada Council Art Bank operates art rental programs and helps further public engagement with contemporary arts.

The Council is governed by an 11-member Board. Members of the Board and the Director/CEO are appointed by the Governor in Council. The Council works closely with federal, provincial, territorial and municipal arts and cultural agencies and departments.

A federal Crown corporation created through an Act of Parliament in 1957, the Council reports to Parliament through the Minister of Canadian Heritage. It receives funding from Parliament and its annual budget is supplemented by endowment income, donations and bequests.

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**“THE COUNCIL’S TRANSFORMATION  
COUPLED WITH THE INCREASED FUNDING  
GIVES US A TREMENDOUS OPPORTUNITY  
TO STRENGTHEN OUR IMPACT ON THE  
ART AND CULTURE ECOSYSTEM – AND  
ULTIMATELY ALL CANADIANS.”**

## Message from the Chair

As an entrepreneur I know how important it is to be ready to seize opportunities when they arise. For the Canada Council, 2015-16 was a fortuitous meeting between preparation and opportunity. It was a year when the Council took bold steps toward transformation, and was met with the historic reinvestment in the arts announced by the federal government in March 2016. The result: A tremendous opportunity to strengthen its impact on the arts and culture ecosystem – and ultimately all Canadians.

Obviously I'm extremely optimistic about the future of the Council. The leadership of the Council's Board is strong and committed; its staff is dedicated and skilled; and its stakeholders – the arts sector, government, and the public – are supportive of its vision and the value it creates for our country.

However, with this opportunity for the Council comes expectations and even greater account-

ability – especially given the federal government's emphasis on delivering commitments and results. The indicators in this Annual Report show the Council's success in meeting the commitments of its previous strategic plan – and they strongly position the organization to deliver on its current strategic plan, launched in April 2016. In other words, the Annual Report clearly shows how we got to where we are now and points us towards our future.

In 2015-16, the Council provided funding to close to 4,300 artists and organizations in over 1,900 communities across Canada. Delving deeper into those numbers, we can see that the Council continued to make progress in equity by opening doors to artists and audiences from diverse communities. It continued to scale up its impact through partnerships and by building our capacity as an organization. Above all, it has been steadfast in its commitment to become a forward-looking

organization, and to persuasively position arts in the public conversation on issues of the day, such as digital technology, sustainability and human development.

This Annual Report tells an important story that goes beyond simply measuring the Council's progress and accomplishments in the previous year. It's a powerful story about an organization transforming itself to shape a bright future for the arts in Canada – for the benefit of the arts sector, and all Canadians.



**Pierre Lassonde, C.M., O.Q.**  
Chair



**“TODAY I BELIEVE WE CAN  
BEGIN WRITING A NEW CHAPTER  
IN THE ARTISTIC AND CULTURAL  
HISTORY OF THIS COUNTRY.”**

Photo: Tony Fohse

## Message from the Director and CEO

The Canada Council for the Arts and the arts community are living an historic moment. The year 2015-16 was pivotal; a time of transformation toward a brighter future for the arts. This Annual Report shows how the past year laid the groundwork for our transformation.

It was also a year of great synergy. The Council put into place a strategy for restoring to the arts a significant role in society, and with new federal government's unprecedented investment in the arts, we have the means to ensure this vision becomes a reality. Our new strategic plan for 2016-2021 aligns perfectly with the progressive doubling of the parliamentary appropriation during the same period, and gives us an incredible opportunity to scale up the impact of our interventions.

The work of transforming the Council began two years ago, and continued in 2015-16. By the end of this current year, we will have completed the development of our new funding model. It was a colossal undertaking to review all of our programs, and to plan a smooth transition internally and also externally, for all the artists and organizations that count on our support. We have regularly updated the community on our progress and continued to build one of the key tools of our new model, a web

portal that will allow applicants to apply on-line. Here again, we have doubled our efforts to be sure that the content and interface is ready to welcome our future applicants.

In 2015-16, we also prepared our five-year Strategic Plan. The comments, feedback and suggestions from the 4,220 people who took our survey in January 2016 helped to identify our key commitments and how we will measure and report on our success in meeting them. All of this planning paid off: Immediately after the announcement that the Council's budget would be doubled, we were able to present a detailed plan to Treasury Board on how we will invest the additional funds.

Last year was also a time of increased synergy between the mandates and priorities of the Council and the activities of the Canadian Commission for UNESCO (CCUNESCO). The Council shares with the many partners of CCUNESCO the desire to improve the state our world, to increase civic engagement, and to have an impact on the issues that matter to our society. We care about many of the same issues, particularly those related to youth, the empowerment of Indigenous peoples, the promotion of diversity and the importance of digital technology, to name a few.

Last year we also launched the Welcome to the Arts initiative for Syrian refugees and the {Re}conciliation initiative which focuses on the power of the arts to reconcile the past and the future and to encourage new dialogues between the Indigenous and non-Indigenous peoples of Canada. Another accomplishment was the launch of the ambitious New Chapter program to mark the 150<sup>th</sup> anniversary of Confederation. With a one-time investment of \$33.4 million, this program will support exceptional arts projects in Canada in 2017 and beyond.

All of these changes affirm that we are at the dawn of a renaissance in the arts. We are at the service of the entire arts community and all Canadians. But above all, we are determined to bring the arts to the forefront for the benefit of our society. This is a new future for the arts – one that we've begun to shape together – all of us at Council and all of our partners across Canada.



Simon Brault, O.C., O.Q.  
Director and CEO



# MANAGEMENT'S DISCUSSION AND ANALYSIS

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The Canada Council for the Arts strengthens professional arts practice and connects the public to the arts. Its Strategic and Corporate Plan, *Strengthening Connections: 2011-16*, includes five strategic results analyzed in this report.

This year was also one of profound transformation for the Council, and over the course of 2015-16, it began to shift its focus toward the coming years through the development of its new Strategic Plan, *Shaping a New Future: Strategic Plan 2016-21*. The Canada Council's new priorities for 2016-21 are therefore reflected in this report as well.

In interpreting these results, it is important to recognize that the Council's investment in the arts is part of a larger system of support and influence including public and private funders, and earned revenues. The Canada Council contributes to results in varying degrees and measures can be affected by factors outside of its control.

**INVESTING IN  
CREATIVITY  
LEADS TO A  
BRIGHTER  
FUTURE FOR  
US ALL**

## A BRIGHT FUTURE FOR THE ARTS<sup>i</sup>

# 46%

**Increase in donations** to arts and culture between 2007 and 2013

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# \$1.8B+

**New federal investments** in arts and culture (2016-21) including \$550M to the Canada Council

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# 3%

**Contribution of arts and culture** to Canada's total GDP in 2014

# Highlights

## Shaping the Future

On March 22, 2016, the federal government made an historic announcement to double the budget of the Canada Council over the course of five years. This investment, along with the Council's new Strategic Plan and the implementation of a new funding model, will significantly scale up the impact of the Council's work through its grants, prizes and partnerships, and opens the door to a renaissance in the arts in Canada.

The Council recognizes that much has changed in the world since the last strategic plan, and the transformation already underway in the organization will prepare it to be more flexible, agile and able to respond to new priorities and challenges as they arise.

## New Funding Model

In June 2015, the Council announced its new funding model for the arts in Canada, which will come into effect in April 2017. The new funding model will transform the Council's current suite of over 140 programs into six national, outcomes-based granting programs. The new funding model will:

- strategically support the creation and wide dissemination of excellent Canadian artworks,
- directly and efficiently support Canadian artists, and
- flexibly and effectively support the development of a diversity of high-performing arts organizations.

In December 2015, the Council released program details for the new funding model, including program objectives, components and assessment criteria. Throughout the winter of 2016, the extensive work on the new funding model continued, with a focus on outreach to the arts community.

## Strategic Plan

The Council launched its strategic planning process at its Annual Public meeting in January 2016. The process included public consultations to gather feedback and different perspectives from the community. The themes of the new strategic plan were announced in January and were the focus of the consultations. These themes led to four commitments that the Council will deliver over the course of the next five years:

- Increase support to artists, collectives and organizations striving for artistic excellence and greater engagement in the arts by an increasingly diverse public.
- Amplify the quality, scale and sharing of Canadian art through digital technology.
- Renew the relationship between Indigenous artists, and Indigenous and non-Indigenous audiences, for a shared future.
- Raise the international profile of Canadian art and artists.

Each commitment will be addressed with specific actions for meeting the Council's equity objectives and supporting next-generation artists and audiences. The commitments will largely be achieved through the six new granting programs, along with a small number of targeted initiatives.

## Digital Research

Digital technology continues to blur the lines between audience and artist, professional and amateur, commercial and not-for-profit. The Council recognizes that Canadian artists are not as visible in the online world as they could be, and that artists need more support to thrive in this radically changing environment. In early 2016, the Council launched a research project to better understand the needs and challenges facing the professional arts sector

relating to digital technologies. This will lay the groundwork for the Council's digital strategy for the arts that will be developed and implemented over the coming years.

## Indigenous Arts – A New Relationship, A Shared Future

Indigenous issues continue to be of central concern. The release of the Truth and Reconciliation Commission's (TRC) final report in June 2015 included a recommendation specifically for the Council to "Establish, as a funding priority, a strategy for Indigenous and non-Indigenous artists to undertake collaborative projects and produce works that contribute to the reconciliation process."

Prior to this, the Council had already put in place its ground-breaking {Re}conciliation Initiative, which promotes artistic collaborations between Indigenous and non-Indigenous artists. This initiative is a partnership between the Council, the J.W. McConnell Family Foundation and The Circle on Philanthropy and Aboriginal Peoples in Canada. In response to the success of the first competition, the Council has committed to continuing this initiative in 2016-17, reaffirming its belief in the important role that the arts sector plays in addressing critical issues of the day.

Further, in the design of the new funding model's Creating, Knowing and Sharing: The Arts and Cultures of First Nations, Inuit and Métis Peoples program (effective April 2017), the Council is supporting a self-determined approach that respects and appreciates First Nations, Inuit and Métis artistic expression, cultural protocols, rights, traditions and worldviews.

## Canadian Art and the World

Contemporary life in Canada and around the world is more and more characterized by globalized issues and rapid information flow that makes national borders increasingly porous. International interest in the arts of Canada is growing, and Canadian artists and voices are being sought out. Through the design and development of the Council's new Arts Abroad program, to be implemented in 2017, and other initiatives, the Council is striving to ensure that the profile of Canadian artists abroad continues to grow, and that those artists are equipped to respond to such demand. The Council is working with partners in government and across the arts sector to support the renewal of Canada's engagement in cultural trade and diplomacy. The Canadian Commission for UNESCO is a key partner in this work.

## Government and Policy Context

The year 2015-16 was also a year of transformation in terms of government support for the arts in Canada. The federal investment in the Council came as part of a commitment to deliver \$1.9 billion over five years to Canada's cultural sector to create jobs, strengthen the economy and share Canadian voices internationally. At the provincial level, the governments of Newfoundland and Labrador and New Brunswick announced cuts in their funding for arts and culture, while a number of provinces and territories announced new policies or strategies for culture, including British Columbia's Creative Economy Strategy and the Northwest Territories' New Culture and Heritage Strategic Framework.

## AT A GLANCE

**\$182.2 million**

total Parliamentary appropriation

**\$157.4 million**

allocated to grants, prizes and payments

**1,127**

first-time grant recipients (artists and arts organizations, representing 25% of all recipients)

**600**

peer assessors

**1,931**

communities across Canada in which grants, prizes and payments were awarded.

**2,219**

arts organizations receiving Council grants

**2,055**

artists directly receiving Council grants

**17,169**

authors receiving Public Lending Right payments

## Ultimate Outcome and Strategic Impact

A diverse and excellent arts sector engages Canadians, enriches their communities and reaches markets around the world.

**\$54.6B**

**culture gross domestic product**  
or 3.0% of Canada's total GDP, 2014<sup>ii</sup>

THERE WERE

**630,483**

**cultural jobs** or 3.5% of total  
employment, 2014<sup>ii</sup>

Canadians across the country engage in the arts in many ways and believe that the arts are important in their lives and communities. The Canada Council contributes to this engagement by supporting artists and arts organizations for the creation, production and sharing of artistic experiences in communities across the country and internationally.

## The arts in the lives of Canadians<sup>iii</sup>

**900,000**

**Canadians volunteered (3% of the population)**  
the equivalent of 56,000 full-time jobs in  
arts and culture.

**50%**

**of Canadians read using digital formats**  
(those who read on average 5-8 hours/week)

**83%**

**of Canadians attended** at least one type  
of live performance or arts event.

**16,000**

**Canadians benefitted** from social impact  
programming offered by professional dance  
companies responding to the Social Impacts  
of Dance Organizations survey.

# Results

## Individual Artists

Reinforce the Canada Council's commitment to individual artists, working alone or collaboratively, as the core of artistic practice in Canada.

The Canada Council advances artists' careers, supports risk-taking and recognizes exceptional artistic achievements. Its grants, payments, prizes and services support artistic exploration and innovation that provoke, inspire and challenge audiences.

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### THE COUNCIL'S PROMOTION OF PRIZE AND FELLOWSHIP WINNERS VIA SOCIAL MEDIA:

# 907,457

views on **Twitter** and over 99 million views in traditional and online news sources<sup>iv</sup>.

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### THE COUNCIL DIRECTLY SUPPORTED

# 19,476

**artists for a wide range of activities**, including prizes, research, creation, professional development, travel, market development and payments for the presence of books in public libraries.

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### THE PUBLIC LENDING RIGHT PROGRAM REGISTERED

# 5,569

**new titles.** Overall, the average annual growth in eligible titles over the last three years is 2.40%.

## Creation and risk-taking

For the Canada Council for the Arts, supporting artistic creation, means investing in the risk inherent in artistic research. The wide range of innovative projects supported this year reflects the excellent artistic experiences available to the public.

Exploration leads to new ways of creating. Internationally-renowned digital literature pioneer J.R. Carpenter (originally from Nova Scotia, now living in the UK) produced the writing project *Arguments to Prove a Passage*. It uses texts from electronic, social and print media, projected images and audio recordings to create work that is both literary and technological, and offers each reader a unique experience.

Art has a direct impact on our communities. In 2015-16, Peter Von Tiesenhausen (Demmitt, AB) came up with a transformative multidisciplinary project (combining sculpture, performances, events and installations) on a human scale. In collaboration with other artists, he uses his 150 acres of land as a place for encounters and discussions. His goal is to create a space for participants to develop and dialogue – a landscape where art is a way of life.

The high standard of Canadian artistic research has been attracting international attention, as shown by a number of works by environmental sound artist crystal cole (Winnipeg, MB), who works in composition, performance and installation. This year, she produced a series of brilliant audio installations at various venues in Europe, the United States and Australia, and worked with other artists to explore musical textures. Her research into sound in the form of performances has helped to advance the practice.

Next year, the Explore and Create program under the Council's New Funding Model will provide more flexible support to address the imperatives of artistic creation and continue to give the public access to a rich variety of innovative artistic experiences.



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Peter von Tiesenhausen, video still from *Sanctuary*, 1000 poles from artist's land in varying lengths. Dancers: Helen Husak and Veronica Benz. Choreographer: Helen Husak. Photo: Leighton Art Centre, 2012

## The Canada Council's direct support to artists

Number of recipients		
	2015	2016
Total grants to individual artists	1,953	2,055
<b>Total support to individual artists*</b>	<b>19,034</b>	<b>19,476</b>

Total funding		
(in thousands of dollars)	2015	2016
Total grants to individual artists	\$ 21,634	\$ 22,804
<b>Total support to individual artists*</b>	<b>\$ 34,211</b>	<b>\$ 35,450</b>

\*includes Public Lending Right program and prizes

### TREND

The number of grant recipients and total funding to individual artists have increased slightly over the period as well as support to individual artists through prizes and Public Lending Rights payments.

## Organizational support to individual artists

In addition to direct granting support, individual artists are employed and paid professional fees by organizations receiving Canada Council operating funding, which provide an infrastructure for creation, production and dissemination.

## The Canada Council's indirect support of artists

INDIRECT SUPPORT FOR ARTISTS FROM A SAMPLE OF 518 ORGANIZATIONS RECEIVING CANADA COUNCIL OPERATING FUNDING REPORTED. <sup>y</sup>		
2014	2015	
Total number of artists paid artists' fees		
<b>38,565</b>	<b>38,574</b>	<b>0.0%</b>
4-year average 38,000		
Total number of artists employed		
<b>1,604</b>	<b>2,187</b>	<b>+36%</b>
4-year average 1,815		

### TRENDS

The number of independent artists receiving fees for their artistic work remained stable over the past two years, as reported by a sample of 518 organizations receiving Canada Council operating funding.<sup>y</sup> The year-to-year comparison shows a significant increase in the number of artists employed by arts organizations.

## Reaching out across Canada

The Canada Council for the Arts funds activities and projects that help us all to better understand the complex challenges of our times. That's why the Council is deeply committed to giving Canadians greater access to a diversity of excellent art.

The arts play an important role in the process of reconciliation between Indigenous and non-Indigenous peoples. In 2015, the Dancers of Damelahamid, of the Gitxan First Nation, presented its multimedia performance *Luu hlotitxw: Spirit Transforming* in seven British Columbia towns and cities via the Made in BC presenters' network. For many venues, this was their first presentation of a show by Indigenous performers. In each city, the dance company was a liaison between the presenter and the local Indigenous communities, building cultural dialogue and lasting relationships between the two.

The members of Cirque Nova Circus, who are all from the Gaspé, fell in love with Saskatchewan and decided to settle there. Not only do the Quebec-trained Cirque Nova artists produce contemporary circus arts shows, educational programs and other activities, they are also working to extend their reach across the country. In 2015, they attended the Contact Ouest arts market in Winnipeg, and also made contacts in Ontario and the Maritimes.

Travelling in Canada's most remote areas is expensive, and residents have little access to the arts. In Hay River, NWT, the Northwest Territories Centennial Library has been encouraging readers and writers in the region by giving them an opportunity to meet some of Canada's best writers. This year, it organized public readings in community libraries across the territory.

Beginning in 2017, the Council's Arts Across Canada program under the New Funding Model will strengthen its support for partnerships, network development, national markets and artistic collaboration. This will help provide access to – and engagement with – the arts in every community of Canada.



Circus artist Joalie Côté Poirier, Nova Circus.  
Photo: Marie-Christine Guay (Accro Macro)

# Results

## Arts Organizations

Arts organizations have strengthened capacity to underpin artistic practices and enrich their presence in all parts of the country and abroad.

Arts organizations play a central role in Canada's cultural and artistic life. They are hubs of arts activity that engage, teach, convene and partner to make their communities vibrant places to live. They support and employ individual artists and other cultural workers, and they contribute to the overall strength of the cultural sector.

**\$92 million**

**or 64% of the Council's annual granting budget** goes to annual and multi-year operating funding for more than 1,050 arts organizations, located in 152 communities.

**\$30 million**

**in project funding was awarded to 1,668 arts organizations**, representing 21% of Council's total granting budget.

**\$9.2 million**

**was distributed to Canadian book publishers**, supporting the publication of 1,248 new English books and 1,221 French books. Magazine publishers received close to \$3M for the publication of 181 issues. Close to \$4M was distributed to emerging, mid-career and established writers. With the Canada Council's support, 160 works by Canadian writers were translated from English to French (92) and from French to English (68).<sup>vi</sup>

## Arts organizations build communities

The Canada Council for the Arts' support goes beyond projects. It offers core funding that helps organizations to strengthen artistic practices – and their impact on their communities in places large and small across Canada.

The Vancouver Inter-Cultural Orchestra fuses many cultural traditions, including East Indian, Chinese, Middle Eastern, and Latin American. It creates "music that sounds like Vancouver looks" (*Georgia Strait*), and reaches out to the community in many ways, including a free educational series at the Vancouver Public Library. In November 2015, the orchestra hosted Japanese shō virtuoso and composer Naomi Sato, from Amsterdam, to take part in public performances and education events for youth and established musicians.

Productions Rhizome (Québec City, QC) creates literary-based interdisciplinary projects that give the public opportunities to actively participate in literature. In 2015, it hosted intimate salons where Québécois literary personalities (and one Belgium author) and members of the public could engage in passionate discussions on a number of themes. The salons were held in Montréal, Laval, Rimouski and Bruxelles, with authors Yvon Rivard, Mylène Bouchard, Nicolas Dickner, Maggie Roussel, among others.

The Newfoundland Dance Presenters (St-John's, NL), also known as Neighbourhood Dance Works, hosted the 25<sup>th</sup> edition of its successful Festival of New Dance on October 6-10, 2015. The Festival continued to introduce local audiences to eclectic and challenging dance work, and offered workshops on the Japanese dance-theatre form of Butoh (by Fujiwara Dance Inventions), and integrated dance, a field of inclusive contemporary dance open to people with and without disabilities (by Corpuscule Dance).

In 2017, the Engage and Sustain program of the Council's new funding model will provide greater support to arts organizations to develop programming that advances artistic practices, fosters excellence, reflects the diversity of their communities, and encourages their sustainability.



Festival of New Dance 2015, Sunrise Ceremony  
Photo: Carl Hansen



## Presence and engagement

### Arts activities and attendance: generally stable

Canadians are involved with the arts through performances, exhibitions, festivals, readings and screenings. This engagement is deepened by educational outreach, backstage tours, artist talks, participatory and co-creation events and other activities.

A SAMPLE OF 518 ORGANIZATIONS RECEIVING CANADA COUNCIL OPERATING FUNDING REPORTED: <sup>v</sup>		
2014	2015	
Total attendance / participation		
20.92M	20.85M	-0.3%
4-year average 20.00 million		
Number of public arts activities		
53,800	53,647	-0.3%
4-year average 55,752		

#### TREND

The number of arts activities and total attendance / participation have decreased slightly during the period. The 4-year average indicates growth in both areas over the longer term.

A SAMPLE OF 82 ORGANIZATIONS FROM EQUITY-SEEKING COMMUNITIES RECEIVING CANADA COUNCIL OPERATING FUNDING REPORTED: <sup>v</sup>		
2014	2015	
Total attendance / participation		
906,502	933,089	+2.9%
4-year average 1,285,722		
Number of public arts activities		
4,741	4,256	-10.2%
4-year average 6,831		

#### TREND

The number of total attendance / participation increased slightly during the period, while the number of arts activities decreased during the period. The 4-year average indicates growth in terms of number of public activities and attendance produced and presented by this group of organizations. However, the attendance figure is affected by the exceptional circumstances of one organization in 2013.

### Volunteers: Canadians care about and give to arts organizations supported by the Council





Volunteers are a key measure of the level of community support of non-profit arts organizations. They are also an important source of labour through which arts organizations increase their capacity. Volunteer boards are a critical component of the arts ecosystem, providing expertise, leadership and sound governance to help organizations fulfill their mandates.

## 2015

Touring Canadian artistic works extends the life of the work and shares it with populations throughout Canada and abroad.

# 2.1 million

**audience members in Canada and 1.5M audience members internationally** benefited from some 15,500 touring performances, exhibitions and media screenings provided by organizations receiving operating support.

A SAMPLE OF 518 ORGANIZATIONS RECEIVING CANADA COUNCIL OPERATING FUNDING REPORTED: <sup>v</sup>		
2014	2015	
Total number of volunteers (including board members)		
52,489 	51,549 	-1.8%
4-year average 51,228		
Total estimated hours worked by all volunteers		
1,367,250 	1,376,645 	+0.7%
4-year average 1,340,897		

#### TREND

After several years of solid growth, there is a slight decrease in the number of volunteers for Council-funded organizations. The 4-year average for the numbers of volunteers and hours remained steady.

## 2015

# 2.3 million

**young people participated** in 28,093 programs and initiatives specially designed for and directed at children and youth, presented by organizations receiving operating support.<sup>vii</sup>

## Strengthened arts organization capacity

Canadian arts organizations need to have the capacity to understand and respond to their environment. In order to measure this, two areas are analyzed: employment and financial health.

### Employment: consistency

The organizations supported by the Council are primarily not-for-profit and range in size from large companies with hundreds of employees to small organizations with few full-time equivalents (FTEs).

A SAMPLE OF 518 ORGANIZATIONS RECEIVING CANADA COUNCIL OPERATING FUNDING REPORTED: <sup>v</sup>			
2014	2015		
Artistic, exhibition, production, programming and technical			
Salaries	\$178.1M	\$184.4M	+3.6%
4-year average \$178.8M			
FTEs	3,293	3,294	+0.0%
4-year average 3,308			
Administrative, facility, marketing, communications and fundraising			
Salaries	\$157.9M	\$158.4M	+0.3%
4-year average \$154.0M			
FTEs	3,003	3,006	+0.1%
4-year average 2,955			

#### TREND

Organizations are continuing a 4-year trend of strengthening employment, contributing to artistic and non-artistic salaries. The number of positions has increased slightly.

A SAMPLE OF 82 ORGANIZATIONS FROM EQUITY-SEEKING COMMUNITIES RECEIVING CANADA COUNCIL OPERATING FUNDING REPORTED: <sup>v</sup>			
2014	2015		
Artistic, exhibition, production, programming and technical			
Salaries	\$5.1M	\$5.5M	+7.5%
4-year average \$6.8M			
FTEs	151	145	-4.0%
4-year average 150			
Administrative, facility, marketing, communications and fundraising			
Salaries	\$7.3M	\$7.1M	-2.8%
4-year average \$7.0M			
FTEs	175	177	+1.1%
4-year average 172			

#### TREND

The year-to-year comparison shows an increase in administrative FTEs and a decline in artistic FTEs. However, salaries for artistic employment increased while administrative saw a slight decrease. Similar to the trend of all organizations, more investment is directed toward administrative salaries and positions.

### Financial health of organizations: stability

The Council examined two areas of financial performance of these 518 organizations over the past four years:<sup>v</sup>

#### Revenues and expenses

(in millions of dollars)	2014	2015	Change %	4-year average
Proportion of earned revenue	41%	40%	-1%	40%
Proportion of private revenue	23%	24%	+1%	23%
Proportion of public revenue	33%	32%	-1%	34%
Proportion of other revenue	4%	3%	-1%	3%
Total revenues	\$900.5	\$920.2	+2.2%	\$896.9
Total expenses	\$890.5	\$907.7	+1.9%	\$886.8

<sup>v</sup>The figures in this table may not add due to rounding.

#### Debt to assets ratio<sup>vii</sup>

Average debt to assets ratios	0.82	0.83	0.01%	0.83
Total assets	\$1,148.0	\$1,175.9	+2.4%	\$1,131.2
Total liabilities	\$953.8	\$987.5	+3.5%	\$945.0

#### TREND

Revenues and expenses of these 518 organizations: The 4-year trend of their revenues from earned and private sources is stable. The Canada Council share of overall public revenue remained consistent at 6% over the past 4 years. Overall expenses have grown over the reporting period, but less than the rate of growth in overall revenues.

Debt to assets: the long-term solvency of organizations is within an acceptable range and stable over the period. Total assets and liabilities increased slightly over the reporting period.

# Results

## Equity

The Canada Council has demonstrated its leadership role in promoting equity as a critical priority in fulfilling Canada's artistic aspirations.

Diversity is an integral element of Canadian society, and of the arts ecology. The Canada Council catalyzes and advances equity research, policy, partnerships and dialogue to support artists and arts organizations from Indigenous communities and from equity-seeking groups, in particular, culturally diverse artists and arts organizations, artists who are Deaf and artists who have disabilities, and artists and arts organizations from Official Language Minority Communities.

### Support to artists and arts organizations from Indigenous and equity-seeking communities

It is important to note that comparative analysis between these groups presents challenges, especially as analysis is based on the voluntary self-identification of individuals.

- The Market Access Strategy for Official Language Minority Artists, an initiative of the government-wide *Roadmap for Canada's Official Languages 2013-2018: Education, Immigration, Communities*, entered its third year in 2015-16. In 2015, the initiative provided \$500,000 to assist Anglophone and Francophone minority artists and arts organizations to develop new markets and audiences.

2015

# 290 of 600

peer assessors came from one of the equity-seeking communities.

- In 2015-16, the first competition of the Cultivate: Creative Development Project Grant program was held, awarding 70 artists a total of \$525,000. This program was designed to respond to significant barriers in accessing funding experienced by artists working within the Deaf and disability arts sector, and will be integrated into the new funding model going forward. The overwhelming response in the number of applications indicates a strong need and desire for this type of support, and the outcomes of this program will inform the approach taken to Deaf and disability arts in the new funding model. This is an important step in recognizing and raising the profile of the work of these artists who are dealing with multiple systemic barriers, often marginalized or not well understood within the broader professional Canadian arts milieu.
- On December 10, 2015, the Canadian Commission for UNESCO, with the Centre for Global Education, hosted national webinars (in English and French) on human rights. Held on International Human Rights Day, schools from across Canada came together virtually to celebrate and learn about human rights at home and around the world. This year's event focused on the current local and global refugee situation and corresponding values of inclusiveness, respect for others, social justice and diversity. Through this event, participating youth were challenged to explore human rights as a local and global issue, and to examine the role they play personally in its promotion.

Community <small>(in thousands of dollars)</small>	2015		2016	
	Recipients (Ind/Org)	\$	Recipients (Ind/Org)	\$
Aboriginal	256	\$5,942	261	\$6,333
Culturally diverse	493	\$9,684	487	\$10,164
Deaf and disability arts	89	\$1,475	128	\$1,516
Anglophone Official Language Minority	358	\$6,555	342	\$6,220
Francophone Official Language Minority	119	\$3,337	129	\$3,640



### Equity: arts for all

The Canada Council for the Arts is committed to ensuring the arts in Canada are as diverse as its population. That's why equity is one of its core values, embedded in all of its activities and programs.

In 2015-16, the frank theatre company (Vancouver, BC) celebrated its 20<sup>th</sup> anniversary with a national conference organized in partnership with Simon Fraser University. It included a day-long exploration of the unique challenges faced by culturally-diverse queer theatre and performance artists, and a series of readings of new queer-themed plays in development that address race and non-normative sexuality.

For 30 years, Vues d'Afrique (Montréal, QC) has organized an international film festival showcasing some 100 films from African and Creole countries and diasporas. In 2015-16, the organization upgraded its digital presence to

offer an even larger audience access to films and to promote exchange, sharing and respect across cultures.

Building equity in the arts – and society – starts at home. In 2015-16, the Canadian Commission for UNESCO continued to be heavily involved in the work of the Canadian Coalition of Municipalities Against Racism and Discrimination (CCMARD). Five new Canadian municipalities joined the Coalition, and many more participated in the International Day for the Elimination of Racism and Discrimination on March 21. CCMARD was also involved in the sold-out, live-streamed One: The Mayors' National Summit on Racial Inclusion held on September 17-18 at the Canadian Museum for Human Rights in Winnipeg.

.....  
*Ga Ting (Family) play, 2016,*  
 Frank Theatre Company, Vancouver  
 Photo: Ray Shum, Tempest Photo

# Results

## Partnership

The Canada Council has extended its reach across the country and abroad and leveraged additional resources and a greater societal investment in the arts.

The Canada Council promotes the arts and advances priority areas through timely investments in innovative partnerships.

- The Tri-Nations Indigenous Exchange between Indigenous artists and arts professionals from Australia, New Zealand and Canada took place alongside two international events: the Asia-Pacific Visual Arts Triennale (November 2015), and the Australian Performing Arts Market (February 2016). These provided opportunities to increase international networks and collaborations between Indigenous artists, curators and presenters, to enhance the capacity of Canadian artists and arts professionals in international market development, and to share histories and issues with Indigenous Peoples in other countries.
- The Canadian Commission for UNESCO (CCUNESCO) partnered with Students on Ice 2015 Arctic Expedition, which fosters in youth a new understanding of the planet and the polar regions, and empowers them to become the next generation of leaders. Along with the Government of Quebec, CCUNESCO supported two individuals from the Manicouagan-Uapishka Biosphere Reserve to participate in the expedition to gain tools to instill positive change in their communities and to contribute to strengthening a shared sense of Nordic identity.
- The Council has engaged in a professional development partnership with the International Society for the Performing Arts, bringing Canadian arts leaders into a network of more than 450 global leaders in the performing arts. With the goal of strengthening and developing the arts internationally, it recognizes the international leadership potential of Canada's performing arts sector. In 2015-16, five new fellows were chosen based on their local, national and international leadership: Ravi Jain (Ontario), Akilah Newton (Quebec), Corey Payette (British Columbia), Sarah Rogers (Quebec), and Marcus Youssef (British Columbia).
- In 2016, the Council partnered with Qaggiavuut Society and existing partners to contribute to their Qaggiq Project. The Qaggiavuut Society is a group of northern performing artists and arts educators building performing arts infrastructure in the North. The Council's contribution provides capacity-building support to help the Qaggiavuut Society develop governance that is built on Inuit and Northern perspectives and worldviews, build a plan that addresses the needs and potential of Inuit and Northern performing artists, and create a sustainable administrative structure.

## International impact

The Canada Council for the Arts supports artists to develop their careers by helping them to access international markets and experiences. To have an even greater impact, it often works with national and international partners.

In 2015 artist collective BGL (Quebec City, QC) transformed the Canada Pavilion of the Venice Biennale into a "dépanneur" (convenience store) and a makeshift artist studio. The exhibition, *Canadissimo*, was organized by the National Gallery of Canada and was a key attraction at the the Biennale, which attracted over 500,000 visitors. The Canada Council has been contributing to the official Canadian representation at the Venice Biennale for many years, and continued to fund it this year, with other public and private funders.

Canadian classical music made a huge impact at the major international conference Classical: Next in Rotterdam, in May 2015. Performances at the opening gala concert of Canada: Next, featuring Inuk throat singer Tanya Tagaq and pianist Megumi Masaki, among others, and a joint keynote address by Yannick Nézet-Séguin and Barbara Hannigan showed just how unique and diverse Canada's classical music scene is. The concert was presented and organized by the Canada Council, the Canadian Music Centre, and Vancouver's Music on Main.

In 2015-16, the Council worked in partnership with several international literary festivals and embassies to showcase Canadian literary writers to readers worldwide. The Spotlight on Canada at the Bookworm Festival in China introduced Canadian authors to new markets and featured readings with Ravi Hage, Vincent Lam, Kim Thúy, and other outstanding ambassadors for Canadian literature.

In 2017, the Council will continue to boost the presence of Canadian art internationally through the Arts Abroad program of the new funding model, and through an office dedicated to encouraging international partnerships.



The artist collective BGL (Jasmin Bilodeau, Sébastien Giguère and Nicolas Laverdière), with curator Marie Fraser  
Photo: Cheryl Rondeau

# Results

## Organizational Capacity

Enhance the Council's capacity to support the arts and implement change by strengthening structure, staffing and services.

The Council is committed to ensuring that its own practices and policies are relevant and appropriate to its role as a federal Crown corporation through a number of large-scale transformative changes in its work.

- Much of the work undertaken this year related to the Council's organizational capacity has centered on preparing the organization for transformation towards its new funding model and its shift to an outcomes-based model of program delivery. The first phase of the Council's new organizational structure came into effect in November 2015 and enhanced the Council's capacity for policy, evaluation and performance measurement in order to support the delivery of results. Work continued through 2016 to prepare for the second phase of the new organizational structure – focused on program delivery – to be implemented in April 2017.
- The Council is developing an online application portal to support the new funding model. This initiative represents a shift to an artist-centred electronic tool that will ease the administrative burden for both applicants and Council staff.
- By engaging stakeholders in the conversation around its future suite of programs, the Council enhanced its communications capacity to support its successful transformation. The Council's Annual Public Meeting was attended by over 200 people in-person, live-streamed to over 600 viewers, and reached over 50,000 people through Twitter and Facebook. For the first time, the Council hosted community-wide webinars on the new funding model in January 2016, to engage with stakeholders in new ways.
- In 2015-16, the Council's Board undertook a comprehensive governance review, working with the Canadian Commission for UNESCO's President and Vice-President, and with the Public Lending Right Commission's Chair and Vice-Chair. This work was undertaken to modernize the Council's governance practices, improve the alignment between the different entities within the Council's legislative framework, and develop clear accountability frameworks. Through this review process, the Council's Governance Policy and Bylaws were updated, along with the Canadian Commission for UNESCO's Constitution and By-laws, and the Public Lending Right Commission's Constitution and By-laws.

## Operation 'transformation'

The Canada Council for the Arts has made great progress in carrying out its transformation. The New Funding Model continues to take shape and Council has communicated extensively – via webinars, livestream events on Facebook, blog posts, social media campaigns, news releases, interviews and meetings – to ensure a smooth and transparent transition between the current and new programs. The Council team has also been working to finalize the online portal that will be used to process future grant applications. Beginning in December 2016, artists and arts organizations will be able to register online so that they can apply to the new programs in 2017.

The Canada Council's Art Bank website is also being transformed. The goal is to engage more Canadians in the arts. Visitors to the site will now be able to see all 17,000 works of art online, and even build – and share – their own collection!

The underlying principle of the transformation is flexibility in processes, and in the Council's ability to respond. For example, in the midst of the Syrian refugee crisis, the Council partnered with Sun Life Financial to launch The Arts and Culture Welcome Refugees. This initiative supported arts organizations to offer new Syrian refugees free admission to a performance, exhibition or other artistic event in their community. The innovative and inclusive nature of this initiative is part of a broader government and civic movement to welcome Syrian refugees and to quickly give them access to the arts.

The Canada Council is committed to continuing to evolve to achieve its vision of the future. Its strategic plan reflects its determination to do just that.



Canada Council Board member Isabelle Hudon, Minister of Canadian Heritage Mélanie Joly and Council Director and CEO Simon Brault  
Photo: Frédérique Ménard-Aubin

## Creating, Knowing and Sharing

In 2015-16, as Canada released the report of the Truth and Reconciliation Commission, the Canada Council for the Arts continued to advance its own commitment to support the art of First Nations, Inuit and Métis communities.

The Natilik Heritage Society (Gjoa Haven, NU) is producing an exhibition of artwork by survivors of the residential school system, and younger artists who have conciliation/reconciliation experiences to share. This project is funded through {Re}conciliation, a special initiative that promotes artistic collaborations that look to the past and future for new dialogues between Aboriginal and non-Aboriginal peoples in Canada. The initiative is the result of a partnership between the Canada Council, the J.W. McConnell Family Foundation and The Circle on Philanthropy and Aboriginal Peoples in Canada.

First Nations, Inuit and Métis artists not only support their home communities, they also share their leadership and cultural traditions worldwide. In 2015, 11 performing artists from Canada took part in the Tri-Nations Indigenous Exchange in Brisbane, Australia, in conjunction with the Asia-Pacific Visual Arts Triennial and the Australian Performing Arts Market. One of the participants was interdisciplinary and theatre artist Émilie Monnet (Anishinaabe/French), founder of the Onishka Productions

(Montréal, QC). She was also part of a delegation that attended a plenary for the International Network for Contemporary Performing Arts in Bergamo, Italy in spring 2015.

Students on Ice (SOI) celebrated its 15<sup>th</sup> year of educational Arctic expeditions, which each year brings 100 youth from around the world to visit remote areas and communities of the North. In 2015, the Canadian Commission for UNESCO and the Canada Council partnered with SOI to have Métis and Cree artist Jaime Koebel lead workshops. Jaime, whose work explores the relationship between people, land, culture and nature, created a participatory canvas using local material. The expedition was in her eyes “an act of reconciliation.”

In 2017, the Council will boost its support of the arts and cultures of First Nations, Inuit and Métis Peoples through the Creating, Knowing and Sharing program of the new funding model. This program, which takes a self-determined approach, has been design to respond to the unique needs of the communities it serves.

Metis artist Jaime Koebel leads students in art workshop  
Photo: Martin Lipman / Students on Ice



## Notes on the Management’s Discussion and Analysis section

For comparative purposes, the Canada Council’s figures are based upon information as at May 1, or the next business day, of each fiscal year except in some cases where figures rely on data from final reports of the grants. As a result of changes in methodology, these figures are not necessarily comparable to figures in previous years’ presentations.

- i. Data are taken from the following sources: *Government of Canada Budget 2016*; *Volunteers and Donors in Arts and Culture Organizations in Canada in 2013*; *Provincial and Territorial Culture Indicators, 2014*.
- ii. Developed by Statistics Canada, The Provincial and Territorial Culture Indicators (PTCI) cover culture (including arts and heritage) and sport across Canada in terms of output, gross domestic product (GDP) and employment for the years 2010 to 2014. They were developed as an extension of the more comprehensive Provincial and Territorial Culture Satellite Account.
- iii. Data are taken from the following reports: *Arts and Heritage in Canada: Access and Availability Survey, 2012*; *Public Opinion on the Value of Books in the English Language Book Sector, 2015*; *Volunteers and Donors in Arts and Culture Organizations in Canada in 2013*; *Survey of the Social Impacts of Dance Organizations in Canada, 2015*.
- iv. It is important to note that figures in previous annual reports are not comparable due to changes in methodology. Counting was previously based on potential reach and is now based on actual impressions and engagement rates making the methodology more precise.
- v. The Canadian Arts Data/Données sur les arts au Canada (CADAC) is a web-based application dedicated to the collection of financial and statistical information about Canadian arts organizations, excluding book and magazine publishers. Notably, financial figures from CADAC are reconciled, while statistical data represent what is reported by organizations and may include double counting. The CADAC data reported here reflect a sample based on CADAC figures as of May 6, 2016, as reported by 518 organizations receiving Canada Council operating funding over the past four years. While these organizations are all recipients of Council funding, it should be noted that the results include other earned private and public revenue and are not solely attributable to Canada Council funding. A subset of this sample includes 82 organizations from equity-seeking communities. It is important to note that figures in previous annual reports are not comparable due to changes in the sample which include different organizations depending on reporting. Data are removed, in rare instances, when the exceptional circumstance of one organization skews the overall picture of the whole group.
- vi. Separate figures for writing and publishing are included because CADAC data used elsewhere in the report excludes book publishers and magazines.
- vii. Debt to assets ratio: A measure of total liabilities relative to total assets. A ratio of less than 1.0 is considered healthy. A high or increasing value may indicate future problems with solvency.

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## The Canadian Commission for UNESCO and the Canada Council for the Arts

“Our activities are designed to contribute to Agenda 2030’s 17 Sustainable Development Goals (SDGs)—activities devoted to attaining gender equity, to preserving biodiversity, to building sustainable cities, to safeguarding natural and cultural heritage, and to promoting freedom of expression, to name just a few of our own goals.”

**Christina Cameron**, President of CCUNESCO, quoted in the CCUNESCO’S *2015-16 Report on Activities*.

The Canadian Commission for UNESCO (CCUNESCO) strengthens the Canada Council’s organizational capacity at the local, national and international levels. CCUNESCO’s initiatives and the work of its networks, partners, university chairs and sectoral commissions encourage active, participatory engagement. They support sustainable development based on principles that promote a culture of equity, inclusion, openness, democracy and freedom of expression, as well as knowledge, innovation and scientific research. As the Canada Council continues to transform and to renew its mandate to engage the public, the synergy between the Council and CCUNESCO strengthens their combined impact on Canadian society.

CCUNESCO’s *2015-16 Report on Activities* outlines the results of its many activities (in education, culture, communication, information and social, human and natural sciences) and shows the concrete ways in which it fosters grassroots civic engagement, mobilizes experts nationally, and ensures that Canada plays an active role in UNESCO at the international level. CCUNESCO’s work contributes to implementing the *2030 Agenda for Sustainable Development* adopted by the 193 members of the United Nations Organization. Further, it helps to build a better future for us all. Young people are at the heart of this future, and this year’s report describes promising initiatives involving them. A more detailed report on the 2015-16 activities is available on the Canada Council and CCUNESCO websites.



*The Right To Be Forgotten*, by Dale Cummings, winner of the 2016 International Editorial Cartoon Competition of World Press Freedom Day

## Highlights

### Transforming our world through Global Citizenship Education

Through close collaboration among the Canadian Commission for UNESCO (CCUNESCO), Canada's Permanent Delegation to UNESCO, the Government of Quebec (Department of International Relations and the Francophonie), the Council of Ministers of Education, Canada and various federal departments, Canada's Delegation was able to achieve its objectives in terms of influencing the global agenda at the 38<sup>th</sup> session of UNESCO's General Conference in Paris in 2015.

Most of the Member States acknowledged that Global Citizenship Education (GCED) could foster a culture of peace and promote sustainable development internationally. GCED promotes the values and practices of mutual respect through intercultural dialogue and critical thinking. It encourages committed action on non-violence and reconciliation, for an inclusive and peaceful world for all. In Canada, we believe GCED has contributed greatly to sustainable peace: it encourages global solidarity, helps to prevent the radicalization of youth and promotes human rights.

In 2015, CCUNESCO supported researchers from Laval University's CÉLAT, an inter-university centre for the study of literature, arts and traditions, to take part in a conference on combatting radicalization and extremism, held at UNESCO headquarters (Paris). The researchers discussed their respective experiences in political interventions and ways of preventing the Internet from being used to incite extremism and radicalize youth.

### UNESCO Associated Schools: sharing and action

The theme of the annual meeting of the UNESCO Associated Schools Network (Montréal, 2015) was *Youth Conference – Sharing the Planet*. About 100 young people and 50 adults from Network schools attended workshops on human rights, environmental justice, climate change, and the impact of consumer decisions on Southern populations.

Several of the proposed measures are included in the provincial network's action plan in 2015-16, particularly those related to Indigenous issues. Also, with the support of CCUNESCO, four francophone students and two teachers from UNESCO Associated Schools in Alberta and Manitoba developed contacts with francophone students from other provinces at the Montréal meeting.

### Global citizenship to eliminate racial discrimination

The International Day for the Elimination of Racial Discrimination (March 21) gives men and women, and the entire United Nations system, an opportunity to renew their commitment to a world of justice, equality and dignity, free from racial discrimination. CCUNESCO invited all municipalities that are members of the Canadian Coalition of Municipalities Against Racism and Discrimination to play an active role in International Day celebrations by organizing activities and campaigns in their communities (lectures, roundtables, social media campaigns, art competitions, intercultural activities, etc.). These local initiatives have lasting repercussions on dialogue and the sharing of promising practices.

### Youth speak out: “Nothing about us without us”

The aspirations of today's youth are driving meaningful and lasting transformation in Canada and giving us an understanding of its past, present and future.

The 9<sup>th</sup> UNESCO Youth Forum (Paris, 2015) on the theme “Young Global Citizens for a Sustainable Planet” brought young people together to work with the UNESCO Secretariat to shape the Forum's approach and to present their concerns and recommendations to the Member States. Young Canadians clearly expressed themselves during the consultations by emphasizing their “Nothing about us without us” slogan.

CCUNESCO believes that its youth members are essential to its mission. Their viewpoints and experiences are indispensable to ensuring that the perspectives of all generations are equitably represented in CCUNESCO's work. Youth members contribute to sectoral commissions, annual general meetings and the Executive Committee.

To prepare the Youth Forum, CCUNESCO launched its largest-ever nationwide youth consultation, which mobilized 3,000 young Canadians to help develop recommendations. Some of these recommendations from young Canadians were featured in the Forum's conclusions, such as the inclusion of traditional and Indigenous cultures in the Global Citizenship Education program.



Participants at the 9<sup>th</sup> UNESCO Youth Forum  
(from left to right): Noah Picard-Simon, Ève Ferguson and Derrek Bentley.



# FINANCIAL OVERVIEW



# Highlights

The 2016 Federal Budget announced that the Council's parliamentary appropriations would be doubling by 2021, bringing its current base level from \$182 million in 2015-16 to \$362 million by 2020-21. This excellent news provides a solid foundation to support the Council's commitments identified in its 2016-2021 Strategic Plan, *Shaping a New Future*, and its new funding model which will be launched in April 2017.

For the year ended March 31, 2016, the Council is reporting a surplus from operations of \$11.8 million. The current surplus is directly attributable to a \$11.7 million positive variance in net realized investment income as the Council reinvested its entire operational savings, \$2.3 million, to grants.

2015-16 was the last year of the Council's five-year Strategic Plan 2011-16, *Strengthening Connections*. The Council continued to deliver against the strategic directions and themes identified in the plan. Actual grants, prizes and author payments expenses amount to \$157.4 million for the year ending March 31, 2016, and are above the approved budget and the prior year related expenses. The Council's grants programs spending represents \$144.6 million and covers many disciplines, sectors and priorities: music, theatre, writing and publishing, visual arts, dance, media arts, inter-arts, audience and market development, equity and Aboriginal arts. The Council allocated \$3.0 million for prizes and awards programs that recognize excellence and innovation in Canada. In addition, it continues to support the Public Lending Right program with payments to authors amounting to \$9.8 million. At \$31.5 million, the overall annual administrative expenses are \$1.5 million lower than the approved budget for the year and \$1.0 million lower than last year.

In 2015-16, the Endowment and Special Funds and the Killam Fund had annual returns of -1.6% (10% in 2014-15) and -1.3% (10.4% in 2014-15) respectively. In comparison to the prior year, the investment portfolio has declined by \$12.8 million with a fair value of \$331.7 million as at March 31, 2016. The annual results are attributable to very volatile market conditions both in Canada and globally. The Council continues to closely monitor its portfolio's performance and risks.

The approved budgeted amount for net realized investment income, \$8.9 million, is calculated using a prescribed spending rate of 3.5% times the previous three-year average market value of the portfolio as per the Council's Statement of Investment Policies and Goals. This year, even with the slight negative annual performance of its portfolio, the Council recorded \$20.7 million in net realized investment income due to the Global Equity funds which, after having posted a one-year return of 9.6% (January to December 2015), distributed significant dividends in December 2015. Unfortunately that same asset class had a negative return of 6.2% over the last quarter which contributed to the decline in fair value of the portfolio. The Council's investment policy states that any investment income above the allocated approved budget must be reinvested in the portfolio in order to preserve capital. Therefore the cash generated by the income received is no longer available for other expenses such as grants which explains the \$11.8 million surplus at year-end.

In March 2016, the Council has started the review of its corporate risk profile. This revised corporate profile will be used to develop the Council's multi-year risk-based internal audit plan and will also be used as a key input in strategic and operational planning, resource allocation decisions, and organizing and prioritizing management action plans.

## Summary Financial Position as at March 31

(in thousands of dollars)	2016	2015
Total financial assets	\$ 334,921	\$ 348,449
Total liabilities	81,093	83,859
Net financial assets	253,828	264,590
Non-financial assets	26,917	27,130
<b>Accumulated surplus</b>	<b>\$ 280,745</b>	<b>\$ 291,720</b>

## Summary Statement of Operations for the Years Ended March 31

(in thousands of dollars)	Budget 2016	Actual 2016	Actual 2015
Total revenue and Parliamentary appropriations	\$ 192,150	\$ 204,701	\$ 194,735
Total expenses	192,148	192,871	191,918
<b>Annual surplus from operations</b>	<b>\$ 2</b>	<b>\$ 11,830</b>	<b>\$ 2,817</b>

## Financial Position

### Financial Assets

As at March 31, 2016, total financial assets were \$334.9 million, a decrease of \$13.5 million from the previous year. Financial assets include the portfolio investments as well as those assets that are expected to be converted into cash within the next year.

As at March 31, 2016, the fair value of the Council's investments was \$331.7 million, a decrease of \$12.8 million from the prior year.

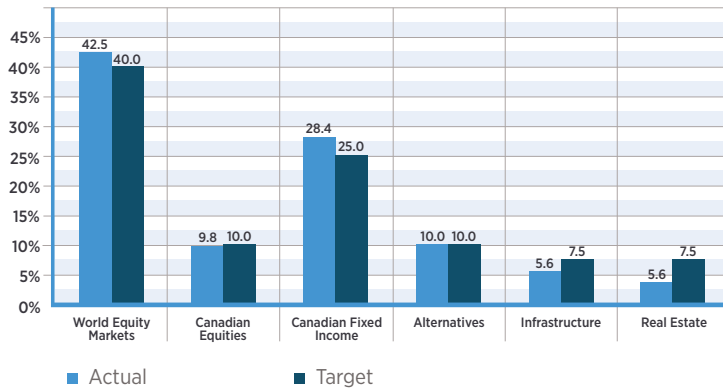
The Council invests in units of pooled funds that are managed by professional investment managers. The Council's investments are guided by a Statement of Investment Policies and Goals and the Board Statement of Investment Beliefs, which are both approved by the Board. The objectives of the portfolio are to generate long-term real returns to supplement the Parliamentary appropriations and to support the fellowships and prizes for the Killam Fund and Special Funds, while maintaining the purchasing power of the endowed capital. The Killam Fund and Special Funds represent contributions from non-owners that have been received by way of donation and bequest and have been restricted for specific purposes by the donors. The Killam Fund is required to be maintained in a separate investment portfolio that is consolidated for reporting purposes. The Special Funds are included with the Council's investment portfolio; a proportionate share for each contribution is calculated based upon the fair value of the investment portfolio at the time each contribution is received.

An Investment Committee composed of independent experts with experience in both the investment field and the asset classes in which the Council invests assists in the oversight and management of the portfolio. Two Council Board members are also Investment Committee members. In addition, the Council uses the services of an independent investment consultant to assist the Investment Committee in its work.

The Investment Committee reviews the Council's investment policy annually, and, as considered necessary and appropriate, recommends adjustments to the asset mix and to the diversification of the portfolio management structure or to its expenditure policy, currently set at 3.5% times the rolling average of the market value of the fund over the last three years. At each quarterly meeting during the year, the Investment Committee assessed the effect of implementation of the policy on the portfolio through regular updates from investment managers and a thorough review of the portfolio's performance.

The table below shows the actual comparative asset mix and the asset mix targets for the portfolio.

### Asset Mix as of March 31, 2016



The Investment Committee and senior management monitors closely the level of risk within the portfolio. In 2013-14, the Investment Committee undertook a detailed review of its asset allocation strategies and the desired levels of risk and made recommendations to the Board of Directors. The asset mix as at March 31, 2016 is progressing toward meeting this new approved asset mix policy.

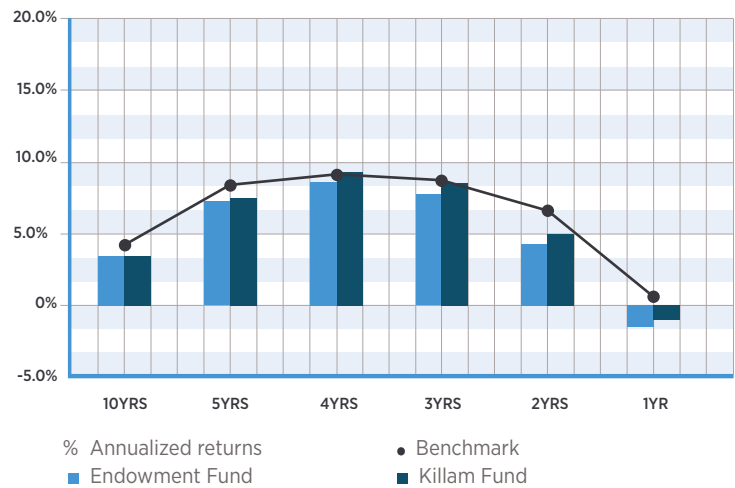
The following chart shows the returns for the various asset classes for the one and four year periods ending March 31, 2016. It shows that the portfolio's asset mix, with its allocation to other asset classes such as Fixed Income, Real Estate and Infrastructure, helped the portfolio absorb the losses in 2016 for both the Canadian and global markets with respective annual returns of -2.3% and -6.6%, reducing the negative impact to the market value of the portfolio.

### Annual Returns by Asset Classes (years ending March 31)



The following chart shows the annualized portfolio returns for various periods of the Endowment and Special Funds and the Killam Fund against the benchmark return. It shows much lower total returns over the last two years due to the high volatility in the equity markets generating low single digit or negative returns compared to double digit returns between 2011 and 2013.

### Annualized Portfolio Returns (years ending March 31)



### Liabilities

As at March 31, 2016, total liabilities were \$81.1 million, a decrease of \$2.8 million from the previous year. This decrease is mainly due to the \$3.5 million decrease in Deferred Revenues from externally restricted contributions. This liability consists of externally restricted investment income and accumulated gains which are being deferred until the resources are used for the specified purposes. The original externally restricted endowment principal of \$37.6 million is required to be maintained intact and is reported under accumulated surplus.

The other liabilities include:

- grants, prizes and author payments payable of \$27.7 million which represent outstanding payments to successful applicants as at March 31, 2016;
- deferred revenues of \$6.9 million which is mostly related to the leasehold inducement at 150 Elgin, Ottawa, which is being amortized over the lease period of 20 years;
- employee future benefits of \$2.9 million representing the severance entitlements of the Council's employees and post-retirement benefits covering employees and retirees; and
- accounts payable and accrued liabilities of \$3.5 million which represents outstanding payments to various suppliers/managers for services rendered and some payroll liabilities incurred as of March 31, 2016.

### Non-Financial Assets

Tangible capital assets include office equipment, leasehold improvements and work in progress related to the development of a new information management system. The decrease in this asset category of \$0.2 million in comparison to the prior year is attributable to a net decline in estimated useful value of existing assets.

The Council's Art Bank has the largest collection of contemporary Canadian art in Canada, with over 17,300 works, and rents the working collection to interested public and private sector organizations. The Art Bank collection is presented under Art Bank assets which are carried at a cost of \$19.4 million on the Statement of Financial Position as at March 31, 2016. The total appraised value of the collection is estimated at \$71 million as at March 31, 2016.

The Council's Musical Instrument Bank owns or manages 22 historically important, fine stringed instruments and a fine cello bow, which are loaned to gifted young musicians for three-year terms. Musical instruments appear on the Council's Statement of Financial Position at a nominal value of \$1,000 as a reasonable estimate of the future benefits associated with such assets cannot be made.

At March 31, 2016, the appraised and insured value of the musical instruments was US\$41.8 million.

## Accumulated Surplus

Accumulated surplus consists of the following elements as at March 31:

Accumulated Surplus		
(in thousands of dollars)	2016	2015
Endowment - Original contribution	\$ 50,000	\$ 50,000
Endowment principal - Externally restricted contributions	37,569	37,569
Reserve for excess investment income	136,445	124,445
Surplus	25,573	25,743
<b>Total accumulated surplus from operations</b>	<b>\$ 249,587</b>	<b>\$ 237,757</b>
<b>Accumulated rereasurement gains</b>	<b>31,158</b>	<b>53,963</b>
<b>Accumulated surplus balance</b>	<b>\$ 280,745</b>	<b>\$ 291,720</b>

The \$50 million Endowment - Original contribution represents the original government transfer in 1957 of endowments to enable the Council to be established. The externally restricted endowment principal of \$37.6 million represents the original value of other endowment funds received by the Council over the years almost entirely from private individuals. By recording these values within accumulated surplus the endowments, while held separate, are in effect being treated as if they had been revenues.

The total reserve of \$136.4 million at March 31, 2016 represents the sum of excess investment income relating to the original endowment principal since the establishment of the Council.

## Operations

Summary Statement of Operations for the Years Ended March 31

(in thousands of dollars)	Budget 2016	Actual 2016	Actual 2015
Parliamentary appropriations	\$ 182,097	\$ 182,224	\$ 182,224
Net realized investment income	8,946	20,685	11,027
Other revenue	1,107	1,792	1,484
<b>Total revenue</b>	<b>192,150</b>	<b>204,701</b>	<b>194,735</b>
Transfer programs	174,642	175,585	173,876
Net Art Bank results	222	365	327
Canadian Commission for UNESCO	2,122	1,773	1,951
General administration	15,162	15,148	15,764
<b>Total expenses</b>	<b>192,148</b>	<b>192,871</b>	<b>191,918</b>
<b>Annual surplus from operations</b>	<b>\$ 2</b>	<b>\$ 11,830</b>	<b>\$ 2,817</b>

The Council's net financial results for the year is a surplus of \$11.8 million in comparison to a balanced budget forecasting a surplus of \$2 thousand and a surplus of \$2.8 million for 2014-15. The current surplus, is directly attributable to a \$11.7 million positive variance in net realized investment income as the Council reinvested its additional other revenues and its operational savings, \$2.3 million, to grants.

Most of the savings obtained by an increase in other sources of revenue of \$0.7 million, a reduction of \$1.5 million in transfer program delivery expenses, a reduction of \$0.2 million in arts community services expenses, and a reduction of \$0.3 million in Canadian Commission for UNESCO expenses, resulted in a reinvestment in grants of \$2.3 million.

## Parliamentary Appropriations

The Council receives its main funding through Parliamentary appropriations voted by Parliament. The Council records the Parliamentary appropriations 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 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. For the year ended March 31, 2016, the appropriations received by the Council were \$182.2 million, the same as in 2014-15.

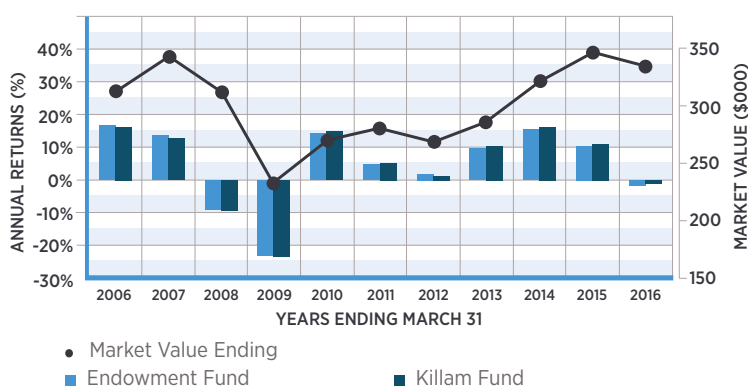
## Investment Income

The financial markets in which the Council invests are diversified and, in 2015-16, the Endowment and Special Funds and the Killam Fund had annual returns of -1.6% (10.0% in 2014-15) and -1.3% (10.4% in 2014-15), respectively. The annual returns for the Endowment and Special Funds and the Killam Fund are, respectively, 1.9% and 1.6% below the benchmark of 0.3%.

The Council's investment policy prescribes for 2015-16 that cash can be withdrawn from the portfolio at a rate of up to 3.5% of the previous three-year average market value for both the Endowment and Special Funds and the Killam Fund. This approach recognizes the need to balance returns with the long-term preservation of capital.

The following chart shows the annual portfolio returns for the Council in each year since 2006 and the corresponding effect that those returns have had on the year-end market value. The chart also demonstrates how the investment market returns can fluctuate year over year. The Council reinvests excess investment income above the budgeted amount in order to ensure the continued growth of the funds. This proactive approach is intended to bring additional stability and long-term growth for the Council's investment portfolio.

## Annual Portfolio Returns



This year, even with the slight negative annual performance of its portfolio, the Council recorded \$20.7 million in net realized investment income mostly due to the Global Equity funds which, after having posted a one-year return of 9.6% (January to December 2015), distributed significant dividends in December 2015 of \$26.7 million. Unfortunately that same asset class had a negative return of 6.2% over the last quarter which contributed to the decline in fair value of the portfolio noted earlier.

## Other revenues

Other revenues include the cancellation of grants awarded in previous years, boardroom rental fees, donations, tax rebates, hosting fees and others sources of revenues received. During the year, Council received unexpected revenues such as a property tax refund from its previous landlord and a contribution from the J.W. McConnell Foundation for the {Re}conciliation initiative which mainly explains the positive variance of \$0.7 million compared to budgeted amount.

## Program expenses

Program expenses for the years ending March 31 include the following five components:

(in thousands of dollars)	Budget 2016	Actual 2016	Actual 2015
Grants, prizes and author payments	\$ 154,787	\$ 157,440	\$ 155,141
Transfer program delivery	17,848	16,357	16,697
Arts community services	2,007	1,788	2,038
Net Art Bank results	222	365	327
Canadian Commission for UNESCO	2,122	1,773	1,951
<b>Total expenses</b>	<b>\$ 176,986</b>	<b>\$ 177,723</b>	<b>\$ 176,154</b>

In 2015-16, program expenses accounted for 92% of Council's total expenses of \$192.9 million. This percentage is consistent with 2014-15. Overall program expenses are \$1.6 million more than the previous year and \$0.7 million more than budget, offset by unexpected other revenues explained in the above section.

The vast majority of the program expenses relate to grants, prizes and author payments at \$157.4 million which represents a \$2.3 million increase from the previous year and a \$2.7 million increase over budget. The Council is committed to reinvest any operational savings in grants, prizes and author payments.

Transfer program delivery costs represent the direct cost of operating the Council's grants, prizes and Public Lending Right program. These include salaries, benefits, adjudication of programs, travel, professional services and prizes promotion. These costs are \$1.5 million below budget demonstrating the Council's constant efforts to exercise fiscal restraint and seek economies regarding these costs. The Council will continue to review and simplify processes over the next fiscal years in conjunction with rolling out the new funding model in April 2017.

Services provided for the arts community include other types of financial support such as partnerships (which provide funding to support the arts), research, workshop expenses, event costs and program evaluation. These costs were lower than the previous year and budget by, respectively, \$0.3 million and \$0.2 million.

Net Art Bank results were \$0.4 million for the current year in comparison to net results of \$0.3 million last year. The variance relates to outreach activities for which the Art Bank donated artworks, recorded at their cost of \$88,000, to various organizations that will showcase the artworks in public places.

The Canadian Commission for UNESCO (CCUNESCO) was established by the Canada Council pursuant to a 1957 Order in Council. The CCUNESCO had net expenses of \$1.8 million in 2015-16, a decrease of \$0.3 million in comparison to budget. The CCUNESCO coordinates UNESCO program activities in Canada; encourages Canadian participation in UNESCO activities abroad, including the provision of expert advice and assistance from both governmental and non-governmental organizations; and provides advice about future UNESCO programs and budgets to the Department of Global Affairs Canada. The CCUNESCO also initiates activities in Canada to advance and obtain visibility for UNESCO's program objectives.

## General Administration

General administration expenses include the cost of the Council Secretariat, Communications and Corporate Services (which include Finance, Human Resources, Information Management/Technology and Administrative Services).

Items include salaries, benefits, travel, accommodation, professional services, amortization, and others. At \$15.1 million, these costs were aligned with budget and 4% lower than those reported in 2014-15 (\$15.8 million). The Council will continue to exercise fiscal restraint and seek efficiencies regarding general administration costs in the next fiscal years.

## Remeasurement Gains and Losses

The accumulated remeasurement gains from portfolio investments as at March 31, 2016 were \$31.2 million. These are the accumulated unrealized gains, net of reclassification to Statement of Operations upon realization, for changes in fair value of the Council's non-restricted portfolio investments.

## Risk Management

Effective risk management is fundamental to the success of the Council in fulfilling its mandate. The Council is developing a strong risk management culture where risk management is a responsibility shared by all of its employees. The primary goals of enterprise risk management are to ensure that the outcomes of risk-taking activities are consistent with the Council's plans, strategies and risk appetite.

The Council's risk management framework consists of four key elements:

- risk governance;
- risk appetite;
- risk profile, assessment and mitigation; and,
- financial risk mitigation.

## Risk Governance

The Council's risk management governance begins with oversight by its Board, either directly or through its committees, to ensure that decision-making is aligned with strategies and risk appetite. The Board receives regular updates on the Council's key risks regarding its risk profile and related mitigation, financial performance and performance of the investment portfolio. The Council's executive management are responsible for risk management under the direct oversight of the Board.

In 2015-16, the Council updated its Corporate Risk Profile taking into consideration changes in the Council's risk environment. This included re-assessment of the risks and updates to the Council's significant potential risks as well as mitigation strategies. The overall risk universe is illustrated below:

Risk Categories			
Strategic	Program Delivery	Enabling Activities	Compliance
<b>Risk related to the strategic management of the Council and relationships with its shareholders and stakeholders</b> <ul style="list-style-type: none"> <li>• Revenue uncertainty</li> <li>• Change overload</li> <li>• Strategy execution</li> <li>• Demonstration of results</li> <li>• Stakeholder communications</li> <li>• Resumption of business following a disaster</li> <li>• Governance</li> <li>• Clarity of decision making authorities/process</li> <li>• Reactions to potentially adverse events</li> </ul>	<b>Risk related to the Council's core granting processes</b> <ul style="list-style-type: none"> <li>• Funding controversies</li> <li>• Funding gaps/non-strategic duplication of funding</li> <li>• Suite of programs/levels of funding</li> <li>• Peer assessment process</li> <li>• Rigor and transparency of the granting process</li> <li>• Arts service support</li> <li>• Research support</li> <li>• Implementation of Partnerships</li> </ul>	<b>Risks related to the Council's support and operational processes</b> <ul style="list-style-type: none"> <li>• Information technology</li> <li>• Breach of data privacy/security</li> <li>• Human resource capacity/competency/succession planning</li> <li>• Budget management</li> <li>• Knowledge and records management</li> <li>• Communication support</li> </ul>	<b>Risk related with external/internal requirements</b> <ul style="list-style-type: none"> <li>• Compliance with external requirements/obligations</li> <li>• Compliance with internal financial policies and procedures</li> <li>• Compliance with internal HR policies and procedures</li> <li>• Compliance with internal granting policies and procedures</li> </ul>
<b>Canada Council for the Arts mandate: "to foster and promote the study and enjoyment of, and the production of works in, the arts"</b>			

## Risk Appetite

The Council's risk appetite statement, as approved by the Board, remains as follows:

"The Canada Council for the Arts follows a prudent risk-taking approach in managing the organization. We define prudent risks as those seen to contribute to the organization's capacity to better deliver its mandate within a range of consequences that are well understood and appropriately mitigated.

The Council has low appetite for risks that could negatively impact the rigor and transparency of our granting processes, given that this is foundational to the legitimacy of the Council's mandate. Similarly, the Council has a low appetite to undertake financial risks that would negatively impact our cost-effectiveness and investment performance, given the critical importance of appropriately managing financial resources to our ability to provide funding and support to the arts community.

With regards to our suite of funding programs and support to the arts community, we have a low appetite for risks that would hinder our ability to be flexible and responsive to changes in the arts ecology and economic conditions and a low appetite for risks that would adversely affect support of the arts infrastructure in Canada. That notwithstanding, the Council has a high appetite for artistic risk. Notably, we maintain a high appetite for risks related to the Council's support of artistic aspirations, creativity and innovation as this is essential to the development and evolution of a vital and diverse arts sector that enriches the lives of all Canadians. In that context, we have a moderate appetite for risks that could affect our ability to build and sustain reputational strength with key stakeholders.

To enable the Council to continuously improve its operating performance, we are willing to take on moderate risks for opportunities that could lead to improved internal structure, staffing and services as well as overall strategy execution. However, we will manage any risks taken in this regard within the constraints of our core values, organizational culture, and commitment to staff.

Ultimately, we will manage the organization in a way that will enable us to deliver on our mandate and strategic directions and to demonstrate results. We will be cautious in our acceptance of any risks that could hinder our abilities to do so.

The Council ensures that it fulfills its mandate and operates as a high performance organization through effective governance by its Board. The Council has a low appetite for any risks that would affect our capacity to independently govern ourselves."

## Risk Profile

Using the Council's risk appetite as key context, the following risks, as identified and assessed during the 2015-16 risk assessment process, are considered to be outside of the Council's appetite:

- 1) inadequate Human Resources capacity;
- 2) inability to demonstrate results;
- 3) change overload; and
- 4) obsolete information technology support.

Consequently, for these, focused updated risk mitigation strategies have been developed and actions plans implemented and monitored by assigned members of the executive management to reduce the risk exposure. A regular update is also provided to the Audit & Finance committee to ensure continuous oversight of these risks and that effective mitigation strategies have been put in place.

## Financial Risk

The Council is exposed to a variety of financial risks as a result of its activities. These include credit risk, liquidity risk and market risk. Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Council. A significant portion of Council's receivables were deposited within 30-60 days after year-end and as such the related credit risk is very low. Liquidity risk is the risk that Council will not be able to meet its financial obligations as they fall due. The Council currently receives most of its revenues by way of Parliamentary appropriations drawn down monthly. That revenue is invested in a short-term pooled fund until it is required. The Council's activities are primarily exposed to price risk, interest rate risk and currency risk. The directive to the Council's investment managers is to manage the Council's market risks on a daily basis in accordance with the Council's policies. Overall market positions are monitored quarterly by the Investment Committee and the Board of Directors.

# GOVERNANCE



## Board Mandate

The Canada Council for the Arts is led by a Director/CEO appointed by the Governor in Council, and governed by a Board consisting of a Chair, Vice-Chair and nine other members from across Canada. Members are appointed by the Governor in Council for fixed terms. The Board meets at least three times a year and is responsible for the oversight of the organization's policies, programs, budgets and grant decisions.

As stewards of the Council, the Board oversees the organization's governance. It conducts the Council's business, directs Management and ensures that all major issues affecting the organization are given proper consideration. The Board is accountable to Parliament through the Minister of Canadian Heritage.

The general duties of the Board are described in the Canada Council's By-laws and *Governance Policy*.

## Highlights

In 2015-16, the Board held four meetings in Ottawa, during which it:

- directed and approved the orientation for the Council's 2016-21 Strategic Plan;
- reviewed and approved the approach to the Council's New Funding Model, along with the development of an updated Program Alignment Architecture, and the modernization of the Council's online grant application system;
- approved grants over \$100,000 until January 2016, at which point the Delegation of Authority changed and, between January and March 2016, the Board approved grants over \$500,000;
- regularly reviewed the Board's representational requirements, in preparation for Board vacancies, and discussed succession planning and transition in the Council's leadership;
- approved corporate policies in an effort to streamline practices and find efficiencies;
- held the Annual Public Meeting at the Council's offices at 150 Elgin Street, Ottawa, on January 19, 2016;
- approved the revised Canada Council By-laws, *Governance Policy*, *Code of Ethics*, *Policy on Conflicts of Interest*, the Canadian Commission for UNESCO Constitution and By-laws and the Public Lending Right Commission Constitution and By-laws; and,
  - welcomed Pierre Lassonde as Chair of the Board.

## Board Independence

All members of the Board are independent directors. While the Director/CEO and Executive Management attend Board meetings to provide information and report on activities, only Board members may vote and make decisions. Board committees are composed of Board members, with some including external experts selected for their knowledge and expertise.

## Culture of Ethical Business Conduct

Board members, as public office holders, are bound by the federal government's *Conflict of Interest Act*, the *Ethical Guidelines for Public Office Holders*, as well as the *Code of Ethics for Canada Council Board Members*. The Board is required to disclose any potential conflicts of interest on an annual basis, and as they occur throughout the year.

## Corporate Social Responsibility

The Canada Council is committed to carrying out its role and mandate in a way that is guided by corporate social responsibility. As such, it strives to be a leader in terms of social, ethical and environmental policies and practices, and considers social, ethical and environmental impacts in all decisions.

In an effort to fulfill this commitment, the Council:

- conducts its business with honesty, integrity and fairness, and ensures ethical considerations and implications are embedded in all decision-making processes;
- works with and is inspired by the community it serves – Canadians, as a whole. It strives to enrich the lives of Canadians through a vital and diverse arts sector and cultural engagement;
- strives to provide an organizational climate that encourages well-being, and stimulates and supports employee performance and development;
- Is forward-thinking and proactive in reducing its environmental footprint, and incorporates environmental sustainability considerations into all its activities; and
- recognizes the importance of public accountability and open communications, and conducts its business in a transparent manner in order to maintain the trust and confidence of its stakeholders.

The Board oversees these commitments and is responsible for integrating social, environmental and ethical considerations into all Board-related matters. *The Council's Corporate Social Responsibility Statement of Principles* is available at [canadacouncil.ca](http://canadacouncil.ca).

## Appointments

The Board advises the government on appropriate selection criteria for the Chair and Vice-Chair of the Board, as well as competency profiles and future needs for Board members and for the position of Director/CEO. Skills and expertise profiles were provided to the Minister of Canadian Heritage in response to vacancies in 2015-16. In 2015, Pierre Lassonde was appointed Chair of the Board to fill the vacancy left by the sudden passing of Joseph L. Rotman.

At March 31, 2016, there were three (3) Board vacancies.



## Board Diversity

For the third consecutive year, the Board has been nominated for the Excellence in Governance Award from the Canadian Society of Corporate Secretaries (CSCS), specifically, in the category of “Best Practices to Enhance Board Diversity.” This is a strong recognition of the Council’s leadership and policies related to equity principles, starting at the top level of the organization. The Canada Council has a history of embedding values of equity within its operations. This includes a Board Diversity Statement of Principles, intended to summarize and make public the Council’s values and objectives related to Board diversity.

## Board Orientation and Continuing Education

All new Board members are required to attend the Orientation for Directors of Crown Corporations offered by the Canada School of Public Service. This program has been designed to provide directors with information on their basic roles and accountabilities and the unique circumstances of Crown corporation governance. One Board member attended this session in 2015-16.

New Board members receive a comprehensive information package prior to their first meeting. At their first Board meeting they have an orientation session with Executive Management and sit in on committee meetings to learn about the Council’s work. They are also assigned a mentor to facilitate their orientation.

In 2015-16, as part of a continuing education program, Board members participated in the following professional development sessions:

- One Board member attended the Deloitte Directors’ Series – Issues for the HR Committee (April 2015).
- Six Board members attended a staff-led workshop on the Governance Framework (October 2015).

## Performance Evaluation

Every year, under the direction of the Governance and Nominating Committee, the Board evaluates the performance of the full Board and its committees. Work was undertaken throughout 2015-16 to implement the recommendations resulting from the Board evaluation of the previous year.

Under the direction of the Executive Committee, the Director/CEO’s performance is assessed annually by the Board, according to the *Privy Council Office’s Performance Management Program for Chief Executive Officers of Crown Corporations*. The Board communicates the results of the Director/CEO’s annual performance evaluation to the Minister of Canadian Heritage.

## Communications and Reporting

In accordance with specific Acts and Regulations, and to ensure ongoing communications and transparency, the Council submits a number of reports on an annual basis to different government departments in line with deadlines set by the legislation and/or the responsible departments.

### Annual Public Meeting

On January 19, 2016, the Council held its Annual Public Meeting (APM) in Ottawa. It reported on its recent activities and plans for the future, and received feedback from interested stakeholders. The Director/CEO, Chair, Vice-Chair and seven other Board members, as well as senior staff, were present. The meeting was also live-streamed across the country.

The APM reached a large audience, including approximately 200 guests on site and close to 600 online via the live-stream that day. The conversation continued on social media with 339 tweets using hashtags #Council16 and #Conseil16, and 130 likes, comments and shares on Facebook. Speeches, a video of the Annual Public Meeting, and a full list of news coverage are available on the Council’s website.

At the APM, the Council announced that an online survey would be launched on January 28, 2016, to help shape its Strategic Plan 2016-21. External stakeholders were sent an email invitation to participate, and the survey was also available to the general public through a link on the Council’s website. In addition to the survey, an address was provided on the Council’s website for direct feedback. Over 4,200 responses were received (the largest response in the Council’s history), and used to inform the new plan. The results of the survey are available on the Council’s website.

### Access to Information Act and Privacy Act (ATIP)

An annual ATIP report, including statistical data on the Council’s administration of the Acts, is submitted to Canadian Heritage and tabled in Parliament.



Spoken word poet Dwayne Morgan performing at the 2016 Canada Council’s Annual Public Meeting (APM).

### Governance

On January 19, 2016, over 200 people attended the Canada Council’s annual public meeting on-site, and close to 600 from across the country attended online via livestream.

Chair of the Board Pierre Lassonde spoke about the Council’s shift for a better future in the context of a changing conversation around the arts in Canada. Director and CEO Simon Brault provided more details about the transformation underway at the Council and how it will benefit the arts sector, and all Canadians. The meeting also served to announce the launch of an online survey to inform the Strategic Plan for 2016-2021. A video presentation of work by Artcirq, a circus arts troupe based in Igloolik, Nunavut, and a performance by Dwayne Morgan, a spoken-word artist from Toronto, was also featured.

Also in 2015-16, the Canada Council and the Canadian Commission for UNESCO undertook a comprehensive governance review. This led to updated governance policies and by-laws with more modern practices, clearer accountability frameworks, and that create better synergy between the two organizations.

## Canadian Multiculturalism Act

The Canada Council's Equity Office is responsible for the requirements of the *Canadian Multiculturalism Act*, and for completing an Annual Report on the Operation of the *Canadian Multiculturalism Act*. This report is submitted annually to the Department of Citizenship and Immigration.

## Employment Equity Act

As a federal organization with over 100 employees, the Canada Council's Human Resources division files an annual Employment Equity Report with Human Resources and Skills Development Canada.

## Official Languages Act

The Canada Council is responsible for implementing Parts IV, V, VI and VII of the *Official Languages Act*. It submits a multi-year action plan to the Department of Canadian Heritage regarding section 41 of Part VII of the Act. The current plan was submitted in January 2012 and will be in effect until 2016. The Council also presents an annual report detailing its activities under Parts IV, V, VI and VII to the Department of Canadian Heritage and the Treasury Board Secretariat.

## Board Committees

Board committees enhance the overall effectiveness of the Board by ensuring closer focus, oversight and monitoring of areas of particular concern. The committees' roles, responsibilities and reporting requirements are defined in the Council's By-laws. There are four standing committees of the Board:

### Executive Committee

The Executive Committee acts on behalf of the Board (with exceptions related to the approval or amendments of By-laws, policies, budgets, financial statements, grants or the Annual Report) in the interval between meetings of the Board.

Membership: Pierre Lassonde (Chair), Nathalie Bondil, Barbara Burley (until December 2015), Beverley K. Foy and Isabelle Hudon.

### Audit and Finance Committee

The Audit and Finance Committee provides oversight of the Council's financial performance and ensures the integrity, effectiveness and accuracy of Council's financial reporting, control systems, integrated risk management processes and audit functions.

Membership: Beverley K. Foy (Chair), Isabelle Hudon, Luc LaRochelle and Anna Porter (until January 2016).

### Governance and Nominating Committee

The Governance and Nominating Committee provides ongoing review and recommendations to the Board with respect to discharging its stewardship and oversight responsibilities on matters relating to corporate governance, the conduct of the Board's affairs, and human resources strategies and other related matters.

Membership: Barbara Burley (Chair, until December 2015), Isabelle Hudon (Chair, since December 2015), Howard Jang, David McKay (until February 2016), Cheryl Sharpe and Brenda Stehelin.

## Investment Committee

The Investment Committee oversees and provides expert advice on the Council's investment portfolio, including recommending Board policies with respect to investments, hiring professional fund managers and monitoring their activities.

Membership: Beverley Foy, Anna Porter (until January 2016) and the following external experts: George Mavroudis (Chair), Kiki Delaney, Mark Jenkins, Eric Kirzner, Ann Marshall and John Montalbano.

## Advisory Groups

Certain Board members also served on other bodies within the Canada Council: Barbara Burley served on the Executive Committee of the Canadian Commission for UNESCO until December 2015 and Howard Jang until April 2016. Anna Porter served on the Public Lending Right Commission until January 2016.

## Proactive Disclosure

The disclosure of grants and contributions, travel and hospitality expense information of Board members and senior executives, contracts entered into for amounts over \$10,000, the reclassification of positions and summary reports of completed access to information requests are posted on the Council's website.

## Disclosure of Wrongdoing

In compliance with the Council's *Policy on the Internal Disclosure of Wrongdoing in the Workplace*, which is based on the requirements of the *Public Servants Disclosure Protection Act*, a quarterly report on the disclosure of wrongdoing in the workplace is provided to the Audit and Finance Committee. In 2015-16, there were no internal disclosures of wrongdoing in the workplace.

## Remuneration

Board: \$80,583

Director/CEO: \$214,900 - \$252,800 (fixed by Governor in Council)

Executive positions: \$106,900-\$157,500

## Executive Management

At March 31, 2016, the Executive Management Committee consisted of Simon Brault, Director/CEO; Michelle Chawla, Director General, Strategy and Public Affairs; Linda Drainville, CFO and Director General, Corporate Services; Tammy Scott, Director General, Communications and Public Engagement; Jacques Vézina, Director General, Arts Granting Programs.

<sup>1</sup> Effective November 30, 2015

<sup>2</sup> Effective October 19, 2015

## Board and Committee Meetings and Attendance (April 1, 2015 to March 31, 2016)

	Board Meetings	Executive Committee	Investment Committee	Audit and Finance Committee	Governance and Nominating Committee
<b>Total # of Meetings</b>	<b>7</b>	<b>2</b>	<b>4</b>	<b>8</b>	<b>6</b>
Pierre Lassonde, Chair	5/5	1/1	-	-	-
Nathalie Bondil, Vice-Chair	5/7	2/2	-	-	-
Barbara Burley	4/4	2/2	-	-	4/4
Beverley K. Foy	6/7	2/2	4/4	8/8	-
Isabelle Hudon	4/7	-	-	6/8	2/2
Howard Jang	6/7	-	-	-	6/6
Luc LaRochelle	7/7	-	-	7/8	-
David McKay	5/5	-	-	-	5/5
Anna Porter	5/5	-	3/3	6/6	-
Cheryl Sharfe	6/7	-	-	-	6/6
Brenda Stehelin	4/7	-	-	-	5/6

## Board Members



**PIERRE LASSONDE**  
CHAIR  
(Toronto, ON)



**NATHALIE BONDIL**  
VICE-CHAIR  
(Montréal, QC)



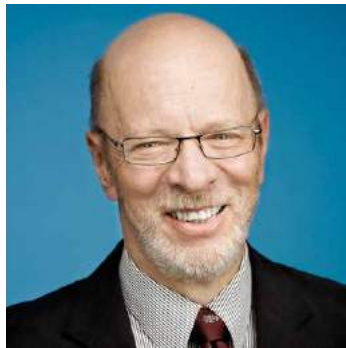
**BEVERLEY K. FOY**  
(Calgary, AB)



**ISABELLE HUDON**  
(Montréal, QC)



**HOWARD JANG**  
(Vancouver, BC)



**LUC LAROCHELLE**  
(Montréal, QC)



**CHERYL SHARFE**  
(Winnipeg, MB)



**BRENDA STEHELIN**  
(Whitehorse, YT)

# FINANCIAL STATEMENTS

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## Management's Responsibility for Financial Reporting

The accompanying financial statements of the Canada Council for the Arts and all the information in this annual report are the responsibility of Management and have been approved by the Board.

The financial statements have been prepared by Management in accordance with Canadian public sector accounting standards. When alternative accounting methods exist, Management has chosen those it deems most appropriate in the circumstances. The financial statements include amounts based on Management's best estimates as determined through experience and judgment. Management has determined such amounts on a reasonable basis in order to ensure that the financial statements are presented fairly, in all material respects. Management has prepared the financial information presented elsewhere in the annual report and has ensured that it is consistent with that in the financial statements.

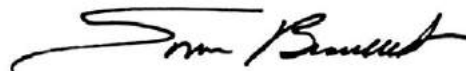
The Canada Council maintains systems of internal accounting and administrative controls of high quality, consistent with reasonable cost. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and that the organization's assets are appropriately accounted for and safeguarded.

The Board is responsible for the management of the business and activities of the Canada Council. In particular, they are responsible for ensuring that Management fulfills its responsibilities for financial reporting and internal controls. They exercise this responsibility

through the Audit and Finance Committee, which is composed of members who are not employees of the Canada Council. The Audit and Finance Committee meets with Management, the internal auditors and the Auditor General of Canada on a regular basis. The Committee reports its findings to the Board for consideration when approving the financial statements.

The independent auditor, the Auditor General of Canada, is responsible for auditing the financial statements of the Canada Council, and for issuing the report thereon.

June 13, 2016



**Simon Brault, O.C., O.Q., FCPA, FCGA**  
Director and Chief Executive Officer



**Linda Drainville, CPA auditor, CGA**  
Chief Financial Officer and Director General,  
Corporate Services



## INDEPENDENT AUDITOR'S REPORT

To the Canada Council for the Arts and the Minister of Canadian Heritage

### Report on the Financial Statements

I have audited the accompanying financial statements of the Canada Council for the Arts, which comprise the statement of financial position as at 31 March 2016, and the statement of operations, statement of remeasurement gains and losses, statement of change in net financial assets and statement of cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

#### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, 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.

#### *Auditor's Responsibility*

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

### *Opinion*

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Canada Council for the Arts as at 31 March 2016, and the results of its operations, its remeasurement gains and losses, changes in its net financial assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

### **Report on Other Legal and Regulatory Requirements**

As required by the *Financial Administration Act*, I report that, in my opinion, the accounting principles in Canadian public sector accounting standards have been applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the Canada Council for the Arts that have come to my notice during my audit of the financial statements have, in all significant respects, been in accordance with the applicable provisions of Part X of the *Financial Administration Act* and regulations, the *Canada Council for the Arts Act* and the by-laws of the Canada Council for the Arts.



Riowen Yves Abgrall, CPA, CA  
Principal  
for the Auditor General of Canada

13 June 2016  
Ottawa, Canada



# Statement of Financial Position

as at March 31 (in thousands of dollars)

	2016	2015
<b>FINANCIAL ASSETS</b>		
Cash and cash equivalents (Note 3)	\$ 495	\$ 1,226
Accounts receivable	2,775	2,732
Portfolio investments (Note 4)	331,651	344,491
<b>Total financial assets</b>	<b>334,921</b>	<b>348,449</b>
<b>LIABILITIES</b>		
Bank indebtedness	646	-
Grants, prizes and author payments payable	27,674	28,751
Accounts payable and accrued liabilities	3,486	2,499
Deferred revenues	6,877	7,061
Employee future benefits (Note 6)	2,909	2,592
Deferred revenues - Externally restricted contributions (Note 7)	39,501	42,956
<b>Total liabilities</b>	<b>81,093</b>	<b>83,859</b>
<b>NET FINANCIAL ASSETS</b>	<b>253,828</b>	<b>264,590</b>
<b>NON-FINANCIAL ASSETS</b>		
Tangible capital assets (Note 8)	7,348	7,524
Art Bank assets (Note 9)	19,384	19,425
Musical instruments (Note 10)	1	1
Prepaid expenses	184	180
<b>Total non-financial assets</b>	<b>26,917</b>	<b>27,130</b>
<b>ACCUMULATED SURPLUS</b> (Note 11)	<b>\$ 280,745</b>	<b>\$ 291,720</b>
Accumulated surplus is comprised of:		
Accumulated surplus from operations	249,587	237,757
Accumulated remeasurement gains	31,158	53,963
<b>ACCUMULATED SURPLUS</b>	<b>\$ 280,745</b>	<b>\$ 291,720</b>

Contractual obligations and commitments (Note 16)

The accompanying notes and schedules form an integral part of the financial statements

APPROVED BY THE BOARD OF DIRECTORS



Chair



Vice-Chair

## Statement of Operations

year ended March 31 (in thousands of dollars)	Budget 2016	Actual 2016	Actual 2015
<b>Revenue</b>			
Net realized investment income (Note 12)	\$ 8,946	\$ 20,685	\$ 11,027
Other revenue	1,107	1,792	1,484
<b>Total revenue</b>	<b>10,053</b>	<b>22,477</b>	<b>12,511</b>
<b>Expenses</b>			
Transfer Programs			
Grants, prizes and author payments (Schedule I)	154,787	157,440	155,141
Transfer program delivery (Schedule II)	17,848	16,357	16,697
Arts community services (Schedule III)	2,007	1,788	2,038
	174,642	175,585	173,876
Net Art Bank results (Note 13)	222	365	327
Canadian Commission for UNESCO (Note 14)	2,122	1,773	1,951
General administration (Schedule II)	15,162	15,148	15,764
<b>Total expenses</b>	<b>192,148</b>	<b>192,871</b>	<b>191,918</b>
Annual deficit from operations before Parliamentary appropriations	(182,095)	(170,394)	(179,407)
Parliamentary appropriations	182,097	182,224	182,224
ANNUAL SURPLUS FROM OPERATIONS	2	11,830	2,817
ACCUMULATED SURPLUS FROM OPERATIONS, BEGINNING OF YEAR	237,757	237,757	234,940
<b>ACCUMULATED SURPLUS FROM OPERATIONS, END OF YEAR</b>	<b>\$ 237,759</b>	<b>\$ 249,587</b>	<b>\$ 237,757</b>

## Statement of Remeasurement Gains and Losses

year ended March 31 (in thousands of dollars)	2016	2015
ACCUMULATED REMEASUREMENT GAINS, BEGINNING OF YEAR	\$ 53,963	\$ 39,037
<b>Unrealized gains (losses) attributable to:</b>		
Portfolio investments	(22,066)	15,960
<b>Amounts reclassified to the Statement of Operations:</b>		
Portfolio investments	(739)	(1,034)
NET REMEASUREMENT GAINS (LOSSES) FOR THE YEAR	(22,805)	14,926
<b>ACCUMULATED REMEASUREMENT GAINS, END OF YEAR</b>	<b>\$ 31,158</b>	<b>\$ 53,963</b>

The accompanying notes and schedules form an integral part of the financial statements

## Statement of Change in Net Financial Assets

year ended March 31 (in thousands of dollars)	Budget 2016	Actual 2016	Actual 2015
ANNUAL SURPLUS FROM OPERATIONS	\$ 2	\$ 11,830	\$ 2,817
Acquisition of tangible capital assets (Note 8)	(1,197)	(842)	(443)
Write-down of tangible capital assets	-	-	712
Amortization of tangible capital assets (Note 8)	1,178	1,018	1,111
Acquisition of Art Bank assets (Note 9)	-	(47)	(28)
Disposal of Art Bank assets (Note 9)	-	88	3
	(19)	217	1,355
Acquisition of prepaid expenses	-	(230)	(241)
Use of prepaid expenses	-	226	376
	-	(4)	135
Net remeasurement gains (losses)	-	(22,805)	14,926
(DECREASE) INCREASE IN NET FINANCIAL ASSETS	(17)	(10,762)	19,233
NET FINANCIAL ASSETS, BEGINNING OF YEAR	264,590	264,590	245,357
<b>NET FINANCIAL ASSETS, END OF YEAR</b>	<b>\$ 264,573</b>	<b>\$ 253,828</b>	<b>\$ 264,590</b>

## Statement of Cash Flow

year ended March 31 (in thousands of dollars)	2016	2015
<b>Operating Transactions</b>		
Annual surplus from operations	\$ 11,830	\$ 2,817
Losses (gains) from disposal of portfolio investments (Note 12)	627	(1,767)
Amortization of tangible capital assets (Note 8)	1,018	1,111
Write-down of tangible capital assets	-	712
Donations of Art Bank assets (Note 9)	87	3
Loss on disposal of Art Bank assets (Note 9)	1	-
(Increase) decrease in prepaid expenses	(4)	135
Increase in employee future benefits	317	62
Income transferred to Deferred revenues - Externally restricted contributions to investment income (Note 7)	3,854	1,923
Net change in other non-cash items (Note 15)	(317)	(2,227)
Cash provided by operating activities	17,413	2,769
<b>Capital Transactions</b>		
Acquisition tangible capital assets (Note 8)	(842)	(443)
Acquisition Art Bank assets (Note 9)	(47)	(28)
Cash used by capital activities	(889)	(471)
<b>Investing Transactions</b>		
Acquisition of portfolio investments	(93,473)	(29,172)
Disposal of portfolio investments	75,572	28,391
Cash used by investing activities	(17,901)	(781)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(1,377)	1,517
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,226	(291)
CASH AND CASH EQUIVALENTS, END OF YEAR	<b>(151)</b>	<b>1,226</b>
<b>Represented by:</b>		
Cash	-	240
Cash equivalents (Note 3)	495	986
Bank indebtedness	(646)	-
	<b>\$ (151)</b>	<b>\$ 1,226</b>

The accompanying notes and schedules form an integral part of the financial statements

# Notes to the Financial Statements March 31, 2016

## 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 of 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. Transfer Program delivery expenses represent the direct costs of program delivery. Arts community services expenses represent costs incurred for non-grant activities in fulfillment of the Council's mandate. General administration costs represent the costs related to corporate management, communications, human resources, information management, finance, accommodation and amortization.

The Canadian Commission for UNESCO (CCUNESCO) was established by the Canada Council pursuant to a 1957 Order in Council. The CCUNESCO acts as a forum for governments and civil society to mobilize the participation of Canadians in UNESCO's mandated areas of education, natural and social sciences, and culture, communication and information. The Secretariat for the CCUNESCO is provided by the Canada Council and led by a Secretary General who reports directly to the Director and Chief Executive Officer.

## 2. Significant Accounting Policies

### Basis of accounting

The Council considers itself to be an "other government organization". These financial statements have been prepared in accordance with Canadian public sector accounting standards (PSAS) as promulgated by the Chartered Professional Accountants (CPA) of Canada.

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 on the Statement of Financial Position:

<b>Financial asset or liability</b>	<b>Subsequent measurement</b>
Cash equivalents	Fair value
Accounts receivable	Amortized cost
Portfolio investments	Fair value
Bank indebtedness	Fair value
Grants, prizes and author payments 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 realized investment income during the year in which it is earned.

### Portfolio investments

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 is recorded in net realized 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 charged are expensed in the year they are incurred.

A decline in the fair value considered to be other than temporary will be recognized as an impairment loss and will be removed from the Statement of Remeasurement Gains and Losses and reported in net realized investment income on the Statement of Operations.

### 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

Work in progress represents the costs incurred to date on a capital project that is incomplete and not in use, or for system implementations, when the system is not in production at the end of an accounting period. Work in progress projects are not amortized until in use or in production.

### Art Bank assets

The Art Bank assets are carried at cost less accumulated amortization. The cost, less any residual value, is amortized using a straight line method over the estimated useful lives of these assets which are estimated to be 50 years.

### Musical Instruments

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) 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.

#### ii) SEVERANCE BENEFITS

In 2012, under labour contracts and conditions of employment, the decision was made to terminate the severance benefits. The severance benefit obligation for eligible employees who will retire or resign, that accrued up to June 30, 2012 and remains unpaid, is adjusted at year end to reflect actuarial gains and losses and salary adjustments. Other event driven termination benefits will be recognized in the period when the event that obligates the Council occurs.

#### iii) RETIREES' 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.

### Deferred revenues - Externally restricted contributions

Externally restricted income is recognized as revenue in the Statement of Operations 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 endowments and restricted donations received by the Council that are required to be maintained intact. They are reported under Accumulated Surplus from Operations.

### 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. In years when net investment income exceeds the amount of net budgeted investment income, an amount may be transferred from the accumulated surplus 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 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 as revenue in the year for which they are approved by Parliament. Parliamentary appropriations received for specific projects are deferred when the stipulations and circumstances create an obligation that meets the definition of a liability. They are subsequently recognized on the Statement of Operations when the obligation no longer exists.

#### ii) RESTRICTED AND UNRESTRICTED CONTRIBUTIONS

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

Externally restricted contributions that are to be held in perpetuity are recognized as revenue in the year in which they are received. The externally restricted contributions that are not held in perpetuity, externally restricted investment income, and realized and unrealized gains and losses on externally restricted investments are recorded 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 year received or in the year the funds are committed to the Council if the amount can be reasonably estimated and collection is reasonably assured.

In-kind contributions consist mostly of donations to the Art Bank assets and are recorded at their appraised value as a non-financial asset and as revenue under net Art Bank results when they are received.

#### iii) ART BANK RENTAL REVENUES

Rental revenues generated from Art Bank assets are recognized in the year in which services are provided. They are included in net Art Bank results on the Statement of Operations.

#### iv) OTHER REVENUES

Other revenues consist mainly of the cancellation in the current year of grants approved in previous years and hosting fees charged for services provided to a third party.

#### 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 is recognized in net realized investment income.

### Grants , prizes and author payments

Grants, prizes and author payments are considered to be a government transfer. They are recorded as an expense in the year for which they are budgeted and approved by the Board, authority to pay has been obtained through the Appropriation Act, and results communicated to the applicants.

### 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 tangible capital assets, the residual and appraised value of the Art Bank 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 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 cash equivalents invested in the pooled fund was \$495,000 at March 31, 2016 (2015 - \$986,000).

## 4. Portfolio Investments

(in thousands of dollars)	2016					2015		
	Cost	Unrealized losses	Unrealized gains	Fair value		Cost	Fair value	
	\$	\$	\$	\$	%	\$	\$	%
<b>Canada Council Endowment and Special Funds</b>								
Pooled funds								
Equity	126,336	1,904	20,423	144,855	53	112,970	156,036	55
Fixed income	70,750	-	2,676	73,426	27	70,750	75,463	27
Alternatives	20,630	-	6,306	26,936	10	20,630	27,148	10
Money market	5,992	-	-	5,992	2	6,446	6,446	2
Real estate	7,717	62	2,390	10,045	4	7,735	9,525	3
Infrastructure	7,827	94	4,468	12,201	4	5,689	8,596	3
	239,252	2,060	36,263	273,455	100	224,220	283,214	100
<b>Killam Fund</b>								
Pooled funds								
Equity	26,832	380	4,535	30,987	53	24,095	33,593	55
Fixed income	13,787	-	515	14,302	25	14,745	15,720	26
Alternatives	5,298	-	1,613	6,911	12	5,298	6,965	11
Money market	-	-	-	-	-	-	-	-
Real estate	2,051	16	648	2,683	4	2,062	2,560	4
Infrastructure	2,036	24	1,301	3,313	6	1,561	2,439	4
	50,004	420	8,612	58,196	100	47,761	61,277	100
<b>Total investments</b>	<b>289,256</b>	<b>2,480</b>	<b>44,875</b>	<b>331,651</b>		<b>271,981</b>	<b>344,491</b>	

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 as at March 31, 2016. The Council manages two separate portfolios, the Canada Council Endowment and Special Funds and the Killam Fund. The Killam will requested that their donation be invested separately. Apart from the Killam Fund, the amounts received that are subject to external restrictions are invested within the Canada Council Endowment and Special Funds and represent 8% (2015 - 8%) of that Fund with a total fair value of \$21,904,000 (2015 - \$22,685,000). The total fair value of the externally restricted investment including the Killam Fund is \$80,100,000 (2015 - \$83,962,000).

All transactions for the externally restricted contributions are originally paid by or received in the Council's general bank account thus creating temporary interfund balances. The interfund balance of externally restricted contributions owed to Council at March 31, 2016 by the Special Funds is \$2,996,000 (2015 - \$2,515,000) and owed by the Council to the Killam Fund is \$212,000 (2015 - \$1,007,000 owed to Council).

The long-term objectives of the Canada Council Endowment and Special Funds and the Killam Fund 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 five real estate funds and four infrastructure funds. The permitted and prohibited investments, the asset mix as well as some maximum holding quantity restrictions are governed by a Board approved investment policy to mitigate risk. All of the investments are managed by professional investment managers.

The Council manages its portfolio to the following benchmarks as per the Statement of Investment Policies and Goals approved by the Board. The benchmarks allow asset class allocations to vary between a minimum and a maximum.

Asset Classes	Market Value	Minimum	Benchmark	Maximum
Canadian equities	10%	5%	10%	15%
Global equities	43%	35%	40%	45%
Fixed income	26%	15%	25%	35%
Alternatives	10%	5%	10%	15%
Real estate	4%	0%	7.5%	10%
Infrastructure	5%	0%	7.5%	10%
Money market	2%	0%	0%	10%

The money market asset class includes short-term pooled funds used for future investments in alternatives and capital commitments in limited partnership units of real estate and infrastructure funds. These funds had a balance of \$5,992,000 (2015 - \$6,446,000). For the year ended March 31, 2016, these funds earned a return of 0.76% (2015 - 1.11%) and the underlying investments had an average weighted term to maturity of 28 days (2015 - 37 days).

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 (MSCI) All Country World Index. Investments in the fixed income pooled fund are comprised of a mix of bonds, mortgages, emerging debt and other fixed income instruments. The fixed income fund is measured against the returns of the FTSE TMX Universe Bond Index. Investments in the alternative pooled

funds are comprised of units of one hedge fund with diversified positions across global asset classes. This investment is measured against the returns of the 91-day Canadian T-bill plus 4%. The assets included in the real estate funds are commercial real estate properties in Canada, the United States and globally. These investments are measured against the returns of the Investment Property Databank. The infrastructure funds include four portfolios of diversified infrastructure investments. These investments are measured against the Consumer Price Index plus 4.5%.

## 5. Financial Risks and Fair Value

At March 31, 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)

		2016	2015
Financial assets and liabilities	Measurement categories	Carrying amount and fair value (\$)	Carrying amount and fair value (\$)
Cash and cash equivalents	Fair value	495	1,226
Accounts receivable	Amortized cost	2,775	2,732
Portfolio Investments <sup>1</sup>	Fair value	331,651	344,491
Bank indebtedness	Fair value	646	-
Grants, prizes and author payments payable	Amortized cost	27,674	28,751
Accounts payable and accrued liabilities	Amortized cost	3,486	2,499

<sup>1</sup> The detailed fair value for the investments is listed in Note 4.

### A) ESTABLISHING FAIR VALUE

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

The fair values of the investments are determined as follows:

- Equity, Fixed Income and Money Market 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 is a pooled fund investment which is valued at the unit values supplied by the pooled fund manager. The fund manager manages multiple funds with different strategies and determines the unit's fair value using the closing market prices for some strategies when available or using a 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 and are audited annually.

### B) FAIR VALUE HIERARCHY

The financial instruments are 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 as at March 31

(in thousands of dollars)	2016				2015			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$	\$	\$	\$	\$
Cash and cash equivalents	-	495	-	495	240	986	-	1,226
<b>Portfolio Investments</b>								
<b>Canada Council Endowment and Special Funds</b>								
Pooled Funds								
Equity	-	144,855	-	144,855	-	156,036	-	156,036
Fixed Income	-	73,426	-	73,426	-	75,463	-	75,463
Alternatives	-	-	26,936	26,936	-	-	27,148	27,148
Money Market	-	5,992	-	5,992	-	6,446	-	6,446
Real Estate	-	-	10,045	10,045	-	-	9,525	9,525
Infrastructure	-	-	12,201	12,201	-	-	8,596	8,596
<b>Killam Fund</b>								
Pooled Funds								
Equity	-	30,987	-	30,987	-	33,593	-	33,593
Fixed Income	-	14,302	-	14,302	-	15,720	-	15,720
Alternatives	-	-	6,911	6,911	-	-	6,965	6,965
Real Estate	-	-	2,683	2,683	-	-	2,560	2,560
Infrastructure	-	-	3,313	3,313	-	-	2,439	2,439
<b>Total</b>	<b>-</b>	<b>270,057</b>	<b>62,089</b>	<b>332,146</b>	<b>240</b>	<b>288,244</b>	<b>57,233</b>	<b>345,717</b>

## Financial liabilities at fair value as at March 31

(in thousands of dollars)	2016				2015			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$	\$	\$	\$	\$
Bank indebtedness	646	-	-	646	-	-	-	-

During the year, there were no significant transfers of amounts between Level 1 and 2.



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

(in thousands of dollars)	2016				2015			
	Alternatives fund	Real estate funds	Infrastructure funds	Total	Alternatives fund	Real estate funds	Infrastructure funds	Total
	\$	\$	\$	\$	\$	\$	\$	\$
<b>Canada Council Endowment and Special Funds</b>								
Opening balance	27,148	9,525	8,596	45,269	25,307	9,452	5,994	40,753
Total gains (losses)								
recognized in re-measurement statement	(195)	495	1,349	1,649	1,694	290	1,258	3,242
recognized in externally restricted contributions	(17)	43	118	144	147	25	109	281
Purchases	-	742	3,268	4,010	-	2,670	3,073	5,743
Sales	-	(760)	(1,130)	(1,890)	-	(2,912)	(1,838)	(4,750)
Closing balance	26,936	10,045	12,201	49,182	27,148	9,525	8,596	45,269
<b>Killam Fund</b>								
Opening balance	6,965	2,560	2,439	11,964	6,493	2,555	1,790	10,838
Total gains (losses)								
recognized in externally restricted contributions	(54)	135	399	480	472	83	424	979
Purchases	-	185	818	1,003	-	673	773	1,446
Sales	-	(197)	(343)	(540)	-	(751)	(548)	(1,299)
Closing balance	6,911	2,683	3,313	12,907	6,965	2,560	2,439	11,964

#### 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).

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 reduce the overall risk of the portfolio to an acceptable level.

##### i. CREDIT RISK

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Council.

At the Statement of Financial Position date, financial assets exposed to credit risk include cash equivalents, portfolio investments and accounts receivable. The carrying amounts of these financial assets represent the maximum credit risk exposure at the Statement of Financial Position date.

Through its investments in units of equity, fixed income and alternatives pooled funds and in limited partnership units of five real estate funds and four infrastructure funds, the Council is indirectly exposed to the credit risk of the underlying investments of those funds. These risks are managed at the investment manager level. Their objectives are to invest in high quality financial instruments with creditworthy counterparties, by limiting the amount that can be invested in any one counterparty and by using other limits set out in the Council's investment policy.

The Council mitigates credit risk through monitoring of the outstanding balances. As at March 31, 2016, there were no significant amounts past due and no impairment losses have been recognized.

##### ii. LIQUIDITY RISK

Liquidity risk is the risk that the Council will not be able to meet its financial obligations as they fall due.

The Council receives most of its revenue by way of parliamentary appropriation from the Government of Canada. That revenue is temporarily invested in the short-term pooled fund until it is required.

Liquidity sources in the event of an immediate need to fulfill the timely payment guarantee include overdraft facilities and cash and short-term investments in marketable securities.

The objectives of the Council with respect to the management of liquidity is to ensure that the capital value of its short-term pooled funds is preserved, that the investments are sufficiently liquid and that investment income is distributed in cash when possible.

The liquidity available from the short-term funds and portfolio investments ensures that the Council is able to meet its obligations and commitments. The majority of the investment portfolio can be redeemed within three days. As well, the permitted and prohibited investments are governed by Board-approved short-term and long-term investment policies which ensure that the liquidity risk is minimized.

The Council has an investment policy that enables it to withdraw annual amounts from its investment portfolio valued up to 3.5% for the Endowment and Special Funds and the Killam Fund (2015 - 3.75% for the Endowment and Special Funds and 3.5% for the Killam Fund) of the previous three-year average market value using balances at September 30.

The following table presents a maturity analysis based on historical data for the Council's financial liabilities as of March 31:

(in thousands of dollars)	Less than six months	Between six months to one year	Between one to two years	Over two years	2016 Total
	\$	\$	\$	\$	\$
<b>Financial Liabilities</b>					
Bank indebtedness	646	-	-	-	646
Grants, prizes and author payments payable	7,267	10,046	7,812	2,549	27,674
Accounts payable and accrued liabilities	2,956	220	310	-	3,486
	<b>10,869</b>	<b>10,266</b>	<b>8,122</b>	<b>2,549</b>	<b>31,806</b>

### iii. MARKET RISKS

The Council's activities are primarily exposed to price risk, interest rate risk and currency risk.

The investment managers' directives are to manage the Council's market risks on a daily basis in accordance with the Council's policies. The Council's overall market positions are monitored on a quarterly basis by the Board of Directors and the Investment Committee.

#### Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting similar financial instruments traded in the market.

The Council is exposed to market price risk arising from its investments in units of equity and alternative pooled funds and in limited partnership units of five real estate funds and four infrastructure funds.

#### Price sensitivity

The following details the Council's portfolio sensitivity to a 5.4% increase or decrease in the market prices, with 5.4% being the sensitivity rate used when reporting price risk internally to key management personnel and representing management's assessment of a reasonably possible change in market prices.

The sensitivity rate is determined using the 4 year historical standard deviation for the total fund as determined by the investment advisor.

At March 31, 2016, if market prices had a 5.4% (2015 - 5.8%) increase or decrease with all other variables held constant, the increase or decrease in remeasurement gains and losses and deferred revenues – externally restricted contributions for the year would have been a total of \$17,909,000 (2015 - \$19,919,000) due to the increase or decrease in the fair value of financial assets measured at fair value.

A separate sensitivity analysis for level 3 financial instruments is not possible given the underlying assumptions used are not available to Council.

#### 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 interest rate exposure of the Council arises from its interest bearing assets. The Council's cash includes amounts on deposit with a financial institution that earns interest at market rates. The objective of the Council is to manage its exposure to the interest rate risk of its cash by maximizing the interest income earned on excess funds while maintaining the minimum liquidity necessary to conduct operations on a day-to-day basis. Fluctuations in market rates of interest on cash do not have a significant impact on the Council's results of operations.

The Council's investments in a short-term pooled fund, fixed income pooled fund and alternatives pooled fund are indirectly affected by movements in their fair value as a result of fluctuations in market interest rates. The impact of the fluctuation cannot be assessed since Council holds units of pooled funds and not the underlying assets.

#### Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Council is exposed to limited foreign exchange risk on revenues and expenses denominated in a foreign currency. The majority of these transactions are denominated in US dollars and Euros.

At the Statement of Financial Position date, the non-Canadian dollar denominated portion of its investment portfolio represents \$18,132,000 (2015 - \$12,443,000). Given the small size of the foreign currency exposure compared with the total assets of the Council, currency risk is not considered significant.

## 6. Employee Future Benefits

### A) 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. The President of the Treasury Board of Canada sets the required employer contribution rates based on a multiple of the employees' required contribution. The required employer contribution rate is dependent on the employee's employment start date. For employment start dates before January 1, 2013, the Corporation's contribution rate effective at year-end was 1.15 times (2015 - 1.28) the employee's contribution; and for employment start dates after December 31, 2012, the Corporation's contribution rate effective at year-end was 1.11 times (2015 - 1.28) the employee's contribution. Total contributions of \$1.9 million (2015 - \$2.0 million) were recognized as expense in the current year.

The Government of Canada holds a statutory obligation for the payment of benefits relating to the Plan. Pension benefits generally accrue up to a maximum period of 35 years at an annual rate of 2% of pensionable service times the average of the best five consecutive years of earnings. The benefits are indexed to inflation.

(in thousands of dollars)	2016	2015
Employer's contributions	\$ 1,878	\$ 2,001
Employees' contributions	1,458	1,385

## B) SEVERANCE BENEFITS

The Council provided severance benefits to its employees based on years of service and final salary. These benefits were not pre-funded and thus had no assets, resulting in a plan deficit equal to the accrued benefit obligation. These benefits no longer accrue as per the collective agreement. The employees were given the option to either cash out their severance benefits or to wait until their departure. The obligation was adjusted at year-end to reflect employees' actual salary level. The total obligation will be paid from future appropriations or other sources of revenue. Information about the plan benefits, measured as at March 31, is as follows:

(in thousands of dollars)	2016	2015
Accrued benefit obligation, beginning of year	\$ 514	\$ 749
Current service cost	-	(21)
Benefits paid during the year	(56)	(214)
<b>Accrued benefit obligation, end of year</b>	<b>\$ 458</b>	<b>\$ 514</b>

## C) RETIREES BENEFITS

The Council has defined post-retirement benefit plans covering certain employee groups. These plans provide extended health and dental benefits to retired employees. Retirees pay 50% of the extended health care premium and 100% of the dental premium. In 2015-16, the Council obtained a full actuarial valuation as at March 31, 2016.

(in thousands of dollars)	2016	2015
Accrued benefit obligation, beginning of year	\$ 4,348	\$ 3,313
Current service cost	186	135
Interest cost	87	99
Benefits paid	(80)	(147)
Participant contributions	-	91
Actuarial loss	579	857
	<b>5,120</b>	<b>4,348</b>
Unamortized net actuarial losses	(2,669)	(2,270)
<b>Accrued benefit obligation, end of year</b>	<b>\$ 2,451</b>	<b>\$ 2,078</b>

The net actuarial loss arising from the experience and the changes in assumptions is amortized over the expected average remaining service period of the employee group which is fourteen years.

The significant actuarial assumptions adopted in estimating the accrued benefit obligations and net benefit costs are as follows:

	2016	2015
Discount rate for calculation of net benefit costs	2%	3%
Discount rate for calculation of accrued benefit obligation	2%	2%
Dental costs rate increase	4%	4%
Initial Health care cost trend rate increase - Prescription drugs	7%	8%
Ultimate health care cost trend rate	4%	4%
Year ultimate rate reached	2026	2023

## 7. Deferred Revenues - Externally Restricted Contributions

The deferred revenues from externally restricted contributions consist of accumulated income, both realized and unrealized, which has been deferred until the resources have been used for the purpose or purposes specified by the endowment. The restricted endowment principal of \$37,569,000 is required to be maintained intact and is reported under accumulated surplus from operations (see Note 11).

(in thousands of dollars)	2016	2015
Balance, beginning of year	\$ 42,956	\$ 37,097
Transferred from investment income (Note 12)		
Net Investment income	6,243	4,247
Use of funds	(2,389)	(2,324)
	3,854	1,923
Unrealized gains (losses) on portfolio investments	(6,622)	5,664
Reclassified to statement of operations - portfolio investments	(687)	(1,728)
<b>Balance at end of year</b>	<b>\$ 39,501</b>	<b>\$ 42,956</b>

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

## 8. Tangible Capital Assets

(in thousands of dollars)	Office Equipment	Leasehold improvements	Work in Progress	Total
<b>Cost</b>				
Opening balance at April 1, 2015	\$ 5,272	\$ 7,314	\$ 384	\$ 12,970
Acquisitions	620	128	94	842
Disposals	(649)	-	-	(649)
<b>Closing balance at March 31, 2016</b>	<b>\$ 5,243</b>	<b>\$ 7,442</b>	<b>\$ 478</b>	<b>\$ 13,163</b>
<b>Accumulated Amortization</b>				
Opening balance at April 1, 2015	\$ 3,857	\$ 1,589	\$ -	\$ 5,446
Amortization expense	698	320	-	1,018
Disposals	(649)	-	-	(649)
<b>Closing balance at March 31, 2016</b>	<b>\$ 3,906</b>	<b>\$ 1,909</b>	<b>\$ -</b>	<b>\$ 5,815</b>
<b>Net carrying amount at March 31, 2015</b>	<b>\$ 1,415</b>	<b>\$ 5,725</b>	<b>\$ 384</b>	<b>\$ 7,524</b>
<b>Net carrying amount at March 31, 2016</b>	<b>\$ 1,337</b>	<b>\$ 5,533</b>	<b>\$ 478</b>	<b>\$ 7,348</b>

## 9. Art Bank Assets

(in thousands of dollars)	2016	2015
Opening balance	\$ 19,425	\$ 19,400
Acquisitions	47	28
Disposals/Donations	(88)	(3)
<b>Closing Balance</b>	<b>\$ 19,384</b>	<b>\$ 19,425</b>

The Council's Art Bank has the largest collection of contemporary Canadian art in Canada. It includes over 17,300 paintings, sculptures, drawings, photographs and prints by over 3,152 artists. The Art Bank rents its assets to interested parties and as at March 31, 2016 has over 3,300 (2015 - 3,200) works on rental to federal government departments and agencies, associations, hospitals, schools, municipalities and private corporations.

The Council uses an independent appraiser to determine the fair value of the Art Bank assets. A full independent assessment valuation of the Art Bank assets was completed in 2001 and any artwork acquired after 2001 has been independently appraised upon acquisition. Significant events such as special recognition or artist passing are known to trigger a change in valuation. Management monitors significant events and obtains independent reassessment as required. The total appraised value of the Art Bank assets is estimated at \$71 million as at March 31, 2016 (\$71 million - 2015).

The residual values are estimated to be greater than the cost; therefore no Art Bank assets amortization is recognized.

The Council insures the Art Bank assets for their estimated appraised value.

## 10. Musical Instruments

The Council created the Musical Instrument Bank in 1985, and it currently owns a fine cello bow and nine prestigious musical instruments. In addition, the Council manages thirteen instruments on loan, nine from anonymous donors and four from four other donors.

Agreements are signed with the individuals to whom the instruments are loaned. Those agreements include clauses that stipulate how the musical instruments are to be handled in order to safeguard them. The appraised value of the Council's Musical Instruments Bank as at March 31, 2016 is \$53,860,000, converted from a value of US\$41,750,000 using the March 31, 2016 US exchange rate of 1.29 (2015 - \$53,050,000, converted from a value of US\$41,770,000 using the March 31, 2015 US exchange rate of 1.27).

## 11. Accumulated Surplus

(in thousands of dollars)	2016	2015
<b>Accumulated surplus from operations</b>		
<b>Endowment - original contribution</b>	\$ 50,000	\$ 50,000
<b>Endowment principal – Externally restricted contributions</b>	37,569	37,569
<b>Reserve for excess investment income</b>		
Balance at beginning of the year	124,445	122,445
Appropriated from the accumulated surplus during the year	12,000	2,000
Balance at end of the year	136,445	124,445
<b>Surplus</b>		
Balance at beginning of the year	25,743	24,926
Appropriated to the reserve for excess investment income during the year	(12,000)	(2,000)
Surplus for the year	11,830	2,817
Balance at end of the year	25,573	25,743
<b>Total accumulated surplus from operations</b>	<b>249,587</b>	<b>237,757</b>
<b>Accumulated remeasurement gains</b>		
Balance at beginning of the year	53,963	39,037
Change in fair value	(22,805)	14,926
Balance at end of the year	31,158	53,963
<b>Balance of accumulated surplus at end of year</b>	<b>\$ 280,745</b>	<b>\$ 291,720</b>

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.

## 12. Net Realized Investment Income

(in thousands of dollars)	2016	2015
(Losses) gains from disposal of portfolio investments	\$ (627)	\$ 1,767
Income transferred to deferred revenues -		
Externally restricted contributions (Note 7)	(3,854)	(1,923)
Net gains on foreign exchange	319	310
Interest, dividend and other distributed income	26,697	13,074
Investment portfolio management costs	(1,850)	(2,201)
	<b>\$ 20,685</b>	<b>\$ 11,027</b>

## 13. Net Art Bank Results

(in thousands of dollars)	2016	2015
Rental revenue	\$ 1,205	\$ 1,251
Other income	168	164
Disposal/donation of Art Bank assets	(88)	(3)
Administration expense	(1,639)	(1,721)
Amortization of other capital assets	(11)	(18)
	<b>\$ (365)</b>	<b>\$ (327)</b>

## 14. Canadian Commission for UNESCO

(in thousands of dollars)	2016	2015
Program expenses	\$ 583	\$ 700
Program - contributions received	(11)	-
Administration expense	1,201	1,251
	<b>\$ 1,773</b>	<b>\$ 1,951</b>

Program expenses represent mainly the costs associated with the Commission's activities at national and international meetings related to education, science and culture. When applicable, these costs are offset by contributions received from other organizations partnering with the Commission on these activities. Administration expenses represent the direct costs of delivering the Commission's programs.

## 15. Net Change in Other Non Cash Items

(in thousands of dollars)	2016	2015
(Increase) decrease in accounts receivable	\$ (43)	\$ 1,384
Decrease in grants, prizes and author payments payable	(1,077)	(2,150)
Increase (decrease) in accounts payable and accrued liabilities	987	(1,045)
Decrease in deferred revenues	(184)	(416)
<b>Net change</b>	<b>\$ (317)</b>	<b>\$ (2,227)</b>

## 16. Contractual Obligations and Commitments

### A) GRANTS , PRIZES AND AUTHOR PAYMENTS

Grants, prizes and author payments extending into future years are subject to the provision of funds by Parliament. Future year commitments for those payments approved prior to March 31, 2016 amounted to \$96,176,000 (2015 – \$132,650,000). The future payments of grant commitments as of March 31, 2016 are as follows:

(in thousands of dollars)

2017	\$	80,937
2018		9,055
2019		6,184

### B) RENT

The Council is party to long-term operating leases with respect to rental accommodation. Future year payments related to operating leases as of March 31, 2016 amounted to \$81,372,000 (2015 – \$87,511,000). The future payments of operating leases as of March 31, 2016 are as follows:

(in thousands of dollars)

2017	\$	4,251
2018		4,326
2019		4,406
2020		4,260
2021		4,179
2022-2034		59,950

### C) INVESTMENT COMMITMENTS

The Council has committed funds with real estate and infrastructure investment managers through limited partnership funds. Because it takes time for those funds to be fully invested, the balance of committed capital not yet drawn at March 31, 2016 is \$22,389,000 (2015 – \$26,585,000). A portion of the outstanding balance of committed capital is currently invested in short-term pooled funds.

### D) OTHER COMMITMENTS

The Council entered into various contracts during the year creating commitments of payments in future years. Future year payments related to these commitments as of March 31, 2016 amounted to \$415,000 (2015 - \$852,000). Future annual payments as of March 31 are as follows:

	1 Yr	Less than 3 yrs
Program delivery	\$ 25,000	\$ -
Arts community services	166,000	20,000
General Administration	158,000	22,000
Tangible capital assets	24,000	-

## 17. 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 consideration established and agreed to by the related parties.

During the year, the Council incurred grants, prizes and author payments and other expenses totalling \$149,000 (2015 – \$282,000) and recorded rental revenues for the Art Bank assets, contributions and other revenues totalling \$767,000 (2015– \$736,000) with related parties.

As at March 31, the Council recorded the following amounts on the Statement of Financial Position for transactions with related parties:

(in thousands of dollars)	2016	2015
Accounts receivable	\$ 328	\$ 179
Grants, prizes and payments payable	5	165
Accounts payable and accrued liabilities	41	18
Deferred revenues	293	275

## Schedule I - Grants, Prizes and Author Payments by Section

(in thousands of dollars)

	2016	2015
<b>Arts Programs and Prizes</b>		
Music	\$ 28,499	\$ 28,195
Theatre	27,282	27,025
Writing and Publishing	24,637	24,249
Visual Arts	21,557	21,070
Dance	18,645	18,467
Media Arts	14,594	14,720
Audience and Market Development	3,129	3,087
Inter-Arts	2,788	2,563
Aboriginal Arts	2,095	1,324
Equity	1,460	1,858
Other	1,081	1,010
<b>Public Lending Right</b>	9,760	9,741
<b>Killam Program</b>		
Killam Research Fellowships	840	770
Killam Prizes	500	500
<b>Other Prizes and Awards</b>		
Victor Martyn Lynch-Staunton Awards	105	105
Molson Prizes	100	100
John G. Diefenbaker Award	95	95
Other prizes and awards < \$50,000	273	262
	<b>\$ 157,440</b>	<b>\$ 155,141</b>

## Schedule II - Other Expenses

(in thousands of dollars)

	2016			2015
	Transfer Program Delivery	General Administration	Total	Total
Salaries and employee benefits	\$ 12,384	\$ 8,002	\$ 20,386	\$ 20,741
Office accommodation	28	3,481	3,509	3,533
Peers and advisory committees	2,559	-	2,559	2,516
Professional and special services	347	843	1,190	1,166
Amortization	-	1,007	1,007	1,093
Information management	78	772	850	1,211
Staff travel	421	109	530	594
Prizes presentation	453	-	453	325
Communications	2	294	296	420
Printing, publications and duplicating	5	271	276	341
Meeting expenses including members' honoraria	76	152	228	259
Office expenses and equipment	4	198	202	249
Miscellaneous	-	19	19	13
	<b>\$ 16,357</b>	<b>\$ 15,148</b>	<b>\$ 31,505</b>	<b>\$ 32,461</b>

## Schedule III - Arts Community Services

(in thousands of dollars)

	2016	2015
Research and consultation	\$ 912	\$ 969
Partnership and networking	551	738
Event costs	325	331
	<b>\$ 1,788</b>	<b>\$ 2,038</b>