




A NEW CHAPTER

ANNUAL REPORT 2016-17



Canada Council
for the Arts

Conseil des arts
du Canada



Cover: Still from Kyoka Tsakamoto's *Creation and sacrifice*. This film, which follows the journey of the Montréal filmmaker (originally from Japan) to reconnect with her sister, received support from the Canada Council's New Chapter program.

Obeah Opera, featuring an all-female cast and music and libretto by Toronto's Nicole Brooks (Asah Productions), received support from the Canada Council's New Chapter program. Photo: Racheal McCaig.

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Published in Canada. Cat. No. K21-1E-PDF. ISSN 1493-5589

The 60th Annual Report of the Canada Council for the Arts and supplementary information on grants, services and prizes are available on the Council's website.



MANDATE

The Canada Council for the Arts is Canada's 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 in Canada to contribute to a more


peaceful, equitable and sustainable future. 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 and 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.

A black and white photograph of a woman standing on a train platform, looking out at a train. The train is blurred, suggesting motion. The woman is in the foreground, slightly to the left, looking towards the right. The platform has a sign that says "Women Only".

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**“BOARD MEMBERS AND I HAVE BEEN
DEEPLY INSPIRED BY THE IMPACT OF
THE COUNCIL’S FUNDING.”**

Message from the Chair

There's nothing like an anniversary to inspire reflections on our past and aspirations for our future. In 2016-17, that was certainly the case for the Canada Council for the Arts. As our country prepared to mark the 150th anniversary of Confederation, the arts – and all sectors of society – grappled with what it means to be Canadian in 2017. This question was especially pertinent for the Council as it turned 60 and began a new chapter in the way it contributes to Canada's vibrant art scene in the 21st century.

As Chair of the Board of the Directors, I'm extremely proud of the accomplishments of the past year. In 2016-17, the Council took the first major steps in the large-scale transformation it had been planning for the past two years. The commitments of the 2016-21 Strategic Plan, *Shaping a New Future*, were immediately embedded into its operations and new investments. One in particular, the Digital Strategy Fund, will roll out this year and will help the arts community to thrive in our digital age. It has been rewarding to see the New Funding Model and new granting portal come to life. Above all, my fellow Board members and I have been deeply inspired by the impact of the Council's funding: the thousands of talented artists whose creations are enjoyed by audiences across the country and around the world. Their stories came through clearly in our annual public meeting, and are front-and-centre throughout this annual report.

For me, 2016-17 also signaled a new beginning for the Council's Board of Directors. Building on our strength – another nomination for the Best Engagement by a Governance Team Award from the Governance Professionals of Canada – we updated our governance policies and prepared to fill six vacant Board positions through the federal government's new, more transparent selection process. I'm delighted with the energy, insights and diversity of experience that our Board members bring to the table. Their passion for the arts is invigorating as the organization embraces its new approach to funding and to raising the profile of the arts and its larger role in society.

Looking ahead to the future, I feel a tremendous sense of optimism for the organization and for the arts in Canada. I want to recognize the Council's staff, management and Board for their skill and dedication. In particular, my thanks to Simon Brault, who has been – and continues to be – an inspiration to all throughout the organization's transformation. I'm grateful to the arts community for its trust in the Council, and the federal government for its vote of confidence in the form of a doubling of our budget by 2021. Finally, my sincere gratitude to all Canadians for making the arts a valued part of their everyday life.



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



▶
**“WE’VE BEGUN SHAPING A
NEW FUTURE FOR THE
ARTS IN CANADA.”**

Message from the Director and CEO

The year 2016-17 was incredibly intense and inspiring in every way. Intense in its promises. Intense in its achievements. And incredibly mobilizing. The transformation announced nearly three years ago fully took form. We launched the guidelines for our six new programs. Thousands of artists and arts organizations have created accounts in our online portal where they can now submit their applications. The administration of our programs is going more and more digital. While there have been some technical bumps along the road, we've been able to count on the constant commitment and dedication of our staff and the gracious support of the arts community.

In 2016-17, we invested an additional \$35 million in arts projects, something that had not been done in Canada for a long time. By 2021, with the doubling of our budget, we will have awarded an additional \$487 million to support the arts sector's vitality and sustainable development. We have committed to maximizing the benefits of this historic investment for all Canadians, regardless of where they live from coast to coast to coast.

We also launched New Chapter, a unique one-time program that heralds our New Funding Model. This program was unprecedented – both in terms of the scope of the projects submitted and the amount of funding requested. Starting in 2017 and until 2019, the 201 projects funded through this program will help create a rich artistic and literary heritage – a source of pride for all Canadians. Meanwhile, the {Re}conciliation initiative is funding 26 projects that use the arts to spark new dialogues between Indigenous and non-Indigenous peoples in Canada. It also sets the stage for the short- and long-term success of Creating, Knowing and Sharing: The Arts and Cultures of First Nations, Inuit and Métis Peoples, a key program at the heart of the New Funding Model.

The Council's core commitment to maximize the impact of the arts is even more relevant in the digital age. In March 2017, we invited 300 artists, cultural workers, leaders, mediators, experts and funders to a major summit on the Arts in a Digital World. This extensively

prepared event gathered people together to discuss the countless changes brought about by the digital age; the philosophical, ethical and organizational transformations needed to adapt to it; the issue of digital literacy in the arts sector; and the endless potential of digital technologies to reach new audiences. What's more, the Summit helped validate the pragmatic approach we are taking with the Digital Strategy Fund, which will be launched in 2017.

To open the Summit, I read a manifesto calling for active solidarity based on humanist values and innovative strategies that transcend our individual realities, while acknowledging and taking into account the differences in access and resources related to our history and geography. I think everyone who attended the event left supporting this idea, affirming that digital civilization needs the arts, to avoid becoming the first civilization to exclude humans.

I've often stated that the arts and artists must take their place on the world stage and at tables where the future of our society is on the agenda. That's why we've committed to doubling our international investments to ensure our artists have a stronger presence around the world. As an arts funder, the Council also has a diplomatic role to play in starting conversations about the arts. In this past year, as a new member of the Board of the International Federation of Arts Councils and Culture Agencies and as Canada's culture expert at the first-ever G7 Culture Summit, I've seen firsthand just how important it is for us to fully return to the world stage.

This year also marks the Council's 60th anniversary. What better occasion to recognize the women and men who built this remarkable institution! I am thrilled to be working on a daily basis with such skilled and dedicated teams to renew the Council, ensure its longevity and carry out its vital mission.



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

CANADA COUNCIL FOR THE ARTS CELEBRATES

60 YEARS

OF BRINGING THE ARTS TO LIFE

Since its creation in 1957, the Canada Council for the Arts has promoted, supported, recognized and funded artistic excellence. It has helped to improve conditions for creativity from coast to coast to coast. It has also nurtured Canadians' knowledge and appreciation of the arts. The results can be seen in the proliferation of excellent works of art and literature enjoyed by audiences in Canada and around the world.



In the early 2000s

Canadian films supported by the Canada Council began to win major film awards. Chris Landreth's short film, *Ryan* (2004), won an Oscar and three awards at Cannes' International Critics' Week, among others.



Photo: Ryan © 2004 Copperheart Entertainment and National Film Board of Canada

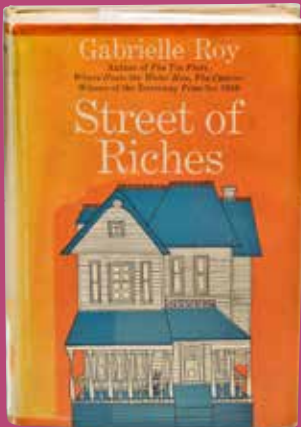


Kenojuak Ashevak (GGArts, 2008), *The Enchanted Owl*, 1960. Photo: reproduced with the permission of Dorset Fine Arts.



In 2000

The Council launched a major career achievement award, the Governor General's Award for Visual and Media Arts, and welcomed the Saidye Bronfman Award for Excellence in Fine Craft to the family. Since then, the award has recognized some 100 artists who have shaped Canadian contemporary art in remarkable ways.



In 1957

The Council took over responsibility for the Governor General's Literary Awards, originally created in 1936. Many of the early winners are now recognized as Canadian literary icons.



Photo: Donna Santos



Photo: Andrew Oxenham

In 1971

Karen Kain made her debut in the National Ballet of Canada's production of *Swan Lake*. Over the next 28 years, she would tour worldwide and become Canada's best-known ballerina. She served as Chair of the Council's Board of Directors (2004-08), and is the current Artistic Director of the National Ballet of Canada.

In 1985


The Council launched its Musical Instrument Bank (MIB), which gives talented musicians the opportunity to borrow legendary instruments to advance their careers on the world stage. Shown here: Timothy Chooi with the MIB's 1717 Windsor-Weinstein Stradivarius violin.

In 2000


Robert Lepage's solo show *The Far Side of the Moon* debuted. Its production by Quebec City's Ex Machina, was funded by the Council's special Millenium Arts Fund. It received wide acclaim, toured more than 20 cities throughout Europe and the United States, and in 2003 was made into a Genie award-winning film.



Photo: Sophie Grenier



MANAGEMENT'S DISCUSSION AND ANALYSIS



In March 2017, the Canada Council for the Arts celebrated its 60th anniversary – a milestone birthday in a remarkable year that launched the federal government’s unprecedented doubling of the Council’s budget. This translates into an additional investment of \$550 million between 2016 and 2021.

SHAPING A NEW FUTURE

This past year also marked the completion of the first year for the Council’s 2016-21 Strategic Plan, *Shaping a New Future*, which outlines:

FOUR COMMITMENTS

1



Increased Arts Support

Increase support to artists, collectives and organizations striving for artistic excellence and greater engagement in the arts by an increasingly diverse public.

2



Digital

Amplify the quality, scale and sharing of Canadian art through digital technology.

3



Indigenous

Renew the relationship between Indigenous artists, and Indigenous and non-Indigenous audiences, for a shared future.

4



International

Raise the international profile of Canadian art and artists.

STARTING A NEW CHAPTER



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The four commitments reflect the start of a new chapter for the Canada Council as it transforms itself into an organization poised to meet the opportunities and challenges of today's Canada. The Council is also turning to face the future as it deepens its commitment to increase equity of access to its programs for artists, arts organizations and communities that are marginalized or disadvantaged, and seeks to increase support for the next generation of artists and audiences.

BRINGING THE ARTS TO LIFE TOGETHER

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The Council's investment in the arts contributes to a larger system of arts support that includes funding from other levels of government, foundations and private donors, as well as income earned by artists and revenue generated by arts organizations. Together, these investments nourish Canada's excellent, vibrant and diverse arts ecosystem.

\$222.6M

TOTAL
PARLIAMENTARY
APPROPRIATIONS

\$196.8M

ALLOCATED TO
GRANTS, PRIZES AND
AUTHOR PAYMENTS



1,100

FIRST-TIME GRANT
RECIPIENTS
(ARTISTS AND ARTS
ORGANIZATIONS)

707

PEER ASSESSORS

1,881

COMMUNITIES
ACROSS CANADA
IN WHICH GRANTS,
PRIZES AND AUTHOR
PAYMENTS WERE
AWARDED

2,183

ARTS ORGANIZATIONS
RECEIVING COUNCIL
GRANTS

2,103

ARTISTS DIRECTLY
RECEIVING COUNCIL
GRANTS

17,344

AUTHORS RECEIVING
PUBLIC LENDING
RIGHT PAYMENTS

OUR COMMITMENTS IN ACTION

The 2016-17 year was an important moment for the arts in Canada. The increase of the Canada Council for the Arts' budget was part of a major investment in arts and culture by the federal government, totalling \$1.9 billion by 2021. The Department of Canadian Heritage also undertook important consultations on Canadian Content in a Digital World, the results of which will inform how Canada modernizes its cultural policy toolkit. Additionally, several federal, provincial, municipal and philanthropic funders launched initiatives to support the creation of artistic work on the occasion of Canada's 150th anniversary.

During this exceptional year for the arts in Canada, the Council successfully undertook five major initiatives to support its strategic plan commitments:

Launch of a New Funding Model

The Council implemented its transition to the New Funding Model, which replaced its 140+ artistic disciplinary-based granting programs with new outcome-oriented granting programs and strategic funds.

{Re}conciliation Initiative

The Council continued its investment in this initiative, which aims to promote artistic collaborations that look to the past and future for new dialogues between Indigenous and non-Indigenous peoples in Canada.

Arts in a Digital World Summit

After completing two major research projects on digital arts strategies around the world and the use of digital technologies by Canadian artists and arts organizations, the Council hosted a national summit that brought together artistic and administrative leaders, digital experts, and strategic thinkers to discuss the impact of technology on the work and aspirations of artists, cultural workers, leaders and citizens. The summit was also an important opportunity for participants to understand the orientation of the Council's Digital Strategy Fund, to be launched in the fall of 2017.

New Chapter program

To mark the 150th Anniversary of Confederation, the Council launched the New Chapter program, a special one-time \$35M fund for the creation and sharing of 201 exceptional artistic and literary projects.

Placing the arts in the international spotlight

The Council collaborated with government departments, agencies and international partners to raise the profile of the arts at important international forums like the International Federation of Arts Councils and Culture Agencies' 7th World Summit in Malta, and participation in the first-ever G7 Culture Summit in Italy.

ADDITIONAL INVESTMENT OF \$487M

TO THE ARTS SECTOR OVER
THE COURSE OF 2016-21

THE PATH AHEAD

Looking to the future, the majority of the Council's new funds will be invested primarily through its New Funding Model. Highlights of how these funds will be directed include doubling the Council's investment in international activities and almost tripling its investment to support the creation, knowledge, and sharing of Indigenous arts and cultures by 2021.

In the years ahead the Council will continue to evolve, seeking ongoing change in response to shifts in wider Canadian society and around the world. In this way, the Council will continue to play an integral role in supporting the arts to better engage Canadians, enrich their communities and reach markets around the world. And we will measure our impacts to demonstrate results to Canadians.

STRATEGIC OUTCOME

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

RESULTS



\$54.6B – culture gross domestic product or 3.0% of Canada's total GDP, 2014.ⁱ



There were 630,483 cultural jobs, or 3.5% of total employment, 2014.ⁱ



In the last year: ⁱⁱ

- 87% of Canadians attended a performance or arts event.
- Two-thirds of Canadians engaged in some way with arts and culture in an online environment.
- 70% of Canadians under 25 participated in some form of creative expression.

ⁱ 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.

ⁱⁱ Data taken from the Arts and Heritage Access and Availability Survey, 2016-17.

COMMITMENT

INCREASED ARTS SUPPORT

We will invest in artistic research and development, and help next-generation artists to build sustainable careers. We will increase support to artists, collectives and organizations striving for artistic excellence and greater engagement in the arts by an increasingly diverse public.

RESULTS

Increased funding to artists and arts organizations

In November 2016, the Council announced that it will more than double its grants, prizes and payments to artists and arts organizations by 2021. In other words, \$487M of the \$550M of its increased budget between 2016-17 and 2020-21 will be delivered directly to the arts community.

New Chapter program Total amount awarded: \$35M

The Canada Council marked the 150th Anniversary of Confederation with a special program, New Chapter. Through this program, the Council provided funding for the creation and sharing of exceptional artistic and literary works that will provide a lasting legacy for Canadians. In total, the program funded 201 projects from the incredible response of 2,226 applications. All of the funded projects included a strong public engagement component with a local, national and international reach.

“To succeed in the future, artists need... to engage with their communities in new ways and look beyond for other opportunities.”ⁱⁱⁱ

ⁱⁱⁱ *Shaping a New Future*, Strategic Plan 2016-21



Living the unDesirable Life, produced by Ottawa-based integrated dance company Propeller Dance (with choreography by Renata Soutter and music by Jesse Stewart), received support from the Council's New Chapter program.

An incredible response, a lasting legacy

In 2016-17, the Canada Council for the Arts invested the first installment of new funding made possible by the federal government's historic reinvestment in the arts (doubling of the Council's budget by 2021). It allocated \$35M to a one-time program to mark the 150th anniversary of Confederation, called New Chapter.

For New Chapter, the Council asked the arts community to dream big – and it responded with enthusiasm! More than 2,000 applications were submitted, and 201 exceptional projects were selected, with grants ranging from \$50,000 for individuals to \$400,000 for organizations. Starting in spring 2017 to 2019, Canadians will be able to experience these works in large and small communities across the country and abroad. Here are a few highlights:

Akpik Theatre, based in Yellowknife, is preparing an adaptation of *Macbeth* with an all Indigenous cast, written in Cree and English, to be created and toured in traditional Cree territory.

Storyteller **Ivan Coyote** & singer-songwriter **Sarah MacDougall** are organizing a performance that celebrates the North and will tour the circumpolar region.

Propeller Dance, which celebrates its 10th anniversary in 2017, co-presented *Living the unDesirable Life*, an accessible and barrier-free performance with the Great Canadian Theatre Company and the National Art Centre's Canada Scene Festival in June 2017.

Toronto's **Regent Park Film Festival** is creating a film project based on home movies of Canadians of colour from the 20th century.

Montreal's **Nouveau Théâtre Expérimental** is leading a multi-company, multi-city production about Métis leader Gabriel Dumont.

Neighbourhood Dance Works, based in St. John's is organizing a homecoming that will bring renowned dancers from Newfoundland back to the province for a series of exchanges and performances.

These New Chapter projects will create a tremendous cultural legacy that will spark the imagination of Canadians for years to come. Together they represent the spirit of the exciting work we can expect in the coming years through the Council's New Funding Model.

COMMITMENT

DIGITAL

We will amplify the quality, scale and sharing of art through digital technology, which is changing the way we relate to the arts and culture, and how we connect with each other and the world. Artists and arts organizations need to be able to thrive in this radically changing environment.

RESULTS

In 2016-17, the Council undertook three major activities related to its digital commitment.



Research

In February 2017, the Council published an analysis of the digital strategies adopted by leading governmental organizations in Canada and around the world, as well as the findings from a survey on how the arts sector in Canada uses digital and the extent of the sector's digital sophistication.



Digital Summit

Drawing on the findings of the research, in March 2017 the Council hosted The Arts in a Digital World Summit. Participants engaged in cross-sectoral discussions which raised awareness of current technological realities while also furthering the collective capacity of the arts sector to meet the exciting possibilities of tomorrow.



Digital Strategic Fund

At the Summit, the Council announced its Digital Strategy Fund, which will support projects that kickstart the arts sector's digital transition. By 2021, the fund will invest a total of \$88.5M in projects of varied aim and scope. This increased financial support will help the arts sector to take advantage of technology to create new artistic visions and experiences, reach new audiences and transform their organizations and ways of working.

“Audiences are increasingly turning to the Internet to seek out digital and traditional works, and artists and organizations need to use every means possible to connect with them.” iii

ⁱⁱⁱ *Shaping a New Future*, Strategic Plan 2016-21

Manifesto for a digital community

The potential of the Canada Council for the Arts' support is fully realized when it mobilizes communities. In March 2017, some 300 arts leaders, digital experts and strategic thinkers gathered at l'Arsenal, in Montréal, to participate in the Council's Arts in a Digital World Summit.

With its hackathon-like format, the Summit's sessions, conferences, workshops and human libraries highlighted the importance of digital literacy, transformation and collaboration to take full advantage of digital's potential and the access and cultural engagement opportunities it offers.

To help participants to prepare for the event and ensure a shared understanding of the situation and its urgency, the Council commissioned Nordicity to analyze the digital strategies used by public administrations in Canada and abroad. At the event, speakers Ana Serrano, Jackson 2Bears, Sylvain Carle and Astra Taylor enriched the conversation with different perspectives on issues like digital human rights, the dangers of perpetuating colonial codes, private data, and the need to rethink our relationships. The ensuing discussions and

potential collaborations clearly showed that participants had accepted the challenge set out in Simon Brault's manifesto at the beginning of the Summit.

As announced at the Summit, beginning in fall 2017, the arts community will be able to access the Council's Digital Strategy Fund, through which \$88.5 million will be invested in project grants by 2021. The Fund will support innovative projects that take advantage of digital technologies and boost the impact of the arts. It is designed to be agile, with the flexibility needed to meet the challenges of the ever-evolving digital world.

Through the Fund, the Council will be able to support large-scale initiatives with grants up to \$500,000, while also funding smaller relevant and vital projects that can be carried out for under \$10,000.

The Council's initiatives from this year are just the beginning in carving out a better, more sustainable place for the arts at the heart of our digital society.

Some 300 people from many sectors took part in the Council's Arts in a Digital World Summit to develop concrete, pragmatic approaches to support the arts in a digital era.

COMMITMENT

INDIGENOUS

We commit to supporting the ongoing relationship between Indigenous artists, and Indigenous and non-Indigenous audiences, for a shared future. The Canada Council is adopting an approach that respects and acknowledges First Nations, Inuit and Métis artistic expression, cultural protocols, rights, traditions, and worldviews. We will support projects that stimulate Indigenous artists, enrich their artistic practices, and inspire their communities. This new approach represents a transformation of the way the Council funds, supports and acknowledges the Indigenous arts and cultures of Canada. It recognizes the cultural rights of Indigenous peoples and respects the principle of First Nations, Inuit and Métis self-determination.

RESULTS



Creating, Knowing and Sharing

As part of the New Funding Model, the Council developed its Creating, Knowing and Sharing: The Arts and Culture of First Nations, Inuit and Métis Peoples program. This program acknowledges the cultural sovereignty of Indigenous peoples and respects the concept of First Nations, Inuit and Métis self-determination. In 2016-17 the Council hired its first Director of the program, which will be led by an Indigenous staff responsible for the program's design and delivery.



{Re}conciliation Initiative

The Council launched the {Re}conciliation Initiative in 2015, in association with the J.W. McConnell Family Foundation and The Circle on Philanthropy and Aboriginal Peoples in Canada. The initiative invited applications from First Nations, Inuit and Métis artists, collectives and arts organizations (including collaborations between Indigenous and non-Indigenous artists or organizations). In 2016-17, the Council awarded \$1.1M in support of 16 projects that investigate and share knowledge on how the arts can contribute to the ongoing process of conciliation and reconciliation between Indigenous and non-Indigenous peoples in Canada.

“This is a moment unlike any the country has seen before, and the arts have a critical role to play.” ⁱⁱⁱ

ⁱⁱⁱ *Shaping a New Future*, Strategic Plan 2016-21



The Kingcome Collective received support from the Council's {Re}conciliation initiative for its film *Awakwās: Gathering Place*.

Reconciliation: Toward a common future

The Canada Council for the Arts is committed to supporting the cultural renaissance of First Nations, Inuit and Métis Peoples. The work of creators from these communities is key to Canada's process of reconciliation and conciliation – they reflect on the challenges and contradictions of our past and present, while pointing the way towards a common future.

{Re}conciliation is a groundbreaking initiative developed by the Council, the J.W. McConnell Family Foundation and The Circle on Philanthropy and Aboriginal Peoples in Canada. Launched in 2015, this \$1.8M initiative is supporting 26 projects that encourage new dialogue between Indigenous and non-Indigenous peoples. Here are a few examples:

Lieux de Coeur – Cicatrices de la Terre-Mère [Places of the Heart – Scars of Mother Earth], by the Val-d'Or Native Friendship Centre in Quebec, brings together First Nations artists for a shared encounter with the land. The artists' ephemeral Land Art works – in video, installation, large-format photography and trilingual text (Anishinaabe, French and English) – (re)create and (re)present significant “geosymbols” of the intangible heritage of the Algonquin communities of Temiscaming and Abitibi.

Mamow Nigamoowag [They are singing together] is a project by David Hodges, Nick Sherman, Natasha Quequish and

Chelsey Greig that connects young people with the twin themes of history and reconciliation. The youth are encouraged to draw on their creativity and powers of expression to compose a song by revisiting their history and exploring visual arts, musical creation, and performance. A videoclip of the song will then be shared with their friends and communities in a spirit of education, healing and understanding.

Awakwās: Gathering Place is a film and multimedia work by the Kingcome Collective on the contemporary process of reconciliation between Canada's Indigenous Peoples and non-Indigenous (colonial) society on the traditional territory of the Musgamagw Dzawada'enuxw in B.C. An intimate portrait of six women, it depicts the contemporary realities of Indigenous Peoples who return to their land to study how reconciliation continues to shape their world and their relationships with the world.

With the end of its {Re}conciliation funding program, the Council will begin to receive the first applications to its Creating, Knowing and Sharing: The Arts and Cultures of First Nations, Inuit and Métis Peoples program. By 2021, the Council is expected to have tripled its investment in Indigenous arts.

Seven new Indigenous works in Canada's largest collection of contemporary art

The Canada Council Art Bank brings the arts to a wide range of businesses and institutions through its rentals, loans and outreach. These collaborations help to raise awareness and recognition of Indigenous artists, while strengthening reconciliation and conciliation efforts between Indigenous and non-Indigenous peoples through art. This year, the Art Bank acquired seven contemporary artworks by extraordinary emerging and established Indigenous artists. These were its first acquisitions in over two years.

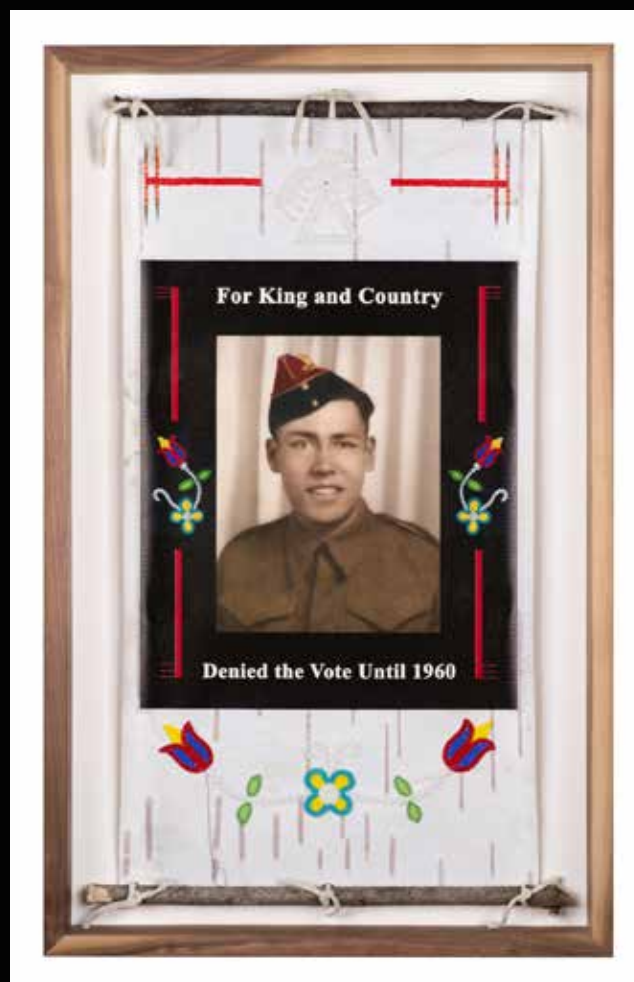
Chosen for their relevance and critical perspective, the works by Barry Ace, Sonny Assu, Jordan Bennett, Dana Claxton, Amy Malbeuf, and Adrian Stimson address topics such as the current perceptions of Indigenous people as told through Google search algorithms, the appropriation and re-appropriation of cultural symbols, and being denied the right to vote.

In 2017, members of the public were able to see some of these acquisitions. Barry Ace's *King and Country* (2015), denouncing the policies of the federal *Indian Act* which denied the vote to Indigenous people, even while many of them were serving overseas during WWI and WWII, was on view at the Art Museum of the Americas in Washington as part of the *Punctured Landscape* exhibition (April-July 2017).

The two new acquisitions by artist Amy Malbeuf is part of the *INSURGENCE/RESURGENCE* exhibition at the Winnipeg Art Gallery in fall 2017.

Dana Claxton's *Headdress* (2016), which encourages us to celebrate Indigenous identity but to reconsider its commodification, was one of the works featured in the Art Bank's virtual exhibition for the National Art Centre's Canada Scene in summer 2017.

Not only are these works featured in several important exhibits, but they are also in high demand for rental, which is the Art Bank's primary mission.



Barry Ace, *For King and Country* (2015), mixed media on Epson archival canvas, Canada Council Art Bank Collection.

Dana Claxton, *Headdress* (2016), photograph, LED Firebox, Lightjet Duratrans, Canada Council Art Bank Collection.



Amy Malbeuf, *The Mealy Mountains* and *Three Artists Fly North* (2013), work on paper, caribou hair and glass beads on map, Canada Council Art Bank Collection.

Jordan Bennett, *Why Are Native Americans* (2012), work on paper, acrylic and gesso on canvas, (reproduction of a screen capture of a Google Canada search), Canada Council Art Bank Collection.



COMMITMENT

INTERNATIONAL

We will raise the international profile of Canadian artists and arts organizations, giving them the opportunity to share the best of the arts created in Canada with global audiences. With the help of partners here and abroad, we will help grow Canada's international presence and complement the efforts of other public funders to support Canadian artists abroad. We will also foster reciprocity by welcoming international artists to Canada, and by supporting bilateral and multilateral co-productions and artistic residencies and exchanges.

RESULTS



This year Simon Brault, Director and CEO of the Canada Council, raised the profile of Canadian art and artists through his participation in several important international forums. At the first ever G7 Culture Summit in Florence, he spoke about the major cultural and heritage issues presently faced by the G7 countries. As a board member of the International Federation of Arts Councils and Culture Agencies (IFACCA), Simon Brault spoke at the 7th World Summit on Arts and Culture in Malta. With arts council and culture ministry members in over 80 countries, IFACCA is a

valuable global network and platform to advance reciprocity and share expertise in the global cultural context. These events were an important opportunity for the Council to promote several ideas to the international community, including Indigenous self-determination, the need to ensure equitable access to arts funding, and the value of developing cultural citizenship on a global scale. These events benefit artists and arts organizations in Canada by furthering an understanding of and an appetite for their work around the world.

“Our society is reflected in the work of its artists. They represent Canada as an innovative, open, diverse and interesting society that is aware of its development challenges.”



Quebec storyteller and musician Benoît Davidson (from Saint-Rémi-d'Amherst, Quebec) is among the artists representing Canada in the 12 cultural competitions of the 2017 Jeux de la Francophonie in Abidjan.

Art on the world stage

The Canada Council for the Arts is committed to celebrating the art of our country abroad, creating opportunities for exchange, and bringing the arts to global conversations on the issues of our times. In 2016-17, the Council built on strategic partnerships to put even more Canadian artists on the map and increase their international reach.

Reciprocity and exchange are vital to promoting our artists abroad. Leading up to the 2017 Venice Biennale, the Council renewed its valued partnership with the National Gallery of Canada to ensure a strong representation for our country. It also collaborated with Australia, New Zealand and Norway to bring Indigenous curators to the Biennale, so that they could enrich and expand conversations on contemporary art with their First Nations, Inuit and Métis perspectives.

The Canada Council Art Bank's *Punctured Landscape* exhibition was first presented in the Council's Âjagemô space in 2016. In 2017, it was shown at the Art Museum of the

Americas in Washington, D.C., through the collaboration of the Permanent Mission of Canada to the Organization of American States and with the support of the Canada 150 Federal Secretariat. The exhibition, curated by Kegan McFadden, offers a critical examination of Canada's history, and how our country has grappled with issues like civil rights, reconciliation, multiculturalism and immigration.

Youth are at the heart of the Council's commitments. That's why it was pleased to reach a record number of young artists to apply to compete in the culture component of the Jeux de la Francophonie. The Department of Canadian Heritage once again asked the Council to manage the pre-selection process for these Olympic-style games, which will be held in Abidjan, Côte d'Ivoire in 2017. From the candidates put forward, The Games' international committee chose 12 youth artists and groups from Canada. For the first time, our country will be represented in all artistic disciplines, giving young artists an incredible international platform to showcase their skills.

COMMITMENT

AN ONGOING FOCUS ON EQUITY AND INCLUSION

In addition to the four commitments in the Strategic Plan, the Canada Council will continue to deepen its longstanding commitment to equity and inclusion, including for next generation artists and audiences.

RESULTS

Applying learnings from the Cultivate program

In 2016-17, the Canada Council held the final competition for its Cultivate program, which directed \$1.4M to 150 grant recipients. This was a one-time, multi-disciplinary funding initiative launched in October 2014 with components to serve the culturally diverse, Indigenous, Deaf and disability arts and official language minority arts communities. An analysis of the Cultivate program directly supported the introduction of Deaf and disability arts as a field of artistic practice in the New Funding Model, which will ensure the Council's strong and ongoing support to this vital community of artistic practice.

Opening new opportunities

In November 2016, the Council announced that by 2021 at least 25% of new funds will go to artists, collectives or organizations that are new recipients or receive core funding for the first time, particularly organizations targeted by the Council's equity measures.

“Over the next five years, the Council will continue to ensure that all artists have equal access to its programs and that all Canadians can see themselves reflected in the country’s arts landscape.”ⁱⁱⁱ

ⁱⁱⁱ *Shaping a New Future*, Strategic Plan 2016-21



Farah Al-Behadili (centre) meets iconic characters Anne (Jessica Gallant) and Diana (Katie Kerr) at the Charlottetown Festival, organized by the Confederation Centre for the Arts. The Centre was one of the 70+ organizations that participated in the Council's Welcome to the Arts initiative to welcome new Syrian refugees, offered in partnership with Sun Life Financial.

The unifying power of art

The Canada Council for the Arts' new funding model was designed to be more flexible and inclusive – all part of the Council's commitment to foster greater equity and diversity in Canada's arts scene. The artists and arts organizations it funds will, in turn, help promote greater equity and diversity in Canadian society at large. The Council's support for artists who are culturally diverse, Deaf or have disabilities, or who belong to official-language minority communities, reflects this ongoing commitment.

Since 1925, Le Cercle Molière, a Winnipeg-based theatre company has offered youth activities and theatrical programming to the local Francophone population. With Canada Council funding, the company is giving young Francophone immigrants the opportunity to take part in cultural activities and meet artists, technicians and administrators from the theatre community. The aim of the project is to connect young people, the theatre milieu, Winnipeg's Francophone community, and artists from diverse disciplines.

We curate, we critique is a networking and professional development project created by Toronto's Mark Campbell to improve relations between curators from Canada's Black

community and cultural critics. It supports emerging curators and authors studying the works of Black Canadians, and encourages collaboration and mentoring. In November 2018, members of the networks formed through the project will attend one of the most important cultural events in Cuba – the Havana Biennial.

Integrated dance is a practice in which dancers with and without disabilities perform together. Calgary's Pamela Boyd is offering a 50-hour, two-week course on the dance form for new teachers. The course, made possible with the collaboration with first generation integrated dancers and founders of integrated dance companies, will lay the groundwork for ongoing training and will shape the future of the discipline in the country. It's the first time that this training, previously only available abroad, has been offered in Canada.

Earlier this year, the Canada Council recognized integrated dance as a new artistic practice eligible for funding – along with circus arts and Deaf and disability arts. It's another example of how the Council is pursuing its commitment to play a greater role in promoting equity and diversity.

CANADIAN COMMISSION FOR UNESCO

OVERARCHING COMMITMENTS = GREATER IMPACT

The Canadian Commission for UNESCO (CCUNESCO), in addition to pursuing important work in its areas of intervention, is maximizing the impact of its activities by focusing on three overarching commitments across all its activities: reconciliation, youth and gender equity. In 2016-17, CCUNESCO focused on reconciliation and youth, which are also aligned with the Canada Council for the Arts' commitments.

RESULTS

Youth leadership

The goals and aspirations of today's youth are important drivers of profound, ongoing change in Canada. That's why CCUNESCO has committed to increasing youth participation and engagement in its forums and consultations on topics to be addressed. CCUNESCO is fortunate to be able to count on the support of its Youth Advisory Group, made up of 41 members from different cultures and from across Canada.

In March 2017, UNESCO and CCUNESCO co-organized the *UNESCO Week for Peace and Sustainable Development: The Role of Education*, in Ottawa. Nearly 500 education experts and practitioners, policy makers and leaders came together to

discuss best practices, trends in pedagogical approaches, and the implementation of Target 4.7 from the 2030 Agenda for Sustainable Development. The 90 youth participants who attended provided invaluable input in the various discussions on education and sustainable development.

A group of youth also presented recommendations on global citizenship education and reaffirmed the importance of youth leadership. The recommendations stem from a consultation organized by CCUNESCO which polled 1,000 young people from 11 different countries.

First Indigenous biosphere Reserve

CCUNESCO is working with its Indigenous partners to contribute to reconciliation efforts between Indigenous and non-Indigenous peoples across Canada. Through strategic initiatives and concrete actions, the Commission is: celebrating and promoting initiatives that show reconciliation in action; integrating Indigenous culture, knowledge and perspectives into its work; and creating favourable conditions for Indigenous people to appropriate UNESCO programs.

This year, the World Network of Biosphere Reserves showed true leadership, and the incredible work by the Dene community led to a major

achievement. Tsá Tué, located in the Northwest Territories on the traditional land of Deline, was designated a UNESCO Biosphere Reserve in an effort to protect the land and ensure its sustainable development. Tsá Tué is the first reserve in the World Network developed and managed by Indigenous peoples. The designation was cause for celebration at UNESCO headquarters in Paris. With Director-General Irina Bokova in attendance, members of the Tsá Tué delegation shared their experience to encourage other Indigenous communities to take on and appropriate UNESCO programs.

*A more detailed report on CCUNESCO 2016-17 activity results is published on the Council and CCUNESCO websites.

#ItStartsWithMe

The Canadian Commission for UNESCO was trending on social media during the “#ItStartsWithMe/#ÇaCommenceParMoi” campaign for the International Day for the Elimination of Racial Discrimination.

The campaign, which reached over two million people on Twitter alone, raised awareness about racism and the role we all have to play in eliminating it. The hashtags #ItStartsWithMe and #ÇaCommenceParMoi were highly effective in Canada, with leaders from all levels of government, representatives from hundreds of public organizations and the media taking part in the campaign.

A common goal: society's sustainable development

In 1957, when the Canada Council for the Arts was founded, the Government of Canada made it responsible for the Secretariat of the Canadian Commission for UNESCO (CCUNESCO).

For the past 60 years, the Canada Council and CCUNESCO have shared a history and a common goal to promote the sustainable development of society.

It is not uncommon for the Canada Council, CCUNESCO and UNESCO to participate in their respective roles at the same events or to organize complementary activities or initiatives. Their shared paths of renewed importance and relevance strengthen their contributions to a future of peace, equity and sustainable development.

Internationally, there is growing interest in Canada's initiatives and positions on sustainable development and social progress, and Canada has valuable resources and expertise to contribute to these discussions. The network of networks that is CCUNESCO makes vital contributions to supporting quality education for all, developing inclusive and sustainable societies, protecting biodiversity and our planet, and promoting freedom of expression and freedom of the press. It also provides an effective platform for boosting the reach of actions taken by civil society on these major concerns for the future.

Participants at the
57th CCUNESCO Annual
General Meeting.

FINANCIAL OVERVIEW

HIGHLIGHTS

2016-17 marked the first year of increase to the Canada Council's parliamentary appropriations, \$40 million out of a total of \$550 million, following the 2016 Federal Budget announcement. The \$40 million additional funding for 2016-17 was invested as per the Council's commitments identified in its 2016-21 Strategic Plan, *Shaping a New Future*, which for 2016-17 were the New Chapter program, a one-time initiative to mark the 150th Anniversary of the Confederation, increased funding for the (Re)conciliation initiative and hosting a national summit on "The Arts in a Digital World".

For the year ended March 31, 2017, the Council is reporting a surplus from operations of \$4.8 million. The current surplus is directly attributable to a \$5.1 million positive variance in net realized investment income compared to budgeted income as the Council reinvested all of its program delivery and operational savings, \$5.8 million, to grants.

Actual grants, author payments and prizes expenses amount to \$196.8 million for the year ending March 31, 2017, and are above the approved budget and the prior year related expenses. An additional \$40 million was allocated to the Council's grants programs spending representing \$184.0 million compared to \$144.8 million in 2015-16 and covers many disciplines, sectors and priorities: New Chapter program, music, theatre, writing and publishing, visual arts, dance, media arts, inter-arts, audience and market development, equity and Indigenous 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.

(in thousands of dollars)	Budget 2017	Actual 2017	Actual 2016
Grants to disciplines and priorities	\$ 178,393	\$ 184,046	\$ 144,772
Public Lending Right program	9,688	9,774	9,760
Prizes and awards	2,958	2,973	2,908
	\$ 191,039	\$ 196,793	\$ 157,440

The costs to program delivery basically remained at the same level as last year with \$16.9 million compared to \$16.4 million but is lower than budget by \$2.5 million due to some efficiency in simplifying processes but also due to savings in peer and advisory costs with having less competitions this year because of the transition to the new funding model and also savings in salaries and benefits with delays in staffing. The general administrative expenses also came in below budget by \$0.8 million and represents 7% of total expenses compared to 8% last year.

In 2016-17, the Endowment and Special Funds and the Killam Fund had very strong annual returns of 12.1% (-1.6% in 2015-16) and 12.4% (-1.3% in 2015-16) respectively. In comparison to the prior year, the investment portfolio has increased by \$38.0 million with a fair value of \$369.6 million as at March 31, 2017. The annual results are attributable to very strong performance both in the Canadian and Global market.

The approved budgeted amount for net realized investment income, \$9.8 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, with the positive annual performance of its portfolio, the Council recorded \$14.9 million in net realized investment income due to a high distribution of income and also from realizing significant gains due to re-balancing transactions after a small change to the asset mix allocation from Real Estate to Canadian Equity. 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, this year \$5 million was transferred from accumulated surplus from operations to the reserve for excess investment income.

In 2016-17, 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. This revised corporate profile is 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)	2017	2016
Total financial assets	\$ 396,537	\$ 334,921
Total liabilities	121,398	81,093
Net financial assets	275,139	253,828
Non-financial assets	27,710	26,917
Accumulated surplus	\$ 302,849	\$ 280,745

Summary Statement of Operations for the Years Ended March 31

(in thousands of dollars)	Budget 2017	Actual 2017	Actual 2016
Total revenue and Parliamentary appropriations	\$ 233,551	\$ 239,237	\$ 204,701
Total expenses	233,525	234,394	192,871
Annual surplus from operations	\$ 26	\$ 4,843	\$ 11,830

FINANCIAL POSITION

Financial Assets

As at March 31, 2017, total financial assets were \$396.6 million, an increase of \$61.6 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, 2017, the fair value of the Council's investments was \$369.6 million, an increase of \$38.0 million from the prior year.

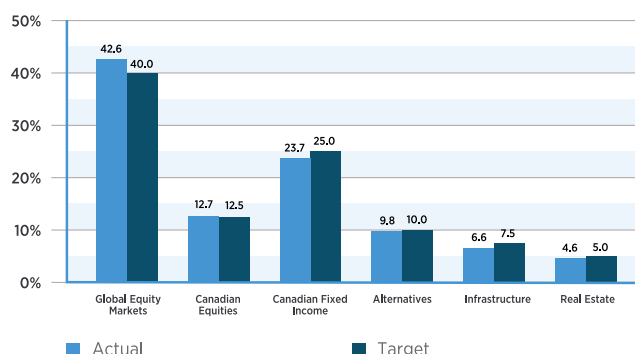
The Council invests in units of pooled funds and a segregated fund that are managed by professional investment managers. The Council's investments are guided by a *Statement of Investment Policies and Goals* and the *Board Statement of Investment Beliefs*, which are both approved by the Board. The objectives 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.

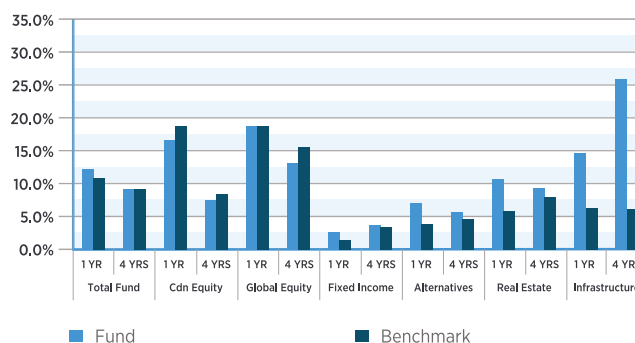
Asset Mix as of March 31, 2017



The Investment Committee and senior management monitors closely the level of risk within the portfolio. The 10 year standard deviation was at 8.2% as at March 31, 2017 compared to 7.6% for the benchmark. The Investment Committee is planning a detailed review of its asset allocation strategies in 2017.

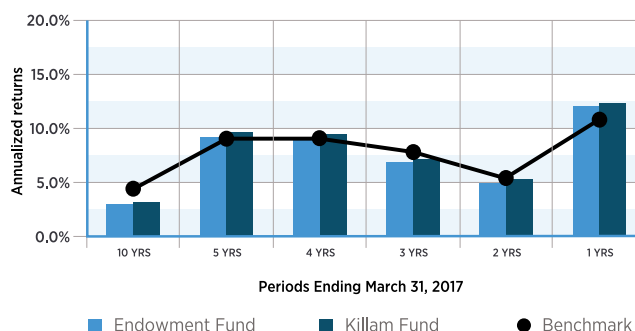
The following chart shows the returns for the various asset classes for the one and four year periods ending March 31, 2017. It shows that the portfolio's asset mix is well diversified and the performance of its other asset classes such as Fixed Income, Real Estate and Infrastructure, helped the portfolio in achieving its benchmark.

Annual Returns by Asset Classes



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 the strong performance this year mostly related to the equity markets compared to lower total returns over the last few years due to the high volatility of the markets.

Annualized Portfolio Returns



Liabilities

As at March 31, 2017, total liabilities were \$121.4 million, an increase of \$40.3 million from the previous year as shown in the table below:

(in thousands of dollars)	2017	2016
Liabilities		
Bank indebtedness	\$ -	\$ 646
Grants, author payments and prizes payable	59,354	27,674
Accounts payable and accrued liabilities	4,609	3,486
Deferred revenues	7,435	6,877
Employee future benefits	3,232	2,909
Deferred revenues - Externally restricted contributions	46,768	39,501
Total liabilities	\$ 121,398	\$ 81,093

The main increase is due to the \$31.7 million increase in Grants, author payments and prizes payable compared to last year directly related to the results of the New Chapter program coming in late during the year and not being paid out by year end. The Deferred revenues from externally restricted contributions also increased by \$7.3 million directly linked to the increase in market value of the portfolio for which a portion is externally restricted. 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:

- deferred revenues which is mostly related to the leasehold inducement at 150 Elgin, Ottawa, which is being amortized over the lease period of 20 years;
- accounts payable and accrued liabilities which represent outstanding payments to various suppliers/managers for services rendered and some payroll liabilities incurred as of March 31, 2017; and
- employee future benefits representing the severance entitlements of the Council's employees and post-retirement benefits covering employees and retirees.

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 net increase in this asset category of \$0.8 million in comparison to the prior year is attributable to an investment of \$2.0 million in the Council's technology infrastructure and its new Portal offset by a \$1.2 million in amortization.

The Council's Art Bank has the largest collection of contemporary Canadian art in Canada, with over 17,300 works, and rents the 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, 2017. The total appraised value of the collection is estimated at \$71 million as at March 31, 2017.

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, 2017, 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:

(in thousands of dollars)	2017	2016
Accumulated surplus		
Endowment - Original contribution	\$ 50,000	\$ 50,000
Endowment principal - Externally restricted contributions	37,569	37,569
Reserve for excess investment income	141,445	136,445
Surplus	25,416	25,573
Total accumulated surplus from operations	\$ 254,430	\$ 249,587
Accumulated remeasurement gains	48,419	31,158
Accumulated surplus balance	\$ 302,849	\$ 280,745

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 \$141.4 million at March 31, 2017 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 2017	Actual 2017	Actual 2016
Parliamentary appropriations	\$ 222,347	\$ 222,574	\$ 182,224
Net realized investment income	9,823	14,878	20,685
Other revenue	1,381	1,785	1,792
Total revenue	233,551	239,237	204,701
Transfer programs	214,235	215,930	175,585
Net Art Bank results	255	182	365
Canadian Commission for UNESCO	2,324	2,326	1,773
General administration	16,711	15,956	15,148
Total expenses	233,525	234,394	192,871
Annual surplus from operations	\$ 26	\$ 4,843	\$ 11,830

The Council's net financial results for the year is a surplus of \$4.8 million in comparison to a balanced budget forecasting a surplus of \$26 thousand and a surplus of \$11.8 million for 2015-16. The current surplus is directly attributable to a \$5.1 million positive variance in net realized investment income as the Council reinvested its additional other revenues and operational savings totaling \$5.8 million to grants.

Most of the savings was obtained by an underspent of \$2.6 million in transfer program delivery expenses, \$1.5 million in arts community services expenses and \$0.8 million in general administration expenses compared to budget and resulted in a reinvestment in grants.

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, 2017, the appropriations received by the Council were \$222.6 million, an increase of \$40.4 million of which \$40 million was from the 2016 Federal Budget announcement.

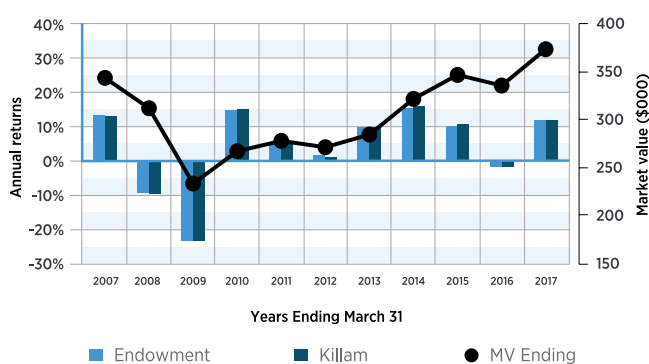
Investment Income

The financial markets in which the Council invests are diversified and, in 2016-17, the Endowment and Special Funds and the Killam Fund had annual returns of 12.1% (-1.6% in 2015-16) and 12.4% (-1.3% in 2015-16), respectively. The annual returns for the Endowment and Special Funds and the Killam Fund are, respectively, 1.3% and 1.6% above the benchmark of 10.8%.

The Council's investment policy prescribes for 2016-17 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 2007 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, with the positive annual performance of its portfolio, the Council recorded \$14.9 million in net realized investment income due to a high distribution of income but also realizing significant gains due to re-balancing transactions after a small change to the asset mix allocation from Real Estate to Canadian Equity.

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 adjustment refund from its landlord and an additional contribution from the J.W. McConnell Foundation for the Reconciliation initiative which mainly explains the positive variance of \$0.4 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 2017	Actual 2017	Actual 2016
Grants, author payments and prizes	\$ 191,039	\$ 196,793	\$ 157,440
Transfer program delivery	19,435	16,886	16,357
Arts community services	3,761	2,251	1,788
Net Art Bank results	255	182	365
Canadian Commission for UNESCO	2,324	2,326	1,773
	\$ 216,814	\$ 218,438	\$ 177,723

In 2016-17, program expenses accounted for 93% of Council's total expenses of \$234.4 million compared to 92% last year. Overall program expenses are \$40.7 million more than the previous year due to a combination of the additional funding received from government and operational savings.

The vast majority of the program expenses relate to grants, author payments and prizes at \$196.8 million which represents a \$39.4 million increase from the previous year and a \$5.8 million increase over budget. The additional funding was distributed to the New Chapter program, \$35.0 million, an increase of \$1.1 million in Indigenous arts and the balance of savings distributed strategically amongst the various disciplines. The Council is committed to reinvesting any operational savings in grants, author payments and prizes.

Transfer program delivery costs represent the direct cost of operating the Council's grants, prizes and Public Lending Right programs. These include salaries, benefits, adjudication of programs, travel, professional services and prizes promotion. These costs are \$2.5 million below budget demonstrating the Council's constant efforts to exercise fiscal restraint and seek economies regarding these costs but also due to savings in adjudication of programs with having fewer competitions this year because of the transition to the new funding model and also savings in salaries and benefits due to delays in staffing various positions. 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 higher than the previous year by \$0.5 million but lower than budget by \$1.5 million. This year the Council hosted a national summit on "The Arts in a Digital World" which cost \$1.0 million but still came below budget.

Net Art Bank results were \$0.2 million for the current year in comparison to net results of \$0.4 million last year. The Art Bank's rental income is starting to grow as a result of promoting its artworks through exhibitions and loans but also income from the private sector.

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 \$2.3 million in 2016-17, an increase of \$0.6 million in comparison to last year actuals but right on budget. The increase in expenses this year is related to the CCUNESCO hosting the "UNESCO Week for Peace and Sustainable Development: the Role of Education" in Ottawa in March 2017. 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 and benefits, travel, accommodation, professional services, amortization, and others. At \$16.0 million, these costs were lower than budget by \$0.8 million and represented 7% of total expenses compared to 8% last year. 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, 2017 were \$48.4 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 unrestricted 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 is responsible for risk management under the direct oversight of the Board.

In 2016-17, the Council reviewed its Corporate Risk Profile taking into consideration changes in the Council's risk environment. This included a re-assessment of the risks and updates to the Council's significant potential risks as well as mitigation strategies.

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 2016-17 risk assessment process, are considered to be outside of the Council's appetite:

- 1) Ineffective change management;
- 2) Workload levels;
- 3) Inadequate technology tools and systems;
- 4) Ineffective internal communications;
- 5) Inefficient tools, support and training; and
- 6) Lack of common understanding of set priorities.

Consequently, for these, focused updated risk mitigation strategies have been developed and action 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 investment 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 2016-17, the Board held four meetings in Ottawa, during which it:

- approved the Council's 2016-21 Strategic Plan;
- approved the creation of a Digital Strategy Fund, as indicated in the 2016-21 Strategic Plan. This fund will support art professionals to take advantage of technology to create new artistic visions and experiences, reach new audiences and transform their organizations and ways of working;
- continued to exercise its oversight role over the development of the Council's New Funding Model including approval of the new *Granting Policy*;
- approved grants over \$500,000;
- reviewed the Board's representational requirements in preparation for Board vacancies, and discussed succession planning and transition in the Council's leadership;
- held the Annual Public Meeting at the Council's offices at 150 Elgin Street, Ottawa, on January 17, 2017.

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* and the *Ethical Guidelines and Statutory Standards of Conduct*. 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 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 engage Canadians through a vital and diverse arts sector that enriches communities and reaches markets across the world;
- 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 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 on its website at 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 2016-17. The Notice of Opportunity for part-time Governor in Council positions on the Board of the Canada Council for the Arts was posted by the Privy Council on the Governor in Council website from October 3 to 31, 2016.

At March 31, 2017, there were six (6) Board vacancies.

Board Engagement

In 2016-17, the Canada Council Board was nominated for the Excellence in Governance Award from the Governance Professionals of Canada, specifically, in the category of “Best Engagement by a Governance Team.” This recognizes the Council’s overall stakeholder engagement activities, more specifically efforts to promote the contributions of artists to the lives of Canadians and the value of public funding of the arts. In addition to the Council’s ongoing outreach activities, specific achievements in the past year include the new arts initiative with Sun Life Financial, to support the welcome of Syrian refugees to Canada.

Board Diversity

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. This includes representation of Canada’s official languages, regions, generations, Indigenous Peoples, cultural diversity and gender equity.

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. Since there were no new appointments in 2016-17, no Board member attended this course.

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.

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 2016-17 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 (APM)

On January 17, 2017, the Council held its 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, Board members and senior staff were present. The meeting was also live-streamed across the country.

The APM reached a large audience, including approximately 100 guests on site and close to 300 online via the livestream. The conversation continued on social media, notably with hashtags #Council60 and #Conseil60 on Twitter. Speeches, a video of the APM, and a full list of news coverage 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.

Canadian Multiculturalism Act

The Council is responsible for completing an *Annual Report on the Operation of the Canadian Multiculturalism Act*. This report is submitted annually to the Department of Canadian Heritage.

Employment Equity Act

As a federal organization with over 100 employees, the Council 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 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, 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 (until June 2016), and Cheryl Sharfe.

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: Isabelle Hudon (Chair), Howard Jang (until April 2016), Cheryl Sharfe, and Brenda Stehelin (until November 2016).

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 K. Foy and the following external experts: George Mavroudis (Chair), Kiki Delaney, Mark Jenkins (until September 2016), Eric Kirzner (until June 2016), Ann Marshall, John Montalbano, Paul Robillard, and Michael White.



Photo: Donald Lee, Banff Centre, Alberta

Qaggiavuut (from Iqaluit, Nunavut) received support from the New Chapter program and shared its enthusiasm by video at Council's APM. Shown here: Qaggiavuut actors in *Kiviug Returns*, Banff Centre, Alberta.

APM 2017: BRINGING RESULTS TO LIFE

The Canada Council for the Arts' Annual Public Meeting isn't just about reporting on past accomplishments and future directions. It's about celebrating the arts and the impact of the Council's work. And in 2017, it also kicked off the Council's 60th anniversary year.

On January 17, 2017, the 400 guests who attended on-site and on-line experienced the groundbreaking talent and energy of the Cris Derksen Trio, comprised of Juno-nominated cellist Cris Derksen, acclaimed Anishinaabe hoop dancer Nimkii Osawamick, and award-winning drummer Jesse Baird.

Several artists from across the country contributed eloquent video messages on the impact of funding through the New Chapter program — mere days after getting the news that they got a grant! They shared their excitement about making their exceptional projects a reality through this special one-time program to mark Canada's 150th anniversary of Confederation.

The APM concluded with a powerful ceremony in which Samuel Thomas donated to the Council a beaded door, created as part of his Doors to Reconciliation project, funded through the {Re}conciliation Initiative. In 2016, this Six Nations Cayuga artist led 42 workshops in 8 communities across Ontario and Saskatchewan — bringing Indigenous and non-Indigenous Peoples together to bead doors from residential schools in an act of reclamation, healing and reconciliation.

Advisory Groups

Howard Jang served on the Executive Committee of the Canadian Commission for UNESCO until April 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 2016-17, there were no internal disclosures of wrongdoing in the workplace.

Remuneration

Board: \$42,480

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

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

Executive Management

At March 31, 2017, the Executive Management Committee consisted of Simon Brault, Director/CEO; Michelle Chawla, Director General, Strategy and Public Affairs; Linda Drainville, CFO; Tammy Scott, Director General, Communications and Public Engagement; Jacques Vézina, Director General, Arts Granting Programs.

Executive Management Committee



Michelle Chawla
*Director General, Strategy
and Public Affairs*



Linda Drainville
Chief Financial Officer



Tammy Scott
*Director General,
Communications and
Public Engagement*



Jacques Vézina
*Director General, Arts
Granting Program*

Board Members



Pierre Lassonde
Chair
(Toronto, Ontario)



Nathalie Bondil
Vice-Chair
(Montréal, Quebec)



Beverley K. Foy
(Calgary, Alberta)



Isabelle Hudon
(Montréal, Quebec)



Cheryl Sharfe
(Winnipeg, Manitoba)

Board and Committee Meetings and Attendance (April 1, 2016 to March 31, 2017)

	Board Meetings	Executive Committee	Investment Committee	Audit and Finance Committee	Governance and Nominating Committee
Total # of Meetings	4	0	4	7	2
Pierre Lassonde, Chair	4/4	–	Ex officio	Ex officio	Ex officio
Nathalie Bondil, Vice-Chair	4/4	–	Ex officio	Ex officio	Ex officio
Beverley K. Foy	4/4	–	4/4	7/7	N/A
Isabelle Hudon	4/4	–	N/A	4/7	2/2
Luc LaRochelle	1/1	N/A	N/A	1/1	N/A
Cheryl Sharfe	4/4	N/A	N/A	6/6	2/2
Brenda Stehelin	2/2	N/A	N/A	N/A	2/2

Notes:

Luc LaRochelle's term ended on June 20, 2016.

Brenda Stehelin's term ended on November 21, 2016.

Cheryl Sharfe became a member of Audit and Finance Committee on June 21, 2016.

FINANCIAL STATEMENTS

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 for the Arts 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 for the Arts. 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 for the Arts. 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 15, 2017



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



Linda Drainville, CPA auditor, CGA
Chief Financial Officer
Corporate Services



Office of the
Auditor General
of Canada

Bureau du
vérificateur général
du Canada

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 2017, 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 2017, 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

15 June 2017
Ottawa, Canada

Statement of Financial Position

as at March 31 (in thousands of dollars)

	2017	2016
FINANCIAL ASSETS		
Cash and cash equivalents (Note 3)	\$ 23,490	\$ 495
Accounts receivable	3,424	2,775
Portfolio investments (Note 4)	369,623	331,651
Total financial assets	396,537	334,921
LIABILITIES		
Bank indebtedness	-	646
Grants, author payments and prizes payable	59,354	27,674
Accounts payable and accrued liabilities	4,609	3,486
Deferred revenues	7,435	6,877
Employee future benefits (Note 6)	3,232	2,909
Deferred revenues - Externally restricted contributions (Note 7)	46,768	39,501
Total liabilities	121,398	81,093
NET FINANCIAL ASSETS	275,139	253,828
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 8)	8,132	7,348
Art Bank assets (Note 9)	19,415	19,384
Musical instruments (Note 10)	1	1
Prepaid expenses	162	184
Total non-financial assets	27,710	26,917
ACCUMULATED SURPLUS (Note 11)	\$ 302,849	\$ 280,745
Accumulated surplus is comprised of:		
Accumulated surplus from operations	254,430	249,587
Accumulated remeasurement gains	48,419	31,158
ACCUMULATED SURPLUS	\$ 302,849	\$ 280,745

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

	Budget 2017	Actual 2017	Actual 2016
year ended March 31 (in thousands of dollars)			
Revenue			
Net realized investment income (Note 12)	\$ 9,823	\$ 14,878	\$ 20,685
Other revenue	1,381	1,785	1,792
Total revenue	11,204	16,663	22,477
Expenses			
Transfer Programs			
Grants, author payments and prizes (Schedule I)	191,039	196,793	157,440
Transfer program delivery (Schedule II)	19,435	16,886	16,357
Arts community services (Schedule III)	3,761	2,251	1,788
	214,235	215,930	175,585
Net Art Bank results (Note 13)	255	182	365
Canadian Commission for UNESCO (Note 14)	2,324	2,326	1,773
General administration (Schedule II)	16,711	15,956	15,148
Total expenses	233,525	234,394	192,871
Annual deficit from operations before Parliamentary appropriations	(222,321)	(217,731)	(170,394)
Parliamentary appropriations	222,347	222,574	182,224
ANNUAL SURPLUS FROM OPERATIONS	26	4,843	11,830
ACCUMULATED SURPLUS FROM OPERATIONS, BEGINNING OF YEAR	249,587	249,587	237,757
ACCUMULATED SURPLUS FROM OPERATIONS, END OF YEAR	\$ 249,613	\$ 254,430	\$ 249,587

Statement of Remeasurement Gains and Losses

	2017	2016
year ended March 31 (in thousands of dollars)		
ACCUMULATED REMEASUREMENT GAINS, BEGINNING OF YEAR	\$ 31,158	\$ 53,963
Unrealized gains (losses) attributable to:		
Portfolio investments	20,912	(22,066)
Amounts reclassified to the Statement of Operations:		
Portfolio investments	(3,651)	(739)
NET REMEASUREMENT GAINS (LOSSES) FOR THE YEAR	17,261	(22,805)
ACCUMULATED REMEASUREMENT GAINS, END OF YEAR	\$ 48,419	\$ 31,158

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 2017	Actual 2017	Actual 2016
ANNUAL SURPLUS FROM OPERATIONS	\$ 26	\$ 4,843	\$ 11,830
Acquisition of tangible capital assets (Note 8)	(1,550)	(2,000)	(842)
Amortization of tangible capital assets (Note 8)	1,108	1,216	1,018
Acquisition of Art Bank assets (Note 9)	-	(31)	(47)
Disposal of Art Bank assets (Note 9)	-	-	88
	(442)	(815)	217
Acquisition of prepaid expenses	-	(199)	(230)
Use of prepaid expenses	-	221	226
	-	22	(4)
Net remeasurement gains (losses)	-	17,261	(22,805)
INCREASE (DECREASE) IN NET FINANCIAL ASSETS	(416)	21,311	(10,762)
NET FINANCIAL ASSETS, BEGINNING OF YEAR	253,828	253,828	264,590
NET FINANCIAL ASSETS, END OF YEAR	\$ 253,412	\$ 275,139	\$ 253,828

Statement of Cash Flow

year ended March 31 (in thousands of dollars)	2017	2016
Operating Transactions		
Annual surplus from operations	\$ 4,843	\$ 11,830
(Gains) losses from disposal of portfolio investments (Note 12)	(5,570)	627
Amortization of tangible capital assets (Note 8)	1,216	1,018
Donations of Art Bank assets (Note 9)	-	87
Loss on disposal of Art Bank assets (Note 9)	-	1
Decrease (increase) in prepaid expenses	22	(4)
Increase in employee future benefits	323	317
Income transferred to Deferred revenues - Externally restricted contributions from investment income (Note 7)	2,083	3,854
Net change in other non-cash items (Note 15)	31,737	(317)
Cash provided by operating activities	34,654	17,413
Capital Transactions		
Acquisition of tangible capital assets (Note 8)	(1,387)	(842)
Acquisition of Art Bank assets (Note 9)	(31)	(47)
Cash used by capital activities	(1,418)	(889)
Investing Transactions		
Acquisition of portfolio investments	(68,102)	(93,473)
Disposal of portfolio investments	59,746	75,572
Cash used by investing activities	(8,356)	(17,901)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	24,880	(1,377)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	(151)	1,226
CASH AND CASH EQUIVALENTS, END OF YEAR	24,729	(151)
Represented by:		
Cash	292	-
Cash equivalents (Note 3)	23,198	495
Bank indebtedness	-	(646)
	23,490	(151)
Cash held for investment purposes included in the portfolio investments	1,239	-
	\$ 24,729	\$ (151)

Notes to the Financial Statements

March 31, 2017

1. AUTHORITY, MANDATE 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 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 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:

Financial asset or liability	Subsequent measurement
Cash equivalents	Fair value
Accounts receivable	Amortized cost
Portfolio investments	Fair value
Bank indebtedness	Fair value
Grants, author payments and prizes 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.

The cash held for investment purposes is included in portfolio investments in the Statement of Financial Position and also shown as a separate item in the Statement of Cash Flow.

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.

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.

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 contribution for partnership agreements.

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.

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

Grants, author payments and prizes

Grants, author payments and prizes 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 future benefits 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 \$23,198,000 at March 31, 2017 (2016 - \$495,000).

4. PORTFOLIO INVESTMENTS

	2017					2016		
(in thousands of dollars)	Cost	Unrealized losses	Unrealized gains	Fair value		Cost	Fair value	
	\$	\$	\$	\$	%	\$	\$	%
Canada Council Endowment and Special Funds								
Pooled funds								
Global and Canadian Equity	104,464	-	33,535	137,999	45	126,336	144,855	53
Fixed income	70,269	-	1,987	72,256	24	70,750	73,426	27
Alternatives	20,630	-	8,191	28,821	10	20,630	26,936	10
Money market	1,312	-	-	1,312	-	5,992	5,992	2
Canadian Equity	30,572	-	987	31,559	10	-	-	-
Real estate	11,037	5	2,465	13,497	5	7,717	10,045	4
Infrastructure	13,387	-	5,807	19,194	6	7,827	12,201	4
	251,671	5	52,972	304,638	100	239,252	273,455	100
Killam Fund								
Pooled funds								
Global and Canadian Equity	27,778	-	7,080	34,858	54	26,832	30,987	53
Fixed income	13,690	-	381	14,071	22	13,787	14,302	25
Alternatives	5,298	-	2,096	7,394	11	5,298	6,911	12
Real estate	2,927	4	662	3,585	5	2,051	2,683	4
Infrastructure	3,418	-	1,659	5,077	8	2,036	3,313	6
	53,111	4	11,878	64,985	100	50,004	58,196	100
Total investments	304,782	9	64,850	369,623		289,256	331,651	

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, 2017.

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, all other externally restricted contributions are consolidated into the Canada Council Endowment and Special Funds and represent 8% (2016 - 8%) of that Fund with a total fair value of \$24,402,000 (2016 - \$21,904,000). The total fair value of the externally restricted investment including the Killam Fund is \$89,387,000 (2016 - \$80,100,000).

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, 2017 by the Special Funds is \$3,501,000 (2016 - \$2,996,000) and owed by the Killam Fund is \$787,000 (2016 - \$212,000 owed to the Killam Fund).

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, in a segregated Canadian equity fund and in limited partnership units of four 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	13%	5%	12.5%	20%
Global equities	43%	35%	40%	45%
Fixed income	23%	15%	25%	35%
Alternatives	10%	5%	10%	15%
Real estate	5%	0%	5%	10%
Infrastructure	6%	0%	7.5%	10%
Money market	0%	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 \$1,312,000 (2016 - \$5,992,000). For the year ended March 31, 2017, these funds earned a return of 0.77% (2016 - 0.76%) and the underlying investments had an average weighted term to maturity of 36 days (2016 - 28 days).

Investments in the equity pooled funds are comprised of units of four pooled funds, two Canadian funds and two funds that are invested in the global equity markets. The Council also has a Canadian equity segregated fund for the Endowment and Special Funds. The Canadian equities are measured against the returns of the Standard and Poor's Toronto Stock Exchange (S&P/TSX) 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 US 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 (CPI) 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)

		2017	2016
	Measurement categories	Carrying amount and fair value (\$)	Carrying amount and fair value (\$)
Financial assets and liabilities			
Cash and cash equivalents	Fair value	23,490	495
Accounts receivable	Amortized cost	3,424	2,775
Portfolio Investments ¹	Fair value	369,623	331,651
Bank indebtedness	Fair value	-	646
Grants, author payments and prizes payable	Amortized cost	59,354	27,674
Accounts payable and accrued liabilities	Amortized cost	4,609	3,486

¹ The detailed fair value for the investments is listed in Note 4.

a) Establishing fair value

The carrying value of accounts receivable, grants, author payments and prizes 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 Segregated Canadian equity fund is valued using closing market prices at the financial statement date.
- 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 within the fund 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 as at December 31 and extrapolated to March 31.
- 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 as at December 31 and extrapolated to March 31.

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)	2017				2016			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$	\$	\$	\$	\$
Cash and cash equivalents	292	23,198	-	23,490	-	495	-	495
	292	23,198	-	23,490	-	495	-	495
Portfolio Investments								
Canada Council Endowment and Special Funds								
Pooled Funds								
Global and Canadian Equity	-	137,999	-	137,999	-	144,855	-	144,855
Fixed Income	-	72,256	-	72,256	-	73,426	-	73,426
Alternatives	-	-	28,821	28,821	-	-	26,936	26,936
Money Market	-	1,312	-	1,312	-	5,992	-	5,992
Canadian Equity	31,559	-	-	31,559	-	-	-	-
Real Estate	-	-	13,497	13,497	-	-	10,045	10,045
Infrastructure	-	-	19,194	19,194	-	-	12,201	12,201
Killam Fund								
Pooled Funds								
Global and Canadian Equity	-	34,858	-	34,858	-	30,987	-	30,987
Fixed Income	-	14,071	-	14,071	-	14,302	-	14,302
Alternatives	-	-	7,394	7,394	-	-	6,911	6,911
Real Estate	-	-	3,585	3,585	-	-	2,683	2,683
Infrastructure	-	-	5,077	5,077	-	-	3,313	3,313
	31,559	260,496	77,568	369,623	-	269,562	62,089	331,651
Total	31,851	283,694	77,568	393,113	-	270,057	62,089	332,146

Financial liabilities at fair value as at March 31

(in thousands of dollars)	2017				2016			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$	\$	\$	\$	\$
Bank indebtedness	-	-	-	-	646	-	-	646
Total	-	-	-	-	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)	2017				2016			
	Alternatives fund	Real estate funds	Infrastructure funds	Total	Alternatives fund	Real estate funds	Infrastructure funds	Total
	\$	\$	\$	\$	\$	\$	\$	\$
Canada Council Endowment and Special Funds								
Opening balance	26,936	10,045	12,201	49,182	27,148	9,525	8,596	45,269
Total gains (losses)								
recognized in re-measurement statement	1,734	121	1,318	3,173	(195)	495	1,349	1,649
recognized in externally restricted contributions	151	11	115	277	(17)	43	118	144
Purchases	-	4,228	5,985	10,213	-	742	3,268	4,010
Sales	-	(908)	(425)	(1,333)	-	(760)	(1,130)	(1,890)
Closing balance	28,821	13,497	19,194	61,512	26,936	10,045	12,201	49,182
Killam Fund								
Opening balance	6,911	2,683	3,313	12,907	6,965	2,560	2,439	11,964
Total gains (losses)								
recognized in externally restricted contributions	483	25	382	890	(54)	135	399	480
Purchases	-	1,107	1,511	2,618	-	185	818	1,003
Sales	-	(230)	(129)	(359)	-	(197)	(343)	(540)
Closing balance	7,394	3,585	5,077	16,056	6,911	2,683	3,313	12,907

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, in a segregated Canadian equity fund and in limited partnership units of four 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, 2017, 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 (2016 - 3.5%) 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	2017 Total
	\$	\$	\$	\$	\$
Financial Liabilities					
Grants, author payments and prizes payable	7,235	14,581	20,188	17,350	59,354
Accounts payable and accrued liabilities	4,000	271	338	-	4,609
	11,235	14,852	20,526	17,350	63,963

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, in a segregated Canadian fund and in limited partnership units of four real estate funds and four infrastructure funds.

Price sensitivity

The following details the Council's portfolio sensitivity to a 5.3% increase or decrease in the market prices, with 5.3% 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, 2017, if market prices had a 5.3% (2016 - 5.4%) 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 \$19,679,000 (2016 - \$17,909,000) 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 \$28,421,000 (2016 - \$18,132,000). 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 1.01 times (2016 - 1.15) the employee's contribution; and for employment start dates after December 31, 2012, the Corporation's contribution rate effective at year-end was 1.00 times (2016 - 1.11) the employee's contribution.

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)	2017	2016
Employer's contributions	\$ 1,992	\$ 1,878
Employees' contributions	1,748	1,458

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)	2017	2016
Accrued benefit obligation, beginning of year	\$ 458	\$ 514
Current service cost	8	-
Benefits paid during the year	(50)	(56)
Accrued benefit obligation, end of year	\$ 416	\$ 458

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 2016-17, the Council reviewed the actuarial assumptions adopted in the previous year and validated that no changes were required for the current year.

(in thousands of dollars)	2017	2016
Accrued benefit obligation, beginning of year	\$ 5,120	\$ 4,348
Current service cost	136	186
Interest cost	100	87
Benefits paid	(91)	(80)
Participant contributions	-	-
Actuarial (gain) loss	(226)	579
	5,039	5,120
Unamortized net actuarial losses	(2,223)	(2,669)
Accrued benefit obligation, end of year	\$ 2,816	\$ 2,451

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:

	2017	2016
Discount rate for calculation of net benefit costs	2%	2%
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%	7%
Ultimate health care cost trend rate	4%	4%
Year ultimate rate reached	2026	2026

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)	2017	2016
Balance, beginning of year	\$ 39,501	\$ 42,956
Transferred from investment income (Note 12)		
Net Investment income	4,567	6,243
Use of funds	(2,484)	(2,389)
	2,083	3,854
Unrealized gains (losses) on portfolio investments	6,878	(6,622)
Reclassified to statement of operations - portfolio investments	(1,694)	(687)
Balance at end of year	\$ 46,768	\$ 39,501

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
Cost				
Opening balance at April 1, 2016	\$ 5,243	\$ 7,442	\$ 478	\$ 13,163
Acquisitions	1,256	13	731	2,000
Transfer from Work in Progress	418	-	(418)	-
Disposals	(280)	-	-	(280)
Closing balance at March 31, 2017	\$ 6,637	\$ 7,455	\$ 791	\$ 14,883
Accumulated Amortization				
Opening balance at April 1, 2016	\$ 3,906	\$ 1,909	\$ -	\$ 5,815
Amortization expense	895	321	-	1,216
Disposals	(280)	-	-	(280)
Closing balance at March 31, 2017	\$ 4,521	\$ 2,230	\$ -	\$ 6,751
Net carrying amount at March 31, 2016	\$ 1,337	\$ 5,533	\$ 478	\$ 7,348
Net carrying amount at March 31, 2017	\$ 2,116	\$ 5,225	\$ 791	\$ 8,132

9. ART BANK ASSETS

(in thousands of dollars)	2017	2016
Opening balance	\$ 19,384	\$ 19,425
Acquisitions	31	47
Disposals/Donations	-	(88)
Closing Balance	\$ 19,415	\$ 19,384

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 3,150 artists. The Art Bank rents its assets to interested parties and as at March 31, 2017 has over 3,390 (2016 - 3,300) 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, 2017 (2016 - \$71 million).

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, 2017 is \$55,627,000, converted from a value of US\$41,750,000 using the March 31, 2017 US exchange rate of 1.33 (2016 - \$53,860,000, converted from a value of US\$41,750,000 using the March 31, 2016 US exchange rate of 1.29).

11. ACCUMULATED SURPLUS

(in thousands of dollars)	2017	2016
Accumulated surplus from operations		
Endowment - original contribution	\$ 50,000	\$ 50,000
Endowment principal - Externally restricted contributions	37,569	37,569
Reserve for excess investment income		
Balance at beginning of the year	136,445	124,445
Appropriated from the accumulated surplus during the year	5,000	12,000
Balance at end of the year	141,445	136,445
Surplus		
Balance at beginning of the year	25,573	25,743
Appropriated to the reserve for excess investment income during the year	(5,000)	(12,000)
Surplus for the year	4,843	11,830
Balance at end of the year	25,416	25,573
Total accumulated surplus from operations	254,430	249,587
Accumulated remeasurement gains		
Balance at beginning of the year	31,158	53,963
Change in fair value	17,261	(22,805)
Balance at end of the year	48,419	31,158
Balance of accumulated surplus at end of year	\$ 302,849	\$ 280,745

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)	2017	2016
Gains (losses) from disposal of portfolio investments	\$ 5,570	\$ (627)
Income transferred to deferred revenues -		
Externally restricted contributions (Note 7)	(2,083)	(3,854)
Net gains on foreign exchange	272	319
Interest, dividend and other distributed income	12,502	26,697
Investment portfolio management costs	(1,383)	(1,850)
	\$ 14,878	\$ 20,685

13. NET ART BANK RESULTS

(in thousands of dollars)	2017	2016
Rental revenue	\$ 1,228	\$ 1,205
Other income	218	168
Disposal/donation of Art Bank assets	-	(88)
Administration expense	(1,617)	(1,639)
Amortization of other capital assets	(11)	(11)
	\$ (182)	\$ (365)

14. CANADIAN COMMISSION FOR UNESCO

(in thousands of dollars)	2017	2016
Program expenses	\$ 1,158	\$ 583
Program - contributions received	(43)	(11)
Administration expense	1,211	1,201
	\$ 2,326	\$ 1,773

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)	2017	2016
Increase in accounts receivable	\$ (649)	\$ (43)
Increase (decrease) in grants, author payments and prizes payable	31,680	(1,077)
Increase in accounts payable and accrued liabilities	148	987
Increase (decrease) in deferred revenues	558	(184)
Net change	\$ 31,737	\$ (317)

16. CONTRACTUAL OBLIGATIONS AND COMMITMENTS

a) Grants, author payments and prizes

Grants, author payments and prizes extending into future years are subject to the provision of funds by Parliament. Future year commitments for those payments approved prior to March 31, 2017 amounted to \$28,256,000 (2016 – \$96,176,000). The future payments of grant commitments as of March 31, 2017 are as follows:

(in thousands of dollars)

2018	\$	21,417
2019		6,839

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, 2017 amounted to \$75,464,000 (2016 – \$81,372,000). The future payments of operating leases as of March 31, 2017 are as follows:

(in thousands of dollars)

2018	\$	4,238
2019		4,317
2020		4,170
2021		4,087
2022		4,167
2023-2034		54,485

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, 2017 is \$9,933,000 (2016 – \$22,389,000). 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, 2017 amounted to \$1,102,000 (2016 – \$415,000). Future annual payments as of March 31, 2017, all due within one year are as follows:

Program delivery	\$	141,000
Arts community services		119,000
General administration		645,000
Tangible capital assets		197,000

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, author payments and prizes and other expenses totalling \$876,000 (2016 – \$149,000) and recorded rental revenues for the Art Bank assets, contributions and other revenues totalling \$835,000 (2016 – \$767,000) 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)	2017	2016
Accounts receivable	\$ 943	\$ 328
Grants, author payments and prizes payable	130	5
Accounts payable and accrued liabilities	406	41
Deferred revenues	941	293

Schedule I - Grants, Author Payments and Prizes by Section

(in thousands of dollars)	2017	2016
Arts Programs and Prizes		
Music	\$ 29,259	\$ 28,499
Theatre	28,130	27,282
Writing and Publishing	23,437	24,637
Visual Arts	21,853	21,557
Dance	20,346	18,645
Media Arts	14,804	14,594
Audience and Market Development	3,015	3,129
Inter-Arts	3,227	2,788
Indigenous Arts	3,215	2,095
Equity	1,451	1,460
Other	1,257	1,081
Canada 150 - New Chapter	35,030	-
Public Lending Right	9,774	9,760
Killam Program		
Killam Research Fellowships	840	840
Killam Prizes	500	500
Other Prizes and Awards		
Victor Martyn Lynch-Staunton Awards	105	105
Molson Prizes	100	100
John G. Diefenbaker Award	95	95
Other prizes and awards < \$75,000	355	273
	\$ 196,793	\$ 157,440

Schedule II - Other Expenses

(in thousands of dollars)	2017			2016
	Transfer Program Delivery	General Administration	Total	Total
Salaries and employee benefits	\$ 12,956	\$ 8,357	\$ 21,313	\$ 20,386
Office accommodation	28	3,572	3,600	3,509
Peers and advisory committees	2,598	-	2,598	2,559
Professional and special services	344	1,330	1,674	1,190
Amortization	-	1,205	1,205	1,007
Information management	78	503	581	850
Staff travel	404	117	521	530
Prizes presentation	390	-	390	453
Printing, publications and duplicating	12	311	323	276
Communications	2	293	295	296
Office expenses and equipment	3	163	166	202
Meeting expenses including members' honoraria	71	88	159	228
Miscellaneous	-	17	17	19
	\$ 16,886	\$ 15,956	\$ 32,842	\$ 31,505

Schedule III - Arts Community Services

(in thousands of dollars)	2017	2016
Research and consultation	\$ 1,223	\$ 912
Partnership and networking	712	551
Event costs	316	325
	\$ 2,251	\$ 1,788