



Canada Council
for the Arts

Conseil des arts
du Canada

Quarterly

Financial Report

Unaudited

Period ended June 30, 2024

Published August 30, 2024



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Management Discussion and Analysis

Quarterly Report

Period ended June 30, 2024
Published August 30, 2024

INTRODUCTION

This narrative discussion relates to the financial results of the Canada Council for the Arts (the Council) for the first quarter and the three month period ended June 30, 2024 as set out in the accompanying unaudited quarterly financial statements. These statements are disclosed in accordance with the requirements of section 131.1 of the Financial Administration Act and are prepared in accordance with Canadian Public Sector Accounting Standards (PSAS) as promulgated by the Chartered Professional Accountants (CPA) of Canada.

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

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

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

HIGHLIGHTS

Survey on the state of the sector

- On June 19, the Council launched a country-wide Arts Community Pulse Survey to better understand the challenges and needs of the arts sector. The survey was sent to all Canada Council applicants from 2021 to 2024. The survey aims to help shape an accurate and up-to-date picture of the state of the sector nationally, and to draw an evidence-based portrait that can be used to ensure sustainable support for the arts in Canada. The results of the survey are expected to be shared with the sector in the fall.

Kapwani Kiwanga: Trinket unveiled at Venice Art Biennale 2024

- In April 2024, the installation [Kapwani Kiwanga: Trinket](#) was unveiled at the Canada Pavilion as part of the 60th International Art Exhibition – La Biennale di Venezia. The Council is a presenting partner of the National Gallery of Canada for the Art Biennale. The project transforms the Canada Pavilion through a site-specific sculptural installation and invites visitors into an immersive environment through an ambitious intervention on the building's interior and exterior. The complex deployment of seed beads installations addresses the often-destructive history of commerce.

Pan-Canadian delegation at the Marché des Arts du Spectacle d'Abidjan (MASA)

- In April 2024, the Council reconnected with the [Marché des Arts du Spectacle d'Abidjan \(MASA\)](#) in Côte d'Ivoire by supporting a pan-Canadian delegation of presenters and professionals, led by the [Festival Afropolitain Nomade](#), to foster exchanges and promote a renewed dialogue between Canada and West Africa. This [new initiative](#) builds on hybrid projects proposed in 2022, to further stimulate relations between Canada and the arts sector in Côte d'Ivoire. This commitment follows in the footsteps of the fruitful exchanges generated by the 2020 edition of MASA, with Canada as the guest of honour.

Madweyàshkà | Like a Wave exhibition in Âjagemô art space

- On June 18, 2024, the Council opened the exhibition [Madweyàshkà | Like a Wave](#) in the Âjagemô art space. Curated by Olivia Kristoff (Cowessess First Nation), the exhibition highlights the works of art by First Nations and Métis artists featured in the Canada Council Art Bank's collection.
- *Madweyàshkà | Like a Wave* presents works by Barry Ace, Carl Beam, Joane Cardinal-Schubert, Rosalie Favell, Greg A. Hill, Robert Houle, Nadia Myre, David Neel, Shelley Niro, Edward Poitras, Jane Ash Poitras, Michael Robinson and Jeff Thomas.
- The exhibition will be open until May 19, 2025.

Anishinaabe Algonquin artwork added to the Canada Council Art Bank's collection

- In Spring 2024, the [Canada Council Art Bank](#) made a purchase of nine works of art by seven contemporary Anishinaabe Algonquin artists for its collection. The purchase not only increases the number of works by Anishinaabe Algonquin artists in the Art Bank's collection, but also deepens the Council's commitment to its host nation – the Anishinaabe Algonquin Nation— upon whose unceded territory the Council's offices are located. Six of the seven artists are new to the Art Bank collection, including a range of emerging, mid-career and senior artists from across the territory.

Operational changes

No changes.

Leadership and Governance changes

New Director General, Strategy and Public Affairs

- Sanjay Shahani assumed the role of Director General, Strategy and Public Affairs in the spring 2024. He has been working in the arts for more than 30 years, first as a filmmaker and theatre producer, and later as an arts administrator. Since 2016, he was the Executive Director of the Edmonton Arts Council. Before that, Sanjay was the Strategy Lead for Arts and Culture at the Ontario Trillium Foundation. He also served as a Theatre Officer at the Canada Council and as a Multidisciplinary Arts Officer at the Ontario Arts Council.

Overview of the First Quarter Net Results

(in thousands of dollars)	Three months ended June 30		
	2024	2023	Variance
Revenue	5,271	5,101	170
Expenses	(194,420)	(179,301)	(15,119)
Government funding	90,939	133,000	(42,061)
Deficit for the period	(98,210)	(41,200)	(57,010)

The deficit for the quarter was \$98.2M compared to \$41.2M for the same period last year.

This negative variance of \$57.0M arises principally from increased grants awarded of \$12.0M and a decrease of \$42.0M of Parliamentary appropriations. The lower Parliamentary appropriations and resulting increase in the deficit compared to the same period last year is a timing difference in Q1, driven by the way Council scheduled its drawdown of appropriations this year to match its cash flow requirements.

The Council will continue to monitor its financial results and work towards achieving balanced year-end results.

Revenues

(in thousands of dollars)	Three months ended June 30		
	2024	2023	Increase / (Decrease)
Net realized investment income	4,626	4,185	441
Other revenue	645	916	(271)
Total	5,271	5,101	170

Net realized investment income

Net realized investment income for the quarter are higher than the same period last year mainly due to an increase in investment income of \$0.4M offset by transfers and disposals of portfolio investments of \$0.3M.

Expenses

(in thousands of dollars)	Three months ended June 30		
	2024	2023	Increase / (Decrease)
Grants, author payments and prizes	177,890	165,892	11,998
Transfer program delivery	8,544	6,472	2,072
Arts community services	313	997	(684)
Net Art Bank results	105	101	4
Canadian Commission for UNESCO	765	529	236
General administration	6,803	5,310	1,493
Total	194,420	179,301	15,119

Grants, author payments and prizes

The increase in the year-to-date of \$12.0M compared to the same period last year is principally explained by multiple programs adapting a new “apply anytime” approach, during which grants are awarded 4 times per year, up from 2 times in prior years and resulting in the awarding of grants earlier in the year. \$9M of the \$12M can be attributed directly to the first distribution of Explore and Create grants.

Assets

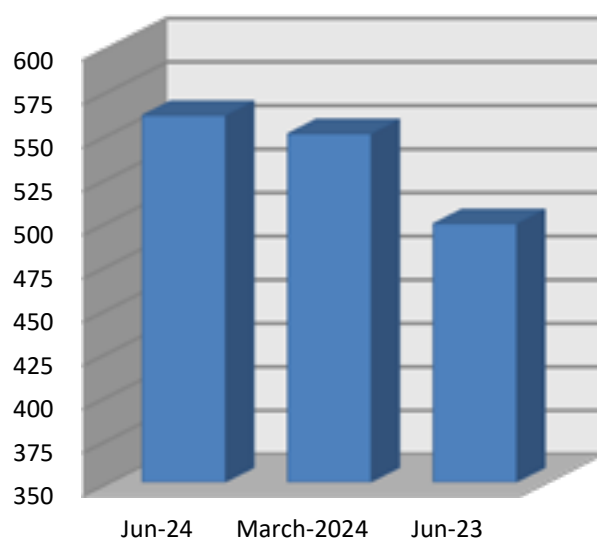
Financial Assets

(in thousands of dollars)	June 30 2024	March 31 2024	Increase / (Decrease)
Cash	38,913	48,519	(9,606)
Accounts receivable	4,004	4,492	(488)
Portfolio investments	560,617	550,098	10,519
Total	603,534	603,109	425

Portfolio Investments

The total market value of the portfolio as at June 30, 2024 was \$560.6M, of which \$132.7M was externally restricted. This amount represents an increase of \$10.5M in market value since March 31, 2024 and an increase of \$62.2M since June 30, 2023. This increase over the past 12 months is attributed to general market growth.

(in millions of dollars)



The total fund generated a positive return of 2.1% for the quarter, underperforming the benchmark return by 0.1%. Infrastructure, Canadian Equity and Fixed income all surpassed their benchmarks by 2.2%, 1.0%, and 0.1% respectively. Global equities and real estate underperformed compared to their benchmarks by 1.3% and 0.7% respectively.

The total fund one-year return was 12.2% for June 2024, underperforming against the benchmark by 1.6%. All asset classes generated positive one year returns, except for real estate which generated a negative return of 8.3% and underperformed against its benchmark by 7.5%.

Liabilities

(in thousands of dollars)	June 30 2024	March 31 2024	Increase / (Decrease)
Grants, author payments and prizes payable	179,251	86,965	92,286
Accounts payable and accrued liabilities	6,410	7,206	(796)
Deferred revenues	6,903	5,049	1,854
Employee future benefits	6,064	5,955	109
Externally restricted contributions (Note 5)	88,763	86,389	2,374
Total	287,391	191,564	95,827

Grants, author payments, and prizes payable

The increase of \$92.3M compared to the value as at March 31, 2024 is due to Core funding grants to organizations becoming payable with the new financial year, resulting in the recognition of \$159.2M of grant expenses in April 2024.

Accounts payable and accrued liabilities

The decrease of \$0.8M compared to the value as at March 31, 2024 is largely explained by a decrease of outstanding commercial invoices of \$3.6M offset by an increase of \$3.1M for accrued payroll following the financial year rollover.

Deferred revenues

The increase of \$1.9M compared to the value as at March 31, 2024 is explained by a \$1.2M return of unused funds from the National Research Council for the 2023-2024 Killam Prize, to be held as deferred until disbursed or, upon approval from the Killam trustees, to be reinvested. In addition, Council received \$0.6M of restricted bequests.

Externally restricted contributions

The increase of \$2.4M compared to the value at March 31, 2024 is due to general investment growth, detailed in Note 5 of the Financial Statements.

Non-Financial Assets

(in thousands of dollars)	June 30 2024	March 31 2024	Increase / (Decrease)
Tangible capital assets	6,493	6,806	(313)
Art Bank assets	19,925	19,924	1
Musical instruments	1	1	-
Prepaid expenses	2,869	1,490	1,379
Total	29,288	28,221	1,067

Art Bank assets

The Council owns over 17,200 works of contemporary Canadian art within its Art Bank collection. The Art Bank assets are carried at a cost of \$19.9M. The appraised value of the Art Bank assets at June 30, 2024 was approximately \$73.2M

Musical instruments

The Council operates a Musical Instrument Bank and it currently owns a fine cello bow and twelve prestigious musical instruments. In addition, the Council manages twelve instruments and a fine violin bow on loan. The appraised value of its musical instruments as at June 30, 2024 was US \$71.3M. These are included on the Statement of Financial Position at a nominal value.

Prepaid expenses

The increase of \$1.4M in comparison to the value as at March 31, 2024 is explained by a transfer of \$2.7M to the National Research Council for the delivery of the 2024-25 Killam program, offset by recognition of rent expenses of \$0.9M and the recognition of annual insurance plans amounting to \$0.4M.

RISK MANAGEMENT

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

The Council's existing 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.

Risk Appetite

The Council follows a prudent risk-taking approach in managing its activities. It defines 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. It manages risk within the constraints of its mandate, values, organizational culture, and both its public and internal commitments. The Council's full Risk Appetite Statement is disclosed in the 2024 Annual Financial Statements.

Risk Profile

Using the Council's risk appetite as key context, the risk profile is reviewed and updated on an annual basis. All identified risks are ranked based on likelihood and potential impact on the Council's operations with a focus on potential operational, financial, and reputational dimensions. The corporate risk profile highlighting the top risk areas and their mitigation strategies was presented to the Board in January 2024.

The risk mitigation strategies and related activities are monitored on an ongoing basis by assigned members of the executive management to reduce the risk exposure. Regular updates on these risks are provided to the Audit and Finance Committee to ensure continuous oversight and the effectiveness of the mitigation strategies that 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 the Council's receivables are deposited within 30-60 days after quarter-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 preferred rate account at a financial institution 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.

USE OF PARLIAMENTARY APPROPRIATION

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

The Council receives its main funding through an appropriation voted by Parliament. The Council records the Parliamentary appropriation received in the period as revenue in the Statement of Operations. The Council submits a monthly analysis of its cash flow needs to the Department of Canadian Heritage to support its monthly drawdown cash requirements. The cash-flow requirements may not necessarily match the timing of expenses reported in the Statement of Operations. The monthly drawdown is invested in a preferred rate account at a financial institution from which the Council draws its daily cash requirements.

The Parliamentary appropriations approved and received by the Council for the three months ended June 30 were as follows:

(in thousands of dollars)	June 30	
	2024	2023
Approved annual operating funding		
Vote 1 - Operating costs	363,758	364,239
	363,758	364,239
Parliamentary appropriations for operating expenses recorded in the Statement of Operations for the three-month period	(90,939)	(133,000)
Balance of operating funding to be received	272,819	231,239



Canada Council
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Conseil des arts
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Quarterly

Financial Statements

Unaudited

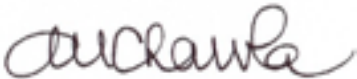
These financial statements for the quarter ended June 30, 2024
have not been audited or reviewed by our Auditor

Management's Responsibility for Financial Reporting

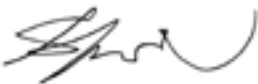
Management is responsible for the preparation and fair presentation of these quarterly financial statements in accordance with the Treasury Board of Canada Standard on Quarterly Financial Reports for Crown Corporations and for such internal controls as management determines is necessary to enable the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

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

August 30, 2024



Michelle Chawla
Director and Chief Executive Officer



Eva Jacobs, CPA, CGA
Chief Financial, Administration and Security Officer

Statement of Financial Position

(Unaudited)

(in thousands of dollars)

	June 30 2024	March 31 2024
FINANCIAL ASSETS		
Cash	38,913	48,519
Accounts receivable	4,004	4,492
Portfolio investments (Note 3)	560,617	550,098
Total financial assets	603,534	603,109
LIABILITIES		
Grants, author payments and prizes payable	179,251	86,965
Accounts payable and accrued liabilities	6,410	7,206
Deferred revenues	6,903	5,049
Employee future benefits	6,064	5,955
Deferred revenues - Externally restricted contributions (Note 5)	88,763	86,389
Total liabilities	287,391	191,564
NET FINANCIAL ASSETS	316,143	411,545
NON-FINANCIAL ASSETS		
Tangible capital assets	6,493	6,806
Art Bank assets	19,925	19,924
Musical instruments	1	1
Prepaid expenses	2,869	1,490
Total non-financial assets	29,288	28,221
ACCUMULATED SURPLUS (Note 6)	345,431	439,766
Accumulated surplus is comprised of:		
Accumulated surplus from operations	288,602	386,812
Accumulated remeasurement gains	56,829	52,954
ACCUMULATED SURPLUS	345,431	439,766

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

Statement of Operations

(Unaudited)

	Yearly Budget	Three months ended	
		June 30	
(in thousands of dollars)	2024	2024	2023
Revenue			
Net realized investment income (Note 7)	21,795	4,626	4,185
Other revenues	4,917	645	916
Total revenues	26,712	5,271	5,101
Expenses			
Transfer Programs			
Grants, author payments and prizes	314,557	177,890	165,892
Transfer program delivery	31,435	8,544	6,472
Arts community services	4,247	313	997
	350,239	186,747	173,361
Net Art Bank results (Note 8)	340	105	101
Canadian Commission for UNESCO (Note 9)	2,719	765	529
General administration	30,557	6,803	5,310
Total expenses	383,855	194,420	179,301
Deficit from operations before Parliamentary appropriations for the period	(357,143)	(189,149)	(174,200)
Parliamentary appropriations	363,758	90,939	133,000
SURPLUS (DEFICIT) FROM OPERATIONS FOR THE PERIOD	6,615	(98,210)	(41,200)
ACCUMULATED SURPLUS FROM OPERATIONS, BEGINNING OF PERIOD	386,812	386,812	375,530
ACCUMULATED SURPLUS FROM OPERATIONS, END OF PERIOD	393,427	288,602	334,330

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

Statement of Remeasurement Gains and Losses

(Unaudited)

	Three months ended June 30	
	2024	2023
(in thousands of dollars)		
ACCUMULATED REMEASUREMENT GAINS, BEGINNING OF PERIOD	52,954	23,510
Unrealized gains attributable to:		
Portfolio investments	3,882	2,240
Amounts reclassified to the Statement of Operations:		
Portfolio investments	(7)	(295)
NET REMEASUREMENT GAINS FOR THE PERIOD	3,875	1,945
ACCUMULATED REMEASUREMENT GAINS, END OF PERIOD	56,829	25,455

Statement of Changes in Net Financial Assets

(Unaudited)

	Three months ended June 30	
	2024	2023
(in thousands of dollars)		
DEFICIT FROM OPERATIONS FOR THE PERIOD	(98,210)	(41,200)
Acquisition of tangible capital assets	-	(26)
Amortization of tangible capital assets	311	419
Acquisition of Art Bank assets	1	(21)
	312	372
Acquisition of prepaid expenses	(2,821)	(3,551)
Use of prepaid expenses	1,442	547
	(1,379)	(3,004)
Net remeasurement gains	3,875	1,945
DECREASE IN NET FINANCIAL ASSETS	(95,402)	(41,887)
NET FINANCIAL ASSETS, BEGINNING OF PERIOD	411,545	370,812
NET FINANCIAL ASSETS, END OF PERIOD	316,143	328,925

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

Statement of Cash Flows

(Unaudited)

(in thousands of dollars)

	Three months ended June 30	
	2024	2023
Operating Transactions		
Deficit from operations for the period	(98,210)	(41,200)
Gains from disposal of portfolio investments (Note 7)	(86)	(409)
Dividend and other distributed income - reinvested (Note 7)	(5,044)	(3,395)
Amortization of tangible capital assets	311	419
Increase in prepaid expenses	(1,379)	(3,004)
Increase in employee future benefits	109	79
Income transferred to Deferred revenues - Externally restricted contributions from investment income (Note 5)	1,107	727
Net change in other non-cash items (Note 10)	93,832	48,742
Cash (used) provided by operating activities	(9,360)	1,959
Capital Transactions		
Acquisition of tangible capital assets	-	(26)
Acquisition of Art Bank assets	1	(21)
Cash provided (used) by capital activities	1	(47)
Investing Transactions		
Acquisition of portfolio investments	(402)	(8,271)
Disposal of portfolio investments	155	6,273
Cash used by investing activities	(247)	(1,998)
NET DECREASE IN CASH	(9,606)	(86)
CASH, BEGINNING OF PERIOD	48,519	108,169
CASH, END OF PERIOD	38,913	108,083

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

Notes to the Financial Statements
For the period ended June 30, 2024
(Unaudited)

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 His 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 sections 89.8 to 89.92, of Division I, subsection 105(2) and sections 113.1 and 119 of Division II, sections 131 to 148 of Division III and section 154.01 of Division IV. The Council is a Crown corporation whose objectives are to foster and promote the study and enjoyment of, and the production of works in, the arts.

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

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

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

These unaudited interim financial statements have been prepared in accordance with Canadian public sector accounting standards (PSAS) as promulgated by the Chartered Professional Accountants (CPA) of Canada.

Basis of preparation

These interim financial statements are intended to provide an update on the latest complete set of audited annual financial statements for the year ended March 31, 2024. Accordingly, they should be read in conjunction with the audited annual financial statements. The interim financial statements are unaudited for all periods presented. The accounting policies used in the preparation of these interim condensed financial statements are consistent with those disclosed in the Council’s last audited annual financial statements.

Notes to the Financial Statements (continued)
For the period ended June 30, 2024
(Unaudited)

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, 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. PORTFOLIO INVESTMENTS

	Year-to-date June 30, 2024					Year-end March 31, 2024		
	Cost	Unrealized losses	Unrealized gains	Fair value		Cost	Fair value	
(in thousands of dollars)	\$	\$	\$	\$	%	\$	\$	%

Canada Council Endowment and Special Funds

Pooled funds								
Canadian Equity	49,844	34	13,464	63,274	14	48,860	62,945	14
Global Equity	199,881	1,311	41,856	240,426	51	197,610	234,126	51
Fixed income	86,763	713	896	86,946	19	85,927	86,007	19
Real estate	22,899	2,902	780	20,777	4	22,811	20,908	5
Infrastructure	43,654	-	10,072	53,726	12	43,391	52,508	11
	403,041	4,960	67,068	465,149	100	398,599	456,494	100

Killam Fund

Pooled funds								
Canadian Equity	10,972	67	1,752	12,657	13	10,776	12,601	13
Global Equity	41,124	327	8,291	49,088	51	40,660	47,815	51
Fixed income	17,825	161	184	17,848	19	17,653	17,656	19
Real estate	4,970	596	199	4,573	5	4,952	4,610	5
Infrastructure	9,582	-	1,720	11,302	12	9,497	10,922	12
	84,473	1,151	12,146	95,468	100	83,538	93,604	100
Total Portfolio investments	487,514	6,111	79,214	560,617		482,137	550,098	

Notes to the Financial Statements (continued)

For the period ended June 30, 2024

(Unaudited)

Unrealized gains/losses on investments are primarily due to the timing of the market prices, foreign exchange movements, or the early years in the business cycle for some investments.

Annually, the Council assesses each of its investment instruments against specific criteria to determine whether there is objective evidence that the adjusted cost may not be recovered and is therefore impaired. The Council does not consider these investments to be other-than-temporarily impaired.

The Council manages two separate portfolios, the Canada Council Endowment and Special Funds and the Killam 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% (March 31, 2024 - 8%) of that Fund with a total fair value of \$37,258,000 (March 31, 2024 - \$36,565,000). The total fair value of the externally restricted investment including the Killam Fund is \$132,726,000 (March 31, 2024 - \$130,169,000).

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 in limited partnership units of five real estate funds and seven 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	14%	10%	14%	20%
Global Equities	52%	40%	46%	55%
Fixed Income	19%	15%	20%	30%
Real Estate	5%	0%	10%	15%
Infrastructure	12%	0%	10%	15%
Money Market / Cash	0%	0%	0%	10%

Amounts in the money market or cash asset classes are for future investments or to fund capital calls on commitments already approved and signed.

Investments in the equity pooled funds are comprised of units of six pooled funds, two Canadian funds and four funds that are invested in global equity markets. The Canadian equities are measured against the returns of the Standard and Poor's Toronto Stock Exchange (S&P/TSX) Index.

Notes to the Financial Statements (continued)

For the period ended June 30, 2024

(Unaudited)

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 funds are comprised of a mix of bonds, mortgages, emerging debt and other fixed income instruments.

The Universe Bonds' portion of the fixed income funds is measured against the returns of the FTSE Canada Universe Bond Index and the Mortgages' portion is measured against the FTSE Canada Short-Term Overall Bond Index.

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 50% the NFI ODCE Index and 50% the MSCI/REALPAC Canada Quarterly Property Fund Index.

The infrastructure funds include portfolios of diversified infrastructure investments. These investments are measured against the Consumer Price Index (CPI) plus 4.5%.

4. FINANCIAL RISKS AND FAIR VALUE

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

<i>(in thousands of dollars)</i>		Year-to-date June 30, 2024	Year-end March 31, 2024
Financial assets and liabilities	Measurement categories	Carrying amount and fair value (\$)	Carrying amount and fair value (\$)
Cash	Fair value	38,913	48,519
Accounts receivable	Amortized cost	4,004	4,492
Portfolio Investments ¹	Fair value	560,617	550,098
Grants, author payments and prizes payable	Amortized cost	179,251	86,965
Accounts payable and accrued liabilities	Amortized cost	6,410	7,206

¹ The detailed fair value for the investments is listed in Note 3.

a) Establishing fair value

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

The fair values of the investments are determined as follows:

- Canadian Equity, Global Equity, Fixed Income and Money Market pooled fund investments are valued at the unit values supplied by the pooled fund external managers, which represent the Council's proportionate share of the underlying net assets at fair values, determined using closing market prices.

Notes to the Financial Statements (continued)

For the period ended June 30, 2024

(Unaudited)

- Real estate and Infrastructure investment values are supplied by the external fund managers using internally determined appraisals based on valuation models with unobservable inputs.

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:

Notes to the Financial Statements (continued)
For the period ended June 30, 2024
(Unaudited)

Financial assets at fair value

Cash (in thousands of dollars)	Year-to-date June 30, 2024				Year-end March 31, 2024			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Cash	38,913	-	-	38,913	48,519	-	-	48,519
Portfolio Investments								
Canada Council Endowment and Special Funds								
Pooled Funds								
Canadian Equity	-	63,274	-	63,274	-	62,945	-	62,945
Global Equity	-	240,426	-	240,426	-	234,126	-	234,126
Fixed Income	-	64,495	22,451	86,946	-	63,893	22,114	86,007
Real Estate	-	-	20,777	20,777	-	-	20,908	20,908
Infrastructure	-	-	53,726	53,726	-	-	52,508	52,508
Killam Fund								
Pooled Funds								
Canadian Equity	-	12,657	-	12,657	-	12,601	-	12,601
Global Equity	-	49,088	-	49,088	-	47,815	-	47,815
Fixed Income	-	13,249	4,599	17,848	-	13,126	4,530	17,656
Real Estate	-	-	4,573	4,573	-	-	4,610	4,610
Infrastructure	-	-	11,302	11,302	-	-	10,922	10,922
	-	443,189	117,428	560,617	-	434,506	115,592	550,098
Total	38,913	443,189	117,428	599,530	48,519	434,506	115,592	598,617

Level 3 Sensitivity Analysis - In the course of measuring fair value of financial instruments classified as Level 3, valuation techniques used incorporate assumptions that are based on unobservable inputs. As the underlying assumptions used in these valuations are not available to the Council, a sensitivity of reasonably possible alternate assumptions for estimation of the fair value measurement of the Level 3 financial instruments is not possible.

5. DEFERRED REVENUES - EXTERNALLY RESTRICTED CONTRIBUTIONS

The deferred revenues from externally restricted contributions consist of accumulated income received 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 6).

Notes to the Financial Statements (continued)
For the period ended June 30, 2024
(Unaudited)

<u>(in thousands of dollars)</u>	Year-to-date June 30, 2024	Year-end March 31, 2024
Balance, beginning of period	86,389	74,667
Transferred from investment income (Note 7)		
Net Investment income	1,218	5,203
Use of funds	(111)	(2,054)
	1,107	3,149
Unrealized gains on portfolio investment	1,269	8,781
Reclassified to statement of operations - portfolio investments	(2)	(208)
Balance at end of period	88,763	86,389

6. ACCUMULATED SURPLUS

<u>(in thousands of dollars)</u>	Year-to-date June 30, 2024	Year-end March 31, 2024
Accumulated surplus from operations		
Endowment - Original contribution	50,000	50,000
Endowment principal – Externally restricted contributions	37,569	37,569
Reserve for excess investment income		
Balance at beginning of the period	271,445	261,445
Appropriated from the accumulated surplus during the period	-	10,000
Balance at end of the period	271,445	271,445
Surplus		
Balance at beginning of the period	27,798	26,516
Appropriated to the reserve for excess investment income during the period	-	(10,000)
(Deficit) surplus for the period	(98,210)	11,282
Balance at end of the period	(70,412)	27,798
Total accumulated surplus from operations	288,602	386,812
Accumulated remeasurement gains (losses)		
Balance at beginning of the period	52,954	23,510
Change in fair value	3,875	29,444
Balance at end of the period	56,829	52,954
Balance of accumulated surplus at end of period	345,431	439,766

Notes to the Financial Statements (continued)
For the period ended June 30, 2024
(Unaudited)

7. NET REALIZED INVESTMENT INCOME

(in thousands of dollars)	Three months ended June 30	
	2024	2023
Gains from disposal of portfolio Investments	86	409
Transfer to deferred revenues - Externally restricted contributions (Note 5)	(1,106)	(727)
Net (losses) gains on foreign exchange	(2)	10
Dividend and other distributed income - reinvested	5,044	3,395
Interest, dividend and other distributed income - cashed	1,019	1,568
Investment portfolio management costs	(415)	(470)
	4,626	4,185

8. NET ART BANK RESULTS

(in thousands of dollars)	Three months ended June 30	
	2024	2023
Rental revenue	(443)	(436)
Other income	(39)	(35)
Administration expense	587	572
	105	101

9. CANADIAN COMMISSION FOR UNESCO

(in thousands of dollars)	Three months ended June 30	
	2024	2023
Program expenses	319	109
Program - contributions received	-	-
Administration expense	446	420
	765	529

Notes to the Financial Statements (continued)
 For the period ended June 30, 2024
 (Unaudited)

10. NET CHANGE IN OTHER NON-CASH ITEMS

(in thousands of dollars)	Three months ended June 30	
	2024	2023
Decrease in accounts receivable	488	307
Increase in grants, author payments and prizes payable	92,286	49,815
Decrease in accounts payable and accrued liabilities	(796)	(1,444)
Increase in deferred revenues	1,854	64
Net change	93,832	48,742

11. RELATED PARTY TRANSACTIONS

The Council is related in terms of common ownership to all Government of Canada departments, agencies and Crown corporations. Other related parties of the Council are key management personnel, close family members of key management personnel and entities that are controlled, significantly influenced by, or for which significant voting power is held by key management personnel or their close family members. 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.