



Canada Council
for the Arts

Conseil des arts
du Canada

Quarterly

Financial Report

Unaudited

Period ended September 30, 2024
Published November 29, 2024



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Management Discussion and Analysis

Quarterly Report

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INTRODUCTION

This narrative discussion relates to the financial results of the Canada Council for the Arts (the Council) for the second quarter and the six month period ended September 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.

HIGHLIGHTS

Engagement with Arts Service Organizations

- Earlier this year, the Council launched a series of engagement sessions with arts service organizations from various artistic disciplines and across Canada on topics of interest expressed by the arts community. Arts service organizations support artists and arts organizations through professional development, resources, networking and advocacy. Given their role in the arts sector, the Council identified an opportunity to provide space for arts service organizations to come together, along with arts funders, to discuss pressing issues, and share approaches.
- In September, the Council hosted a session on financial resilience in the sector, resulting in a conversation that highlighted the importance of collaboration, sharing of resources, exploration of new financial models, and capacity building within the sector. More broadly, these engagement sessions have covered the well-being of artists, the role of data, and climate adaptation.
- Conversations will continue at an in-person/hybrid gathering at the Council's offices in Ottawa in Fall 2024.

Newsletter

- The Council created a newsletter to share relevant content with applicants and the broader arts sector on a regular basis. The newsletter reaches over 60,000 recipients across Canada.
- The first newsletter was published in September in [English](#) and [French](#) to inform and increase engagement across the arts community. The first issue included stories on the impact of the Council's funding; important application deadlines; promotion of outreach sessions, such as webinars and information sessions; calls for applications; and prize winner announcements.

Operational changes

No changes.

Leadership and Governance changes

No changes.

Overview of the Second Quarter Net Results

(in thousands of dollars)	Three months ended September 30			Six months ended September 30		
	2024	2023	Variance	2024	2023	Variance
Revenue	5,079	7,587	(2,508)	10,349	12,688	(2,339)
Expenses	(50,018)	(72,584)	22,566	(244,443)	(251,885)	7,442
Government funding	113,000	83,000	30,000	203,939	216,000	(12,061)
Surplus (deficit) for the period	68,061	18,003	50,058	(30,155)	(23,197)	(6,958)

The surplus for the quarter was \$68.1M compared to \$18.0M for the same period last year.

Of the positive variance of \$50.1M, \$30.0M is due to higher Government funding received and \$22.7M due to lower grants, author payments and prizes awarded during the quarter. These were partially offset by lower investment income of \$2.5M. Government funding for the quarter was higher compared to the same period last year due to a timing difference that is a result of the way Council scheduled the receipt of Government funding.

The deficit for the year to date was \$30.2M, compared to \$23.2M for the same period last year. This negative variance of \$7.0 M is largely driven by a \$12.0M decrease in parliamentary appropriations to date as well as a \$7.4M decrease in expenses, specifically in Grants, author payments and prizes.

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 September 30			Six months ended September 30		
	2024	2023	Increase / (Decrease)	2024	2023	Increase / (Decrease)
Net realized investment income	3,859	6,400	(2,541)	8,485	10,585	(2,100)
Other revenue	1,220	1,187	33	1,864	2,103	(239)
Total	5,079	7,587	(2,508)	10,349	12,688	(2,339)

Net realized investment income

Net realized investment income for the quarter is lower than the same period last year due to decrease in market returns. Year to date interest, dividend and other distributed income was down \$3.3M, offset by gains on disposal of portfolio investments of \$0.6M.

Expenses

(in thousands of dollars)	Three months ended September 30			Six months ended September 30		
	2024	2023	Increase / (Decrease)	2024	2023	Increase / (Decrease)
Grants, author payments and prizes	36,253	58,942	(22,689)	214,143	224,835	(10,692)
Transfer program delivery	6,814	6,399	415	15,363	12,871	2,492
Arts community services	312	385	(73)	625	1,381	(756)
Net Art Bank results	(69)	(110)	41	36	(9)	45
Canadian Commission for UNESCO	1,284	783	501	2,049	1,312	737
General administration	5,424	6,185	(761)	12,227	11,495	732
Total	50,018	72,584	(22,566)	244,443	251,885	(7,442)

Grants, author payments and prizes

The decrease in grants, author payments and prizes of \$22.7M during Q2 (and \$10.7M year to date) is due to the timing of grant competitions this year that are more heavily weighted to the final six months of 2024-25.

Transfer program delivery

The increase in year to date transfer program delivery expenses of \$2.5M is largely due to the change in accounting treatment of costs associated with the development of the new customer and grant management system of \$2.1M which are now being allocated to transfer program delivery.

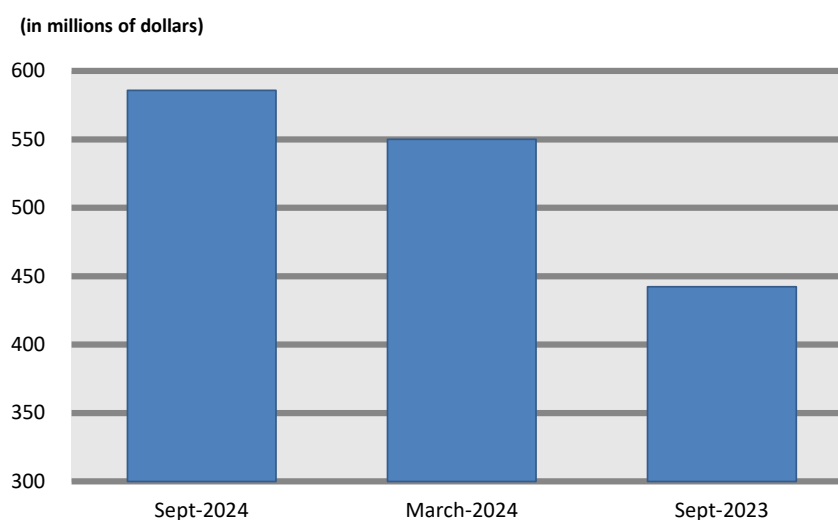
Assets

Financial Assets

(in thousands of dollars)	September 30 2024	March 31 2024	Increase / (Decrease)
Cash	53,940	48,519	5,421
Accounts receivable	4,412	4,492	(80)
Portfolio investments	585,821	550,098	35,723
Total	644,173	603,109	41,064

Portfolio Investments

The total market value of the portfolio as at September 30, 2024 was \$585.8M, of which \$138.7M was externally restricted. This amount represents an increase of \$35.7M in market value since March 31, 2024 and an increase of \$97.5M since September 30, 2023. This increase over the past 12 months is attributed to general market growth.



The total fund generated a positive return of 4.7% for the quarter, matching the benchmark. Fixed income and Infrastructure both surpassed their benchmarks by 0.3% and 2.1% respectively. Canadian Equity, Global equities and Real Estate underperformed compared to their benchmarks by 3.5%, 0.2% and 0.3% respectively.

The total fund one-year return was 19.9% for September 2024, underperforming the benchmark by 0.7%. All asset classes generated positive one-year returns, except for real estate which generated a negative return of 9% and underperformed against its benchmark by 6.7%.

Liabilities

(in thousands of dollars)	September 30 2024	March 31 2024	Increase / (Decrease)
Grants, author payments and prizes payable	129,004	86,965	42,039
Accounts payable and accrued liabilities	4,799	7,206	(2,407)
Deferred revenues	7,249	5,049	2,200
Employee future benefits	6,174	5,955	219
Externally restricted contributions	94,982	86,389	8,593
Total	242,208	191,564	50,644

Grants, author payments, and prizes payable

The increase of \$42.0M since March 31, 2024 is due to funding of grants to certain organizations becoming payable in the new financial year. Since June 30, 2024 the outstanding Grants, author payments and prizes payable has decreased by \$50.3M from \$179.3M.

Accounts payable and accrued liabilities

The decrease of \$2.4M compared to the value as at March 31, 2024 is largely explained by a decrease in accrued payroll of \$0.7M, and a decrease in vendor payables of \$1.5M.

Deferred revenues

The increase of \$2.2M 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 2023-24 Killam Prize, to be held in deferred revenue until disbursed, or to be reinvested upon approval by the Killam trustees. In addition, Council received \$1.3M of restricted bequests.

Externally restricted contributions

The increase of \$8.6M compared to the value at March 31, 2024 is due to positive market returns, detailed in Note 6 of the Financial Statements.

Non-Financial Assets

(in thousands of dollars)	September 30 2024	March 31 2024	Increase / (Decrease)
Tangible capital assets	6,193	6,806	(613)
Art Bank assets	19,925	19,924	1
Musical instruments	1	1	-
Prepaid expenses	2,835	1,490	1,345
Total	28,954	28,221	733

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 September 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 September 30, 2024 was US \$71.3M. These are included on the Statement of Financial Position at a nominal value.

Prepaid expenses

The increase of \$1.3M 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 the recognition of prepaid rent expenses of \$0.9M and of prepaid annual insurance plan expenses 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 six months ended September 30 were as follows:

(in thousands of dollars)	September 30	
	2024	2023
Approved annual operating funding		
Vote 1 - Operating costs	363,531	364,239
Parliamentary appropriations for operating expenses recorded in the Statement of Operations for the six-month period	(203,939)	(216,000)
Balance of operating funding to be received	159,592	148,239



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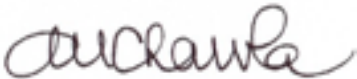
These financial statements for the quarter ended September 30, 2024
have not been audited or reviewed by our Auditor

Management's Responsibility for Financial Reporting

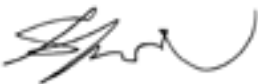
Management is responsible for the preparation and fair presentation of these quarterly financial statements in accordance with the Treasury Board of Canada Standard on Quarterly Financial Reports for Crown Corporations and for such internal controls as management determines is necessary to enable the 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.

November 29, 2024



Michelle Chawla
Director and Chief Executive Officer



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

Statement of Financial Position

(Unaudited)	September 30	March 31
(in thousands of dollars)	2024	2024
FINANCIAL ASSETS		
Cash	53,940	48,519
Accounts receivable	4,412	4,492
Portfolio investments (Note 4)	585,821	550,098
Total financial assets	644,173	603,109
LIABILITIES		
Grants, author payments and prizes payable	129,004	86,965
Accounts payable and accrued liabilities	4,799	7,206
Deferred revenues	7,249	5,049
Employee future benefits	6,174	5,955
Deferred revenues - Externally restricted contributions (Note 6)	94,982	86,389
Total liabilities	242,208	191,564
NET FINANCIAL ASSETS	401,965	411,545
NON-FINANCIAL ASSETS		
Tangible capital assets	6,193	6,806
Art Bank assets	19,925	19,924
Musical instruments	1	1
Prepaid expenses	2,835	1,490
Total non-financial assets	28,954	28,221
ACCUMULATED SURPLUS (Note 7)	430,919	439,766
Accumulated surplus is comprised of:		
Accumulated surplus from operations	356,657	386,812
Accumulated remeasurement gains	74,262	52,954
ACCUMULATED SURPLUS	430,919	439,766

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

Statement of Operations

(Unaudited)	Yearly Budget	Three months ended September 30		Six months ended September 30	
	2024-2025	2024	2023	2024	2023
<i>(in thousands of dollars)</i>					
Revenue					
Net realized investment income (Note 8)	20,119	3,859	6,400	8,485	10,585
Other revenue	3,542	1,220	1,187	1,864	2,103
Total revenues	23,661	5,079	7,587	10,349	12,688
Expenses					
Transfer Programs					
Grants, author payments and prizes	316,687	36,253	58,942	214,143	224,835
Transfer program delivery	35,115	6,814	6,399	15,363	12,871
Arts community services	3,802	312	385	625	1,381
	355,604	43,379	65,726	230,131	239,087
Net Art Bank results (Note 9)	62	(69)	(110)	36	(9)
Canadian Commission for UNESCO (Note 10)	2,544	1,284	783	2,049	1,312
General administration	28,976	5,424	6,185	12,227	11,495
Total expenses	387,186	50,018	72,584	244,443	251,885
Deficit from operations before Parliamentary appropriations for the period	(363,525)	(44,939)	(64,997)	(234,094)	(239,197)
Parliamentary appropriations	363,531	113,000	83,000	203,939	216,000
SURPLUS (DEFICIT) FROM OPERATIONS FOR THE PERIOD	6	68,061	18,003	(30,155)	(23,197)
ACCUMULATED SURPLUS FROM OPERATIONS, BEGINNING OF PERIOD	386,812	288,596	334,330	386,812	375,530
ACCUMULATED SURPLUS FROM OPERATIONS, END OF PERIOD	386,818	356,657	352,333	356,657	352,333

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

Statement of Remeasurement Gains and Losses

(Unaudited)	Three months ended September 30		Six months ended September 30	
	2024	2023	2024	2023
(in thousands of dollars)				
ACCUMULATED REMEASUREMENT GAINS (LOSSES), BEGINNING OF PERIOD	56,828	25,455	52,954	23,510
Unrealized losses attributable to:				
Portfolio investments	17,710	(11,529)	21,591	(9,289)
Amounts reclassified to the Statement of Operations:				
Portfolio investments	(276)	(10)	(283)	(305)
NET REMEASUREMENT GAINS (LOSSES) FOR THE PERIOD	17,434	(11,539)	21,308	(9,594)
ACCUMULATED REMEASUREMENT GAINS (LOSSES), END OF PERIOD	74,262	13,916	74,262	13,916

Statement of Change in Net Financial Assets

(Unaudited)	Three months ended September 30		Six months ended September 30	
	2024	2023	2024	2023
(in thousands of dollars)				
SURPLUS (DEFICIT) FROM OPERATIONS FOR THE PERIOD	68,061	18,003	(30,155)	(23,197)
Acquisition of tangible capital assets	(11)	(49)	(11)	(75)
Amortization of tangible capital assets	312	419	624	839
Acquisition of Art Bank assets	-	(2)	(1)	(23)
	301	368	612	741
Acquisition of prepaid expenses	(267)	(136)	(4,211)	(3,549)
Use of prepaid expenses	301	394	2,866	802
	34	258	(1,345)	(2,747)
Net remeasurement gains (losses)	17,434	(11,539)	21,308	(9,594)
INCREASE (DECREASE) IN NET FINANCIAL ASSETS	85,830	7,090	(9,580)	(34,797)
NET FINANCIAL ASSETS, BEGINNING OF PERIOD	316,135	328,925	411,545	370,812
NET FINANCIAL ASSETS, END OF PERIOD	401,965	336,015	401,965	336,015

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 September 30		Six months ended September 30	
	2024	2023	2024	2023
Operating Transactions				
Surplus (deficit) from operations for the period	68,061	18,003	(30,155)	(23,197)
Losses (gains) from disposal of portfolio investments (Note 8)	(963)	(53)	(1,049)	(462)
Dividend and other distributed income - reinvested (Note 8)	(2,634)	(4,399)	(7,678)	(7,794)
Amortization of tangible capital assets	312	419	624	839
Decrease (increase) in prepaid expenses	34	258	(1,345)	(2,747)
Increase in employee future benefits	110	57	219	136
Income transferred (from) to Deferred revenues - Externally restricted contributions from (to) investment income (Note 6)	807	1,381	1,913	2,108
Net change in other non-cash items (Note 11)	(51,920)	(26,846)	41,912	21,896
Cash gains (losses) by operating activities	13,807	(11,180)	4,441	(9,221)
Capital Transactions				
Acquisition of tangible capital assets	(11)	(49)	(11)	(75)
Acquisition of Arts Bank assets	-	(2)	(1)	(23)
Cash used by capital activities	(11)	(51)	(12)	(98)
Investing Transactions				
Acquisition of portfolio investments	(339)	(1,329)	(733)	(9,599)
Disposal of portfolio investments	1,570	705	1,725	6,977
Cash provided by (used by) investing activities	1,231	(624)	992	(2,622)
NET INCREASE IN CASH	15,027	(11,855)	5,421	(11,941)
CASH, BEGINNING OF PERIOD	38,913	108,083	48,519	108,169
CASH, END OF PERIOD	53,940	96,228	53,940	96,228

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

Notes to the Financial Statements
For the period ended September 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.

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.

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

Budgeted figures

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

3. RESTATEMENT OF THE STATEMENT OF OPERATIONS

The Canada Council for the Arts reports its Board approved annual budget figures as reference on the statement of operations. During the second quarter the Council discovered that the reported budget figures on the quarterly report ended June 30, 2024 were understated by \$6.6M.

The impact of the restatement of the comparative budgeted figures are as follows:

Statement of Operations

(Unaudited)

	Annual Budget 2024-2025 Reported at June 30	Annual Budget 2024-2025 Board Approved	Annual Budget 2024-2025 Variance
<i>(in thousands of dollars)</i>			
Revenue			
Net realized investment income (Note 8)	21,795	20,119	(1,676)
Other revenues	4,917	3,542	(1,375)
Total revenues	26,712	23,661	(3,051)
Expenses			
Transfer Programs			
Grants, author payments and prizes	314,557	316,687	2,130
Transfer program delivery	31,435	35,115	3,680
Arts community services	4,247	3,802	(445)
	350,239	355,604	5,365
Net Art Bank results (Note 9)	340	62	(278)
Canadian Commission for UNESCO (Note 10)	2,719	2,544	(175)
General administration	30,557	28,976	(1,581)
Total expenses	383,855	387,186	3,331
Deficit from operations before Parliamentary appropriations for the period	(357,143)	(363,525)	(6,382)
Parliamentary appropriations	363,758	363,531	(227)
SURPLUS (DEFICIT) FROM OPERATIONS FOR THE PERIOD	6,615	6	(6,609)

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

4. PORTFOLIO INVESTMENTS

	Year-to-date September 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	50,924	-	16,794	67,718	14	48,860	62,945	14
Global Equity	200,035	-	52,584	252,619	52	197,610	234,125	51
Fixed income	87,630	(115)	3,397	90,912	19	85,927	86,007	19
Real estate	22,989	(3,252)	654	20,391	4	22,811	20,909	5
Infrastructure	43,400	-	10,998	54,398	11	43,391	52,508	11
	404,978	(3,367)	84,427	486,038	100	398,599	456,494	100

Killam Fund

Pooled funds								
Canadian Equity	11,173	-	2,406	13,579	14	10,776	12,602	13
Global Equity	41,156	-	10,420	51,576	52	40,660	47,815	51
Fixed income	18,003	(38)	697	18,662	19	17,653	17,655	19
Real estate	4,988	(674)	166	4,480	4	4,952	4,610	5
Infrastructure	9,573	-	1,913	11,486	11	9,497	10,922	12
	84,893	(712)	15,602	99,783	100	83,538	93,604	100
Total investments	489,871	(4,079)	100,029	585,821		482,137	550,098	

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 \$38,932,000 (March 31, 2024 - \$36,565,000). The total fair value of the externally restricted investment including the Killam Fund is \$138,714,000 (March 31, 2024 - \$130,169,000).

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

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 targets as per the *Statement of Investment Policies and Goals* approved by the Board. The targets allow asset class allocations to vary between a minimum and a maximum.

Asset Classes	Market Value	Minimum	Target	Maximum
Canadian Equities	14%	10%	14%	20%
Global Equities	52%	40%	46%	55%
Fixed Income	19%	15%	20%	30%
Real Estate	4%	0%	10%	15%
Infrastructure	11%	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.

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%.

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

5. FINANCIAL RISKS AND FAIR VALUE

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

(in thousands of dollars)		Year-to-date September 30, 2024	Year-end March 31, 2024
Financial assets and liabilities and classifications	Measurement categories	Carrying amount and fair value (\$)	Carrying amount and fair value (\$)
Cash	Fair value	53,940	48,519
Accounts receivable	Amortized cost	4,412	4,492
Portfolio Investments ¹	Fair value	585,821	550,098
Grants, author payments and prizes payable	Amortized cost	129,004	86,965
Accounts payable and accrued liabilities	Amortized cost	4,799	7,206

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

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.
- 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).

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

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

	Year-to-date September 30, 2024				Year-end March 31, 2024			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
(in thousands of dollars)	\$	\$	\$	\$	\$	\$	\$	\$
Cash								
Cash	53,940	-	-	53,940	48,519	-	-	48,519

Portfolio Investments

Canada Council Endowment and Special Funds

Pooled Funds								
Canadian Equity	-	67,718	-	67,718	-	62,945	-	62,945
Global Equity	-	252,619	-	252,619	-	234,126	-	234,126
Fixed Income	-	67,631	23,282	90,913	-	63,893	22,114	86,007
Real Estate	-	-	20,392	20,392	-	-	20,908	20,908
Infrastructure	-	-	54,397	54,397	-	-	52,508	52,508

Killam Fund

Pooled Funds								
Canadian Equity	-	13,579	-	13,579	-	12,601	-	12,601
Global Equity	-	51,575	-	51,575	-	47,815	-	47,815
Fixed Income	-	13,892	4,770	18,662	-	13,126	4,530	17,656
Real Estate	-	-	4,480	4,480	-	-	4,610	4,610
Infrastructure	-	-	11,486	11,486	-	-	10,922	10,922
	-	467,014	118,807	585,821	-	434,506	115,592	550,098
Total	53,940	467,014	118,807	639,761	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.

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

6. 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 7).

<i>(in thousands of dollars)</i>	Year-to-date September 30, 2024	Year-end March 31, 2024
Balance, beginning of period	86,389	74,667
Transferred from net investment income (Note 8)		
Net Investment income	2,132	5,203
Use of funds	(219)	(2,054)
	1,913	3,149
Unrealized losses on portfolio investments	6,768	8,781
Reclassified to statement of operations - portfolio investments	(88)	(208)
Balance at end of period	94,982	86,389

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

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

7. ACCUMULATED SURPLUS

<u>(in thousands of dollars)</u>	Year-to-date September 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 period	271,445	261,445
Appropriated from the accumulated surplus during the period	-	10,000
Balance at end of period	271,445	271,445
Surplus		
Balance at beginning of period	27,798	26,516
Appropriated to the reserve for excess investment income during the period	-	(10,000)
Surplus (deficit) for the period	(30,155)	11,282
Balance at end of period	(2,357)	27,798
Total accumulated surplus from operations	356,657	386,812
Accumulated remeasurement gains (losses)		
Balance at beginning of period	52,954	23,510
Change in fair value	21,308	29,444
Balance at end of period	74,262	52,954
Balance of accumulated surplus at end of period	430,919	439,766

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

8. NET REALIZED INVESTMENT INCOME

(in thousands of dollars)	Three months ended September 30		Six months ended September 30	
	2024	2023	2024	2023
Gains (losses) from disposal of portfolio investments	963	53	1,049	462
Transfer from (to) deferred revenues -				
Externally restricted contributions (Note 6)	(807)	(1,381)	(1,913)	(2,108)
Net gains (losses) on foreign exchange	42	(2)	40	8
Dividend and other distributed income - reinvested	2,634	4,399	7,678	7,794
Interest, dividend and other distributed income - cashed	1,057	3,854	2,076	5,422
Investment portfolio management costs	(30)	(523)	(445)	(993)
	3,859	6,400	8,485	10,585

9. NET ART BANK RESULTS

(in thousands of dollars)	Three months ended September 30		Six months ended September 30	
	2024	2023	2024	2023
Rental revenue	(448)	(422)	(891)	(858)
Other income	(58)	(45)	(97)	(81)
Administration expense	437	357	1,024	929
Amortization of other capital assets	-	-	-	1
	(69)	(110)	36	(9)

10. CANADIAN COMMISSION FOR UNESCO

(in thousands of dollars)	Three months ended September 30		Six months ended September 30	
	2024	2023	2024	2023
Program expenses	987	413	1,306	523
Program - contributions received	(40)	-	(40)	-
Administration expense	337	370	783	789
	1,284	783	2,049	1,312

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

11. NET CHANGE IN OTHER NON CASH ITEMS

(in thousands of dollars)	Three months ended September 30		Six months ended September 30	
	2024	2023	2024	2023
(Increase) decrease in accounts receivable	(408)	3,700	80	627
(Increase) decrease in grants, author payments and prizes payable	(50,247)	11,391	42,039	24,084
Decrease in accounts payable and accrued liabilities	(1,611)	(1,182)	(2,407)	(2,404)
Increase (Decrease) in deferred revenues	346	(956)	2,200	(411)
Net change	(51,920)	12,953	41,912	21,896

12. 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.