



Canada Council
for the Arts

Conseil des arts
du Canada

Quarterly

Financial Report

Unaudited

Period ended June 30, 2025
Published August 29, 2025



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Management Discussion and Analysis

Quarterly Report

Period ended June 30, 2025
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Introduction

This narrative discussion relates to the financial results of the Canada Council for the Arts (the Canada Council) for the first quarter and the three month period ended June 30, 2025 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 Canada 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 Canada 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

Arts Community Pulse Survey: Impact of Public Funding Analysis

- In June 2025, the Canada Council published an [analysis of the impact of public funding on the arts sector](#). This analysis explores findings from the Arts Community Pulse survey, including benefits for grant recipients and communities across Canada and internationally.
- This research demonstrates that public funding, including that of the Canada Council, has a significant economic, social and cultural impact on grant recipients and communities across Canada and internationally. These impacts were apparent across Canada Council programs, fields of practice, regions and by designated priority groups.
- The findings provide a picture of public funding on a national scale that can be used widely to communicate the importance of sustainable public support for the arts in Canada.

Provincial and Territorial Cultural Indicators, 2023

- In June 2025, the Canada Council released the latest data from the [Provincial and Territorial Culture Indicators](#) - timely economic estimates to measure the economic importance of culture and sport to the Canadian economy. According to this research, Canada's culture GDP grew 5.2 percent to \$63.2 billion in 2023, and culture jobs rose by 2.4 percent to 669,600 in 2023. This release is made possible thanks to a joint initiative of Statistics Canada and a number of partners, including the Canada Council.

The Canada Council presents Picoplanktonics

- The Canada Council presented [Picoplanktonics](#) at the Canada Pavilion as part of the 19th International Architecture Exhibition – La Biennale di Venezia, from May 10 to November 23, 2025, in Venice, Italy.

- The exhibition, curated by the Living Room Collective, showcases the potential for collaboration between humans and nature. Comprised of 3D printed structures that contain live cyanobacteria capable of carbon sequestration, Picoplanktonics is an exploration of humans' potential to cooperate with living systems by co-constructing spaces that remediate the planet rather than exploit it. This project is the culmination of four years of collaborative research by Andrea Shin Ling and various interdisciplinary contributors.
- Commissioned by the Canada Council, Picoplanktonics was selected through a juried competition composed of architects, artists, and educators.

40th Anniversary of the Canada Council Musical Instrument Bank

- The [Musical Instrument Bank \(MIB\)](#) is a Canada Council program that enables talented Canadian musicians to access high-quality stringed instruments. This program contributes to the career advancement of musicians and provides the Canada Council with opportunities for partnerships and engagement with the public. On June 16, 2025, a free 40th Anniversary MIB concert was held at the Salle Bourgie at the Montreal Museum of Fine Arts.

Operational Changes

No changes.

Leadership and Governance changes

No changes.

Overview of the First Quarter Net Results

(in thousands of dollars)	Three months ended June 30		
	2025	2024	Variance
Revenue	9,998	5,271	4,727
Expenses	(187,232)	(194,420)	7,188
Government funding	90,036	90,939	(903)
Deficit for the period	(87,198)	(98,210)	11,012

The deficit for the quarter was \$87.2M compared to \$98.2M for the same period last year.

This variance of \$11.0M arises principally from decreased grants awarded of \$9.7M, offset by increased investment income of \$4.0M and increased Transfer program delivery expenses of \$1.6M. The decrease in grants, author payments and prizes awarded compared to the prior year is related to the freezing of the portal in preparation for the launch of an updated portal scheduled to go live in late summer 2025.

The Canada 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		
	2025	2024	Increase / (Decrease)
Net realized investment income	8,631	4,626	4,005
Other revenue	1,367	645	722
Total	9,998	5,271	4,727

Net realized investment income

Net realized investment income for the quarter is higher than the same period last year by \$4.0M mainly due to an increase in realized gains of \$4.1M as the Canada Council rebalanced its portfolio to align with its targets as outlined in the *Statement of Investment policies and goals*.

Expenses

(in thousands of dollars)	Three months ended June 30		
	2025	2024	Increase / (Decrease)
Grants, author payments and prizes	168,171	177,890	(9,719)
Transfer program delivery	10,173	8,544	1,629
Arts community services	725	313	412
Net Art Bank results	100	105	(5)
Canadian Commission for UNESCO	635	765	(130)
General administration	7,428	6,803	625
Total	187,232	194,420	(7,188)

Grants, author payments and prizes

The decrease in the year-to-date of \$9.7M compared to the same period last year is principally explained by the portal being frozen in preparation of the launch of the updated portal. On May 26, 2025, the portal was temporarily frozen, with a relaunch anticipated in late summer 2025.

Assets

Financial Assets

(in thousands of dollars)	June 30	March 31	Increase / (Decrease)
	2025	2025	
Cash	6,871	42,093	(35,222)
Accounts receivable	3,121	3,356	(235)
Portfolio investments	593,891	591,252	2,639
Total	603,883	636,701	(32,818)

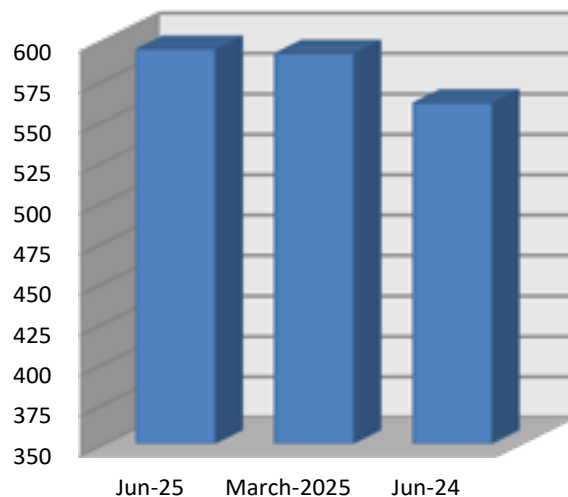
Cash

Cash decreased by \$35.2 million in the first quarter of 2025–26. During this period, \$120.8 million of grants, author payments, and prizes were disbursed, including \$44.0 million of advance payments for composite and core multi-year grants. These disbursements, along with \$19.1 million in expenditures related to Transfer Program Delivery, Arts Community Services, Net Art Bank results, CCUNESCO, and General Administration were partially offset by cash receipts of \$90.0 million received from parliamentary appropriations as well as an investment withdrawal conducted in May 2025, which provided \$16.6 million.

Portfolio Investments

The total market value of the portfolio as at June 30, 2025 was \$593.9M, of which \$140.2M was externally restricted. This represents an increase of \$2.6M in market value since March 31, 2025 and an increase of \$33.3M since June 30, 2024. 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 3.5% for the quarter, underperforming the benchmark by 0.2%. While Canadian Equity and Fixed income surpassed their benchmarks by 0.7% and 0.1% respectively, Global Equity, Infrastructure, and Real estate underperformed compared to their benchmarks by 0.9%, 0.7%, and 0.4%, respectively.

The total fund one-year return was 11.9% for June 2025, underperforming against the benchmark by 1.0%. All asset classes generated positive one year returns, with Infrastructure and Fixed income surpassing their benchmarks by 5.0% and 0.7% respectively. Canadian Equity, Global Equities and Real estate underperformed against their benchmarks by 8.6%, 1.5%, and 1.4% respectively.

Liabilities

	June 30 2025	March 31 2025	Increase / (De- crease)
(in thousands of dollars)			
Grants, author payments and prizes payable	104,480	57,065	47,415
Accounts payable and accrued liabilities	8,318	8,658	(340)
Deferred revenues	6,958	7,068	(110)
Employee future benefits	6,364	6,248	116
Externally restricted contributions	101,140	96,795	4,345
Total	227,260	175,834	51,426

Grants, author payments, and prizes payable

The increase of \$47.4M compared to the value as at March 31, 2025 is due to Core annual support funding grants to organizations becoming payable with the new financial year, resulting in the recognition of \$153.0M of grant expenses in April 2025. Many of these grants are paid out immediately, although some due later in the year, resulting in outstanding payables after Q1 which would gradually decrease over the course of the year.

Externally restricted contributions

The increase of \$4.3M compared to the value at March 31, 2025 is due to general investment growth, as detailed in Note 5 of the Financial Statements.

Non-Financial Assets

	June 30	March 31	Increase / (De-
(in thousands of dollars)	2025	2025	crease)
Tangible capital assets	5,865	6,107	(242)
Art Bank assets	19,976	19,975	1
Musical instruments	1	1	-
Prepaid expenses	4,910	1,144	3,766
Total	30,752	27,227	3,525

Art Bank assets

The Canada 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 \$20.0M. The appraised value of the Art Bank assets at June 30, 2025 was approximately \$87.7M. The increase in the appraised value by \$14.5M since June 2024 is following a re-appraisal of portions of the collection which was performed in 2024-25.

Musical instruments

The Canada Council operates a Musical Instrument Bank and it currently owns a fine cello bow and twelve prestigious musical instruments. In addition, the Canada Council manages thirteen instruments and a fine violin bow on loan. The appraised value of its musical instruments as at June 30, 2025 was US \$72.9M. These are included in the Statement of Financial Position at a nominal value.

Prepaid expenses

The increase of \$3.8M in comparison to the value as at March 31, 2025 is largely explained by a transfer of \$2.8M to the National Research Council for the delivery of the 2025-26 Killam program, in addition to \$1.7M relating to composite multi-year grants which were paid a 35% advance prior to the freeze of the portal. These were offset by \$0.5M of annual software subscriptions recognized in the first quarter.

Risk management

Effective risk management is fundamental to the success of the Canada Council in fulfilling its mandate. The Canada 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 Canada Council's plans, strategies and risk appetite.

The Canada 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 Canada 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 Canada Council's key risks regarding its risk profile and related mitigation, financial performance and performance of the investment portfolio. The Canada Council's executive management is responsible for risk management under the direct oversight of the Board.

Risk Appetite

The Canada 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 Canada Council's full Risk Appetite Statement is disclosed in the 2025 Annual Financial Statements.

Risk Profile

Using the Canada 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 Canada 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 2025.

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 Canada 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 Canada Council. A significant portion of the Canada 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 the Canada Council will not be able to meet its financial obligations as they fall due. The Canada 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 Canada Council's investment activities are primarily exposed to price risk, interest rate risk and currency risk. The directive to the Canada Council's investment managers is to manage the Canada Council's market risks on a daily basis in accordance with the Canada 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 Canada Council's use of its Parliamentary appropriation.

The Canada Council receives its main funding through an appropriation voted by Parliament. The Canada Council records the Parliamentary appropriations received in the period as revenue in the Statement of Operations. The Canada Council submits a monthly analysis of its cash flow needs to the Department of Canadian Heritage to support its monthly cash drawdown 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 Canada Council draws its daily cash requirements.

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

(in thousands of dollars)	June 30	
	2025	2024
Approved annual operating funding		
Vote 1 - Operating costs	360,437	364,239
	360,437	364,239
Parliamentary appropriations for operating expenses recorded in the Statement of Operations for the three-month period	(90,036)	(90,939)
Balance of operating funding to be received	270,401	273,300



Canada Council
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Conseil des arts
du Canada

Quarterly

Financial Statements

Unaudited

These financial statements for the quarter ended June 30, 2025
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 29, 2025

A handwritten signature in dark ink, appearing to read "michelle chawla".

Michelle Chawla

Director and Chief Executive Officer

A handwritten signature in dark ink, appearing to read "Leah Eronat".

Leah Eronat, CPA

Director of Finance

Statement of Financial Position

(Unaudited)

(in thousands of dollars)

	June 30 2025	March 31 2025
FINANCIAL ASSETS		
Cash	6,871	42,093
Accounts receivable	3,121	3,356
Portfolio investments (Note 3)	593,891	591,252
Total financial assets	603,883	636,701
LIABILITIES		
Grants, author payments and prizes payable	104,480	57,065
Accounts payable and accrued liabilities	8,318	8,658
Deferred revenues	6,958	7,068
Employee future benefits	6,364	6,248
Deferred revenues - Externally restricted contributions (Note 5)	101,140	96,795
Total liabilities	227,260	175,834
NET FINANCIAL ASSETS	376,623	460,867
NON-FINANCIAL ASSETS		
Tangible capital assets	5,865	6,107
Art Bank assets	19,976	19,975
Musical instruments	1	1
Prepaid expenses	4,910	1,144
Total non-financial assets	30,752	27,227
ACCUMULATED SURPLUS (Note 6)	407,375	488,094
Accumulated surplus is comprised of:		
Accumulated surplus from operations	329,559	416,757
Accumulated remeasurement gains	77,816	71,337
ACCUMULATED SURPLUS	407,375	488,094

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

Statement of Operations

(Unaudited)

(in thousands of dollars)

	Yearly Budget 2025	Three months ended June 30	
		2025	2024
Revenue			
Net realized investment income (Note 7)	23,955	8,631	4,626
Other revenues	3,500	1,367	645
Total revenues	27,455	9,998	5,271
Expenses			
Transfer Programs			
Grants, author payments and prizes	314,146	168,171	177,890
Transfer program delivery	37,133	10,173	8,544
Arts community services	3,820	725	313
	355,099	179,069	186,747
Net Art Bank results (Note 8)	161	100	105
Canadian Commission for UNESCO (Note 9)	2,877	635	765
General administration	29,750	7,428	6,803
Total expenses	387,887	187,232	194,420
Deficit from operations before Parliamentary appropriations for the period	(360,432)	(177,234)	(189,149)
Parliamentary appropriations	360,437	90,036	90,939
SURPLUS (DEFICIT) FROM OPERATIONS FOR THE PERIOD	5	(87,198)	(98,210)
ACCUMULATED SURPLUS FROM OPERATIONS, BEGINNING OF PERIOD	416,757	416,757	386,812
ACCUMULATED SURPLUS FROM OPERATIONS, END OF PERIOD	416,762	329,559	288,602

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

Statement of Remeasurement Gains and Losses

(Unaudited) (in thousands of dollars)	Three months ended June 30	
	2025	2024
ACCUMULATED REMEASUREMENT GAINS, BEGINNING OF PERIOD	71,337	52,954
Unrealized gains attributable to:		
Portfolio investments	9,331	3,882
Amounts reclassified to the Statement of Operations:		
Portfolio investments	(2,852)	(7)
NET REMEASUREMENT GAINS FOR THE PERIOD	6,479	3,875
ACCUMULATED REMEASUREMENT GAINS, END OF PERIOD	77,816	56,829

Statement of Changes in Net Financial Assets

(Unaudited) (in thousands of dollars)	Three months ended June 30	
	2025	2024
DEFICIT FROM OPERATIONS FOR THE PERIOD	(87,198)	(98,210)
Acquisition of tangible capital assets	(100)	-
Amortization of tangible capital assets	342	311
Acquisition of Art Bank assets	(1)	1
Net decrease of tangible capital and Art Bank assets	241	312
Acquisition of prepaid expenses	(4,725)	(2,821)
Use of prepaid expenses	959	1,442
Net increase of prepaid expenses	(3,766)	(1,379)
Net remeasurement gains	6,479	3,875
DECREASE IN NET FINANCIAL ASSETS	(84,244)	(95,402)
NET FINANCIAL ASSETS, BEGINNING OF PERIOD	460,867	411,545
NET FINANCIAL ASSETS, END OF PERIOD	376,623	316,143

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	
	2025	2024
Operating Transactions		
Deficit from operations for the period	(87,198)	(98,210)
Gains from disposal of portfolio investments (Note 7)	(4,224)	(86)
Dividend and other distributed income - reinvested (Note 7)	(6,669)	(5,044)
Amortization of tangible capital assets	342	311
Increase in prepaid expenses	(3,766)	(1,379)
Increase in grants, author payments and prizes payable	47,415	92,286
Income transferred to Deferred revenues - Externally restricted contributions from investment income (Note 5)	2,439	1,107
Net change in other non-cash items (Note 10)	(99)	1,655
Cash used by operating activities	(51,760)	(9,360)
Capital Transactions		
Acquisition of tangible capital assets	(100)	-
Acquisition of Art Bank assets	(1)	1
Cash (used) provided by capital activities	(101)	1
Investing Transactions		
Acquisition of portfolio investments	(345)	(402)
Disposal of portfolio investments	16,984	155
Cash provided (used) by investing activities	16,639	(247)
NET DECREASE IN CASH	(35,222)	(9,606)
CASH, BEGINNING OF PERIOD	42,093	48,519
CASH, END OF PERIOD	6,871	38,913

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

Notes to the Financial Statements

For the period ended June 30, 2025

(Unaudited)

1. Authority, Mandate and Activities

The Canada Council for the Arts (the “Canada 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 Canada 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 Canada 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 Canada Council achieves its objectives primarily through grant programs to professional artists and arts organizations in Canada. The Canada 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 Canada 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, 2025. 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 Canada Council’s last audited annual financial statements.

Notes to the Financial Statements (continued)
For the period ended June 30, 2025
(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, 2025					Year-end March 31, 2025		
	Cost	Unrealized losses	Unrealized gains	Fair value		Cost	Fair value	
(in thousands of dollars)	\$	\$	\$	\$	%	\$	\$	%

Canada Council Endowment and Special Funds

Pooled funds								
Canadian Equity	59,800		14,693	74,493	14	56,743	68,190	14
Global Equity	192,507		57,393	249,900	51	201,423	252,421	51
Fixed income	90,197	(4)	2,712	92,905	19	89,331	93,054	19
Real estate	21,863	(2,332)	633	20,164	4	21,771	20,842	4
Infrastructure	43,889	(11)	11,841	55,719	12	43,703	56,343	12
	408,256	(2,347)	87,272	493,181	100	412,971	490,850	100

Killam Fund

Pooled funds								
Canadian Equity	12,669		2,322	14,991	13	12,053	13,722	13
Global Equity	39,180	(28)	11,261	50,413	51	41,095	51,078	51
Fixed income	18,529	(15)	5,557	19,071	19	18,353	19,103	19
Real estate	4,750	(503)	161	4,408	5	4,732	4,551	5
Infrastructure	9,792	(3)	2,038	11,827	12	9,720	11,948	12
	84,920	(549)	21,339	100,710	100	85,953	100,402	100
Total Portfolio investments	493,176	(2,896)	108,611	593,891		498,924	591,252	

Notes to the Financial Statements (continued)
For the period ended June 30, 2025
(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 Canada 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 Canada Council does not consider these investments to be other-than-temporarily impaired.

The Canada 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, 2025 - 8%) of that Fund with a total fair value of \$39,504,000 (March 31, 2025 - \$39,317,000). The total fair value of the externally restricted investment including the Killam Fund is \$140,214,000 (March 31, 2025 - \$139,718,000).

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 Canada 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 Canada 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	51%	40%	46%	55%
Fixed Income	19%	10%	20%	30%
Real Estate	4%	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.

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, 2025
(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 Canada Council's financial instruments, as well as their carrying amounts and fair values are as follows:

(in thousands of dollars)		Year-to-date June 30, 2025	Year-end March 31, 2025
Financial assets and liabilities	Measurement categories	Carrying amount and fair value (\$)	Carrying amount and fair value (\$)
Cash	Fair value	6,871	42,093
Accounts receivable	Amortized cost	3,121	3,356
Portfolio Investments ¹	Fair value	593,891	591,252
Grants, author payments and prizes payable	Amortized cost	104,480	57,065
Accounts payable and accrued liabilities	Amortized cost	8,318	8,658

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:

Notes to the Financial Statements (continued)
For the period ended June 30, 2025
(Unaudited)

- 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 Canada 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)

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, 2025
(Unaudited)

Financial assets at fair value

	Year-to-date June 30, 2025				Year-end March 31, 2025			
Cash (in thousands of dollars)	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Cash	6,871	-	-	6,871	42,093	-	-	42,093
Portfolio Investments								

Canada Council Endowment and Special Funds

Pooled Funds								
Canadian Equity	-	74,493	-	74,493	-	68,190	-	68,190
Global Equity	-	249,900	-	249,900	-	252,421	-	252,421
Fixed Income	-	68,833	24,072	92,905	-	69,109	23,945	93,054
Real Estate	-	-	20,164	20,164	-	-	20,842	20,842
Infrastructure	-	-	55,719	55,719	-	-	56,343	56,343

Killam Fund

Pooled Funds								
Canadian Equity	-	14,991	-	14,991	-	13,722	-	13,722
Global Equity	-	50,413	-	50,413	-	51,078	-	51,078
Fixed Income	-	14,139	4,932	19,071	-	14,197	4,906	19,103
Real Estate	-	-	4,408	4,408	-	-	4,551	4,551
Infrastructure	-	-	11,827	11,827	-	-	11,948	11,948
	-	472,769	121,122	593,891	-	468,717	122,535	591,252
Total	6,871	472,769	121,122	600,762	42,093	468,717	122,535	633,345

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 Canada 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 June 30, 2025
(Unaudited)

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).

	Year-to-date June 30, 2025	Year-end March 31, 2025
<i>(in thousands of dollars)</i>		
Balance, beginning of period	96,795	86,389
Transferred from investment income <i>(Note 7)</i>		
Net Investment income	2,601	7,503
Use of funds	(162)	(3,081)
	2,439	4,422
Unrealized gains on portfolio investment	2,792	7,424
Reclassified to statement of operations - portfolio investments	(886)	(1,440)
Balance at end of period	101,140	96,795

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 June 30, 2025
(Unaudited)

6. Accumulated surplus

	Year-to-date June 30, 2025	Year-end March 31, 2025
(in thousands of dollars)		
Accumulated surplus from operations		
Endowment - Government of Canada contribution	50,000	50,000
Endowment principal – Other contributions	37,569	37,569
Reserve for excess investment income		
Balance at beginning of the period	300,445	271,445
Appropriated from the accumulated surplus during the period	-	29,000
Balance at end of the period	300,445	300,445
Surplus		
Balance at beginning of the period	28,743	27,798
Appropriated to the reserve for excess investment income during the period	-	(29,000)
(Deficit) surplus for the period	(87,198)	29,945
Balance at end of the period	(58,455)	28,743
Total accumulated surplus from operations	329,559	416,757
Accumulated remeasurement gains (losses)		
Balance at beginning of the period	71,337	52,954
Change in fair value	6,479	18,383
Balance at end of the period	77,816	71,337
Balance of accumulated surplus at end of period	407,375	488,094

7. Net realized investment income

	Three months ended June 30	
(in thousands of dollars)	2025	2024
Gains from disposal of portfolio Investments	4,224	86
Transfer to deferred revenues -		
Externally restricted contributions (Note 5)	(2,439)	(1,106)
Net (losses) gains on foreign exchange	6	(2)
Dividend and other distributed income - reinvested	6,669	5,044
Interest, dividend and other distributed income - cashed	604	1,019
Investment portfolio management costs	(433)	(415)
	8,631	4,626

Notes to the Financial Statements (continued)
For the period ended June 30, 2025
(Unaudited)

8. Net Art Bank results

(in thousands of dollars)	Three months ended June 30	
	2025	2024
Rental revenue	(444)	(443)
Other income	(43)	(39)
Administration expense	587	587
	100	105

9. Canadian Commission for UNESCO

(in thousands of dollars)	Three months ended June 30	
	2025	2024
Program expenses	107	319
Program - contributions received		-
Administration expense	528	446
	635	765

10. Net change in other non-cash items

(in thousands of dollars)	Three months ended June 30	
	2025	2024
Decrease in accounts receivable	235	488
Increase in employee future benefits	116	109
Decrease in accounts payable and accrued liabilities	(340)	(796)
Increase in deferred revenues	(110)	1,854
Net change	(99)	1,655

11. Related party transactions

The Canada Council is related in terms of common ownership to all Government of Canada departments, agencies and Crown corporations. Other related parties of the Canada 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 Canada 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.