



Canada Council
for the Arts

Conseil des arts
du Canada

2021-22 Annual Report



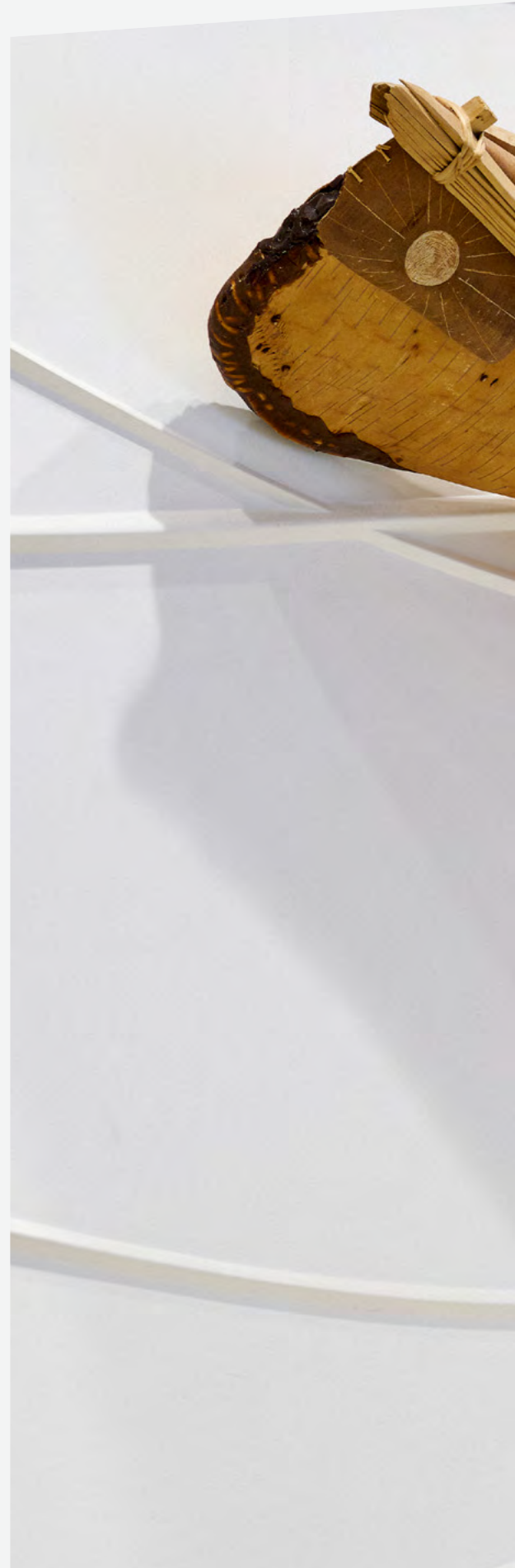
Photo: For Indigenous people, the canoe holds a special and unique place in their relationship with the land.

Virtually unchanged for thousands of years, now used and enjoyed by generations of Canadians, the canoe is an enduring symbol of Indigenous presence, cultural continuity, and our shared future on this land. Algonquin canoes are made of birch bark and sewn with spruce roots. Its construction speaks to the relationship the Algonquin Peoples have with the environment around them, a relationship built on respect for the interrelationship of all things. The canoe epitomizes the relationship with our Mother, the Earth, and the waterways that are its lifeblood.

The canoe and the "idea" of the canoe give us an opportunity to pause and reflect on this most vital of relationships.

The Algonquin Canoe, 2012, Daniel (Pinock) Smith, birch bark canoe, cedar ribs, cedar paddles. Canada Council Art Bank collection. Photo: Sandra Dyck

This canoe is on permanent display in the Ajagemô exhibition space, located at the Council's offices in Ottawa.



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The Canada Council for the Arts' offices are located on the traditional unceded territory of the Algonquin Nations.

Canada

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The 65th Annual Report of the Canada Council for the Arts and supplementary information on grants, services and prizes are available on the Council's website.



**THE CANADA COUNCIL
FOR THE ARTS ACKNOWLEDGES THAT THE
LAND ON WHICH ITS OFFICES ARE LOCATED
IS THE UNCEDED, UNSURRENDERED
TERRITORY OF THE ANISHINAABE
ALGONQUIN NATION, WHOSE PRESENCE
HERE REACHES BACK TO TIME IMMEMORIAL.**

The Council recognizes the Algonquins as the customary keepers and defenders of the Ottawa River Watershed and its tributaries. We honour their long history of welcoming many nations to this beautiful territory and uphold and uplift the voice and values of our host Nation.

Further, the Council respects and affirms the inherent and treaty rights of all Indigenous Peoples across this land. The Council has and will continue to honour the commitments to self-determination and sovereignty we have made to Indigenous Nations and Peoples.

The Council acknowledges the historical oppression of lands, cultures, and the original Peoples in what we now know as Canada and fervently believes the arts contribute to the healing and decolonizing journey we all share.

This land acknowledgement was developed by members of the Algonquin community, and we thank them for their generosity and collaboration.

MANDATE

The Canada Council for the Arts contributes to the vibrancy of a creative and diverse arts and literary scene and supports its presence across Canada and around the world. The Council is Canada's public arts funder, with a mandate to "foster and promote the study and enjoyment of, and the production of works in, the arts."

The Council's grants, services, initiatives, prizes, and payments support Canadian artists, authors, and arts groups and organizations. This support allows them to pursue artistic expression, create works of art, and promote and disseminate the arts and literature.

Through its arts funding, communications, research, and promotion activities, the Council fosters ever-growing engagement of Canadians and international audiences in the arts.

The Council's Public Lending Right (PLR) program makes annual payments to creators whose works are held in Canadian public libraries.

The Council's Art Bank operates art rental programs and helps further public engagement with contemporary arts through exhibition and outreach activities.

The Council is responsible for the Canadian Commission for UNESCO, which promotes the values and programs of UNESCO to contribute to a future of peace, reconciliation, equity, and sustainable development.

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

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

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MESSAGE FROM THE CHAIR

In my second year as Chair, the Canada Council for the Arts continued to listen closely to artists, arts workers, and citizens from a breadth of communities to make sure our work was as impactful as possible.

Notably, the Council undertook deep listening for the development of its 2021-26 strategic plan, *Art, Now More Than Ever*, which was launched at the start of this year. The organization also engaged stakeholders from across the country at its Annual Public Meeting, held online in March. But the Council's engagement goes beyond singular events; it is embedded in the organization's daily work—from staff communications with applicants to social media exchanges with arts fans around the world.

I have been heartened by the rich questions, insights, and ideas we heard from the arts sector and beyond this past year. To my mind, the degree of engagement signals

both a strong confidence in the Council and a shared commitment to the vital role of the arts in our society.

I would like to thank the Government of Canada for its collaboration with the Council. Indeed, it has been essential for us to develop a shared understanding of the challenges faced by artists and the arts right now so that we could deliver a strong pandemic emergency response for the sector.

I would also like to applaud the Council's executive management for its leadership, which allowed the organization to support the arts through the pandemic while also launching a visionary strategic plan. In a similar vein, I salute the Council's staff who delivered emergency support as they also undertook the organization's regular activities.



I continue to be deeply moved by the dedication of my fellow board members, who provided crucial oversight of the organization this past year. I know our collective work in the year ahead will play a central role in rebuilding a stronger, more resilient, and inclusive arts sector.

Through it all, Simon Brault, Director and CEO, has steered the Council with his inspired vision for the organization and the arts more broadly, and I thank him for his leadership.



A handwritten signature in black ink that reads "Jesse Wente". The signature is stylized and cursive.

JESSE WENTE
CHAIR



MESSAGE FROM THE DIRECTOR AND CEO

Two years into the COVID-19 pandemic, our world continues to struggle. For a second consecutive year, the arts faced the consequences of the health crisis. This has deeply affected artists and arts organizations, and once again I want to salute the sector's resilience.

The situation is still precarious. Recovery is slow, and many artists and culture workers have decided to leave their professions and the sector. That is why it is crucial that we think about the future and the need for a rebuild of the arts.

The idea of rebuilding the sector is at the heart of our 2021-26 strategic plan, *Art, Now More Than Ever*. This past fiscal year marks the first of the strategic plan's

implementation. The plan's goals and actions are ambitious but also courageous and necessary. As you will discover in these pages, the results of this first year are positive—and we believe they mark the beginning of a much brighter future.

This year, the Canada Council supported the arts sector with record funding, including one-time pandemic-related support that, in large part, was possible owing to the federal government. The Council's goal was to support artists and organizations through this crisis.

I would like to thank my colleagues on the executive management team and on the Board of Directors, and the Council's employees, who again this year have



shown exceptional dedication despite often unpredictable working conditions.

We must not lose sight of the fact that there is more work ahead. The arts sector is slowly recovering, but it is in the interest of all Canadians to see it regain its strength and vigour, because the arts and culture are essential.



A handwritten signature in black ink, reading "Simon Brault". The signature is fluid and cursive, with a long horizontal stroke at the end.

SIMON BRAULT, O.C., O.Q.

DIRECTOR AND CEO



OUR 2021-22 FUNDING AT A GLANCE

2,341

ARTS ORGANIZATIONS RECEIVED \$282.2M IN FUNDING, OF WHICH 369 WERE FIRST-TIME RECIPIENTS AWARDED A TOTAL OF \$16.8M

4,804

ARTISTS RECEIVED \$130.3M IN FUNDING, OF WHICH 2,197 WERE FIRST-TIME RECIPIENTS AWARDED A TOTAL OF \$50.5M

810

GROUPS RECEIVED \$45.5M IN FUNDING, OF WHICH 466 WERE FIRST-TIME RECIPIENTS AWARDED A TOTAL OF \$21.6M

18,139

CREATORS RECEIVED PUBLIC LENDING RIGHT PAYMENTS TOTALING \$15.0M, OF WHICH \$1.1M WAS AWARDED TO NEWLY REGISTERED TITLES

2,084

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

628

ARTISTS AND ARTS PROFESSIONALS SERVED AS PEER ASSESSORS

KEY ACCOMPLISHMENTS

This past year, the COVID-19 pandemic continued to impact the arts significantly in Canada. It influenced the ongoing uptake of digital audience experiences; it posed further limitations on international activities and connections; and it shed even greater light on inequities in the arts and broader society. Quite simply, the pandemic remained the most defining element of the Council's work this past year, including the key accomplishments detailed here.

To address the impact of the pandemic, in 2021-22 the Council delivered \$145.5 million¹ in emergency support funding to the arts sector above and beyond its regular funding. This meant that the Council invested a record-high amount of \$474.8 million to support institutions, organizations, and independent artists and writers directly.

1. In addition to the \$145.5 million in emergency support funding, the Council received \$0.5 million to cover administrative costs associated with the delivery of these funds.

KEY ACCOMPLISHMENTS

Launching a new strategic plan for 2021-26

On April 15, 2021, the Council launched its [2021-26 Strategic Plan](#), *Art, Now More Than Ever*. The plan is a rallying call to rebuild a stronger, more resilient, and more inclusive arts sector along with audiences and allies.



THE PLAN HAS THREE STRATEGIC DIRECTIONS TO FULFILL THIS VISION:

1.

Invest in rebuilding and innovation

The Council will foster an inclusive and sustainable rebuilding of the arts sector across the country. Innovation will be at the centre of that collective journey.

2.

Amplify the benefits of the arts for society

The Council will support the arts sector in its work to eliminate discrimination in all forms, including that based on gender identity, race, and ability, to respond to climate change, and to recognize and promote the role of youth in the arts. It will support efforts to advance Indigenous sovereignty and self-determination, as well as the Indigenous-led decolonization of the arts and culture sector. It will champion fair compensation for artistic and literary creation, the economic protection of artists, and equitable access to digital infrastructure and resources for artists and people across Canada.

3.

Nurture and expand collaboration and partnerships

To strengthen the arts sector's capacity to rebuild and innovate, the Council will support collaborations, cross-sectoral partnerships, and renewed cultural diplomacy.

In addition to these directions, the Council will also intensify its own initiatives to learn, adapt, and navigate this momentous period of transition in the sector and in our society. The Council is committed to questioning, reviewing, and improving how it works to help build back a more equitable, resilient, and sustainable arts sector.

KEY ACCOMPLISHMENTS

Putting the strategic plan into action

To engage the arts sector in conversations and actions about the vision and commitments of *Art, Now More Than Ever*, the Council held [conversations with the community](#) on November 30 and December 1, 2021. These events focused largely on the strategic plan as it relates to equity, innovation, and partnerships, and they were the first public gatherings the Council held with the sector since the launch of its new strategic plan.

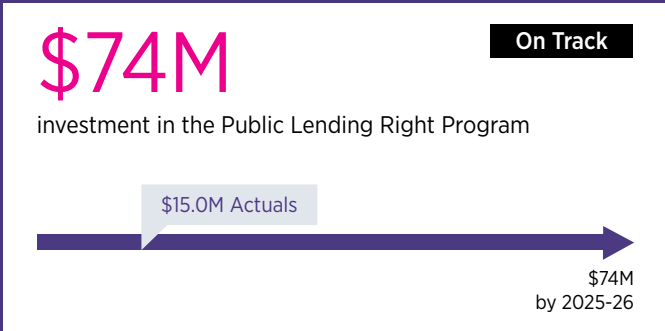
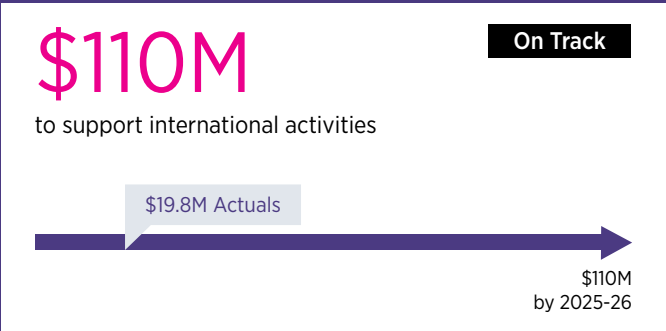
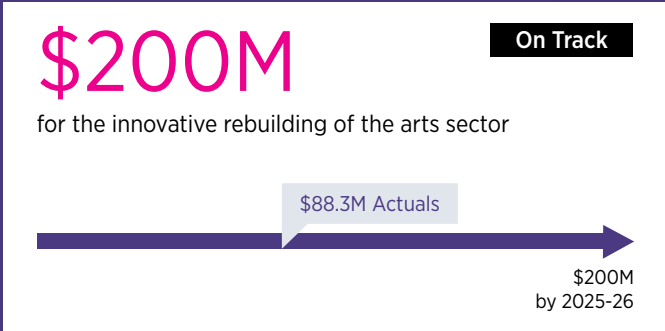
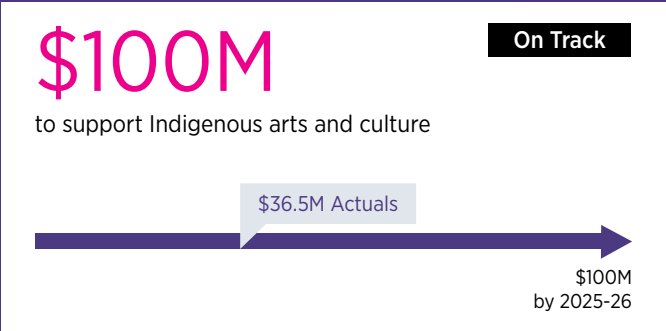
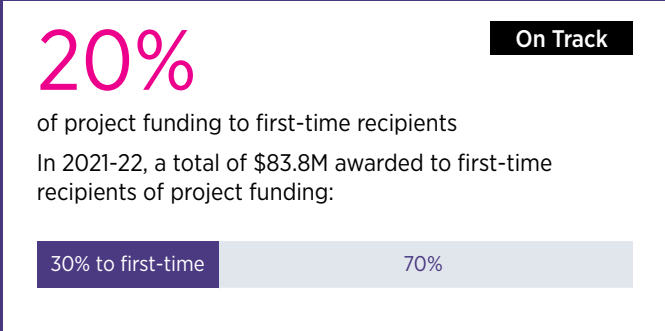
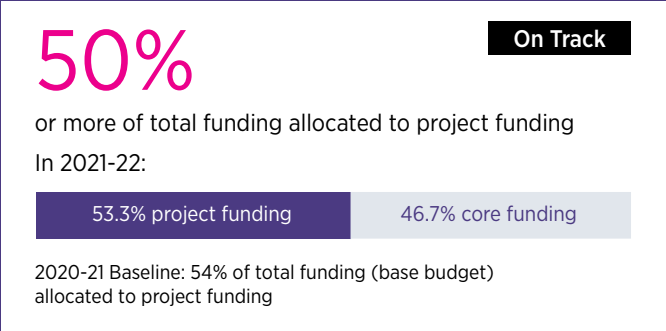
These online meetings allowed the Council to hear some of the community's ideas and projects for the rebuild of the arts—integral information as it continues to bring its strategic plan to life; they helped build consensus among artists, arts workers, and leaders around topics of shared interest, like how to make the arts more equitable; and they gave the arts sector the opportunity to learn more about the Council's approach to support innovation.

In November 2021, the Council also released its [strategic plan actions](#). The actions represent concrete initiatives, policies, and practices to

advance the commitments of its strategic plan. The table presents the progress on the new strategic funding commitments in the past year.

As the implementation of the strategic plan progresses over the next four years, the Council will report on its strategic plan actions on its [Priorities page](#). The Council will refine its actions and add new ones along the way.

MAKING PROGRESS ON THE 2021-26 STRATEGIC FUNDING COMMITMENTS



KEY ACCOMPLISHMENTS

Supporting artists and arts workers on the road to recovery

In 2021-22, the Council continued to support the arts sector through the ongoing challenges of the pandemic by delivering a total of \$120.5 million² in emergency support funding for projects to create job opportunities for artists and culture workers. This funding came from the Department of Canadian Heritage as part of the \$181.5 million it committed to support the live arts and music sectors in 2021-22.

The Council began distributing this funding in April 2021 through the [Digital Now initiative](#). The initiative delivered \$77.2 million, including \$50 million of emergency support funding to groups, collectives and arts organizations to adapt existing works or create new ones to be shared online with various audiences. In total, close to 69,000 artists and arts workers are expected to receive compensation through funded projects from Digital Now, with combined fees and salaries expected to be \$50.8 million for artists and arts workers. Moreover, the Digital Now initiative led to the

production of over 23,000 new and adapted works for audiences in Canada and around the world. Artists were able to continue to connect with the public despite the many limitations the pandemic placed on in-person experiences.

Furthermore, this past year the Council delivered an additional \$70.5 million in emergency support funding through its [Explore and Create](#) program, which primarily supports individual artists and groups to create, produce and disseminate artistic works. This infusion created many jobs for artists and

cultural workers. It also contributed to the artistic development of grant recipients in many different ways, including the creation of ambitious new works, the completion of long-standing projects, as well as the digitization of their practices.

On June 28, 2021—as part of the \$500 million Recovery Fund for Arts, Culture, Heritage and Sport Sectors and Reopening Fund—the government announced that the Council would receive an additional \$75 million. In 2021-22, the Council reached over 1,000 arts organizations

with \$25 million of this funding so that they could resume in-person activities. The Council will invest the remaining \$50 million in 2022-23 for the research, creation, and production of work, domestic touring activities, and sector innovation in support of sector recovery.

2. In addition to the \$120.5 million in emergency support funding, the Council received \$0.5 million to cover administrative costs associated with the delivery of these funds.



KEY ACCOMPLISHMENTS

Rebuilding the arts through innovation

As articulated in its strategic plan, the Council wants to support artists and arts organizations to innovate, a key to sustainable development in the arts.

For the Council, innovation is not about artistic creativity or unlimited economic growth; instead, it is about solving problems related to a breadth of issues, including:

Equity, diversity, and inclusion

Remuneration and working conditions

Making the case for the arts

Impacts of colonialism

Sustainable organizational and revenue models

Digital transformation

Over the five years of its strategic plan, the Council will invest over \$200 million to rebuild a stronger, more resilient, connected, equitable, inclusive, and sustainable arts sector that encourages the development of innovative business models, the ongoing digital transformation, and more.

Toward this \$200 million investment, the Council launched the [Strategic Innovation Fund](#) in November 2021. The fund supports a broad range of activities undertaken by the arts sector to solve problems and develop a stronger, more inclusive, equitable, and sustainable sector. The Fund offers different ways artists, arts groups, and organizations can receive support to develop new ideas, experiment, and collaborate according to the level of readiness, scope, stage, and budget requirements of projects. The Council held several outreach activities, including webinars, to grow awareness and understanding of the Strategic Innovation Fund in the arts sector.

As part of its innovation work, this past year the Council also announced that it was exploring partnerships across sectors to support and inspire arts organizations, groups, and collectives to find creative solutions to complex problems. In this vein, the Council established a multi-year partnership with the Natural Sciences and Engineering Research Council of Canada (NSERC) on their Colleges and Community Social Innovation Fund. This initiative supports opportunities for arts organizations, groups,

or collectives to collaborate with other sectors to foster community innovation that supports more effective, fair, and durable solutions to complex social problems such as integrating vulnerable populations, community development, social justice, decolonization, climate change, and fostering health and well-being.

The Council also undertook new approaches with existing partnerships to deepen its impact. This included its partnership with the National Gallery of Canada (NGC). In the context of the pandemic, which limited in-person opportunities to celebrate the [Governor General's Awards in Visual and Media Arts](#) (GGArts), the Council and the NGC collaborated on a digital campaign with a strong social media focus to promote this year's winners, whose exceptional careers have made a remarkable contribution to the visual and media arts and fine crafts, with audiences across the country and around the world.

KEY ACCOMPLISHMENTS

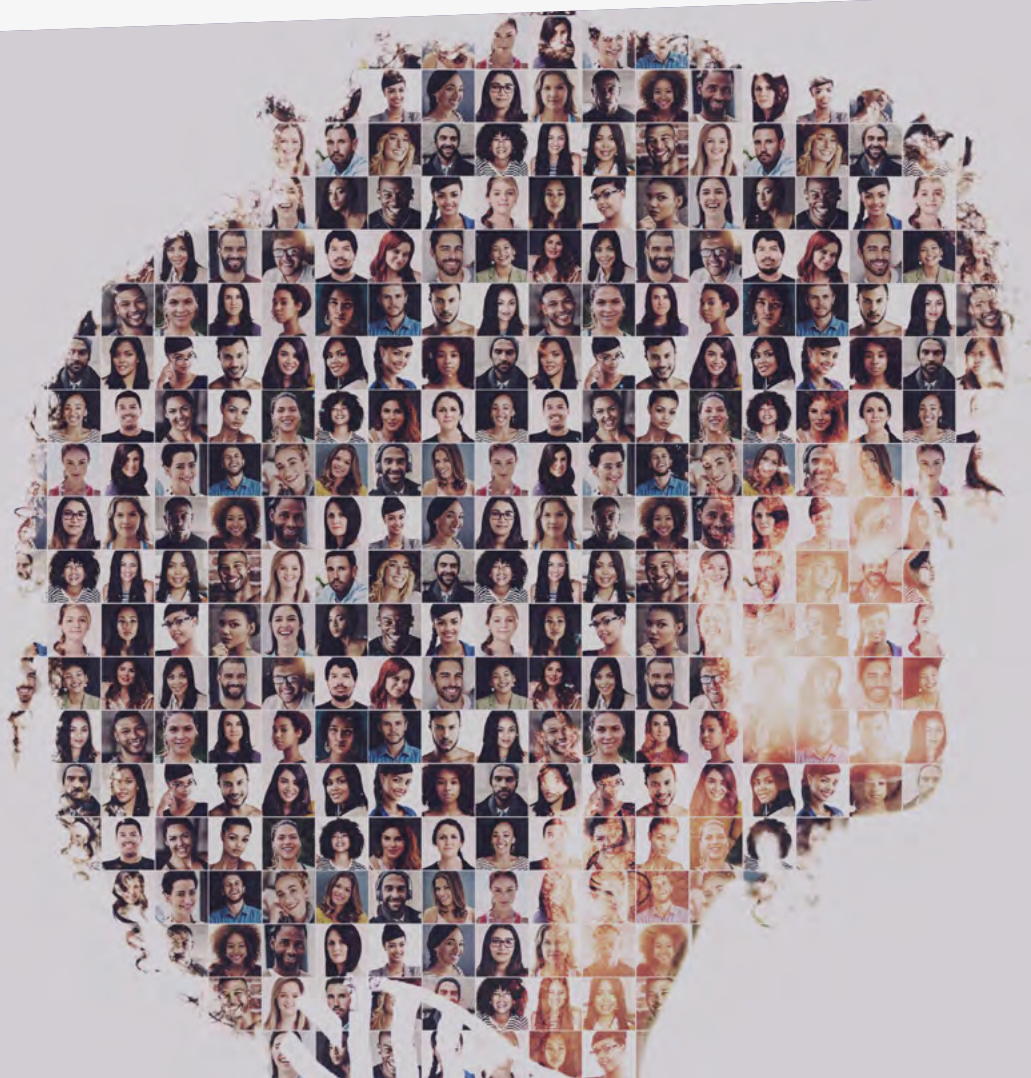
Advancing equity

While the Council was committed to supporting an ever-more equitable arts sector well before its current strategic plan, the pandemic exacerbated many inequities and created new ones, necessitating a focused response. Accordingly, this past year the Council applied an equity lens in its work to obtain pandemic-related funding for the arts from the Government of Canada. The Council advocated for the continued need for support for artists and arts workers, including from its designated priority groups: Indigenous, racialized, Deaf and disability, and official language minority communities. This work resulted in an additional \$9.2 million in support, which the Council will direct to core-funded organizations in designated priority groups from coast to coast to coast to distribute to artists and arts workers from their communities in 2022-23.

To advance its vision for a more equitable arts sector, the Council relies on important information about the makeup of its grant applicants and recipients. Applicants are given the option to complete a Voluntary Self-Identification Form in the Council's application portal. This past year, the Council updated this form for applicants to include a wider range of self-identification options, including expanded options related to gender identity, sexual orientation, and racial identity. With more information

on its applicants, the Council will be able to identify and address future funding gaps better.

The Council also entered a partnership this past year with the Canadian Race Relations Foundation to support anti-racism projects submitted under the Anti-Racism Fund throughout Canada. The Council's contribution will total \$200,000 in 2022. This partnership also involves a research-based scan of anti-racism projects to



understand the breadth of equity-related needs across the country to better inform future initiatives that address racism in the arts.

The Council sought to redress historic inequities and barriers as the Canada Council Art Bank added 10 artworks by Black artists to its collection. The addition of these works addresses a historical imbalance that had previously left Black artists underrepresented in the Art Bank's collection. Two of the

acquired works were by artists featured in the exhibition *Still Tho: Aesthetic Survival in Hip-Hop's Visual Art* in the Council's Âjagemô exhibition space at 150 Elgin Street in Ottawa. This exhibition, curated by Mark V. Campbell, centred on visual artists in Canada who shaped hip-hop culture with works that inspired social change. It was open for in-person visits from the public and included [a virtual tour with the curator](#) for audiences to experience across Canada and beyond.



The Council had two “takeovers” of its Instagram accounts this past year to feature the unique voices and content of artists and arts organizations and to engage audiences with a breadth of perspectives. On December 3, 2021, in celebration of disability arts practices and the International Day of Persons with Disabilities, BEING Studio and Corpuscule Danse shared creative expression rooted in disability arts practise with the Council’s social media audiences. In February, the Council celebrated Black History Month with another Instagram takeover by artists and arts organizations connected to Black arts communities, including Crossfield House Productions, Asuquomo, Woezo Africa Music & Dance Theatre Inc, Dawn Shepherd, and Laurena Finéus.

The Council firmly believes that by better reflecting and including Canada’s various communities it is better equipped to advance a more equitable arts sector. For this reason, in February 2021 it launched a [major recruitment campaign to foster diversity, equity, and inclusion](#) inside the Council. The campaign was open to all but prioritized applicants who self-identified as Indigenous, Black, racialized, Deaf, and/or living with a disability.

The campaign exceeded its goals within a year with important increases in representation across priority groups:

**Indigenous staff
increased from 4.6% to 5.2%**

**Racialized staff
increased from 16.8% to 22.5%**

**Staff who are Deaf and/or
living with a disability
increased from 6.8% to 7.8%**

Among the Council’s management, representation of priority groups has increased to 35% and more than 70% identify as women. Nearly 70% of employees across the organization identify as women.

KEY ACCOMPLISHMENTS

Supporting Indigenous sovereignty and self-determination

In the 2021-26 strategic plan, the Council reiterated its commitment to support Indigenous sovereignty and self-determination, as well as the Indigenous-led decolonization of the arts.

To advance this commitment, in 2021-22 the Council entered a partnership with the Indigenous Curatorial Collective for the creation of the Community Cares Recovery Response Fund. This Fund builds on the Community Cares initiative, an emergency response fund to support First Nations, Inuit, and Métis individuals working in the arts and culture sector during the COVID-19 pandemic, which disproportionately affected Indigenous communities. In 2022-23, the Recovery Response Fund will deliver \$450,000 through 150 micro-grants of \$3,000 each to individual artists and to support organizational capacity building and the development of partnerships that centre Indigenous sovereignty and

self-determination in the rebuild of the arts sector after the devastation of the pandemic.

This past year, the Council also lay the groundwork for the 2022 [Arctic Arts Summit](#), which it will co-host in June 2022 with the Government of Yukon and with the support of many collaborators across Canada and the circumpolar North. The Summit, the third of its kind, serves to strengthen arts and culture in the North and develop circumpolar cooperation to stimulate collaboration in arts and creative industries. The Council's work as co-host is guided by the principle of respecting and affirming the cultural sovereignty and

self-determination of Indigenous peoples in the North. To generate public engagement in the Summit in the lead up to the event, a digital platform was launched with content that explores several topics, including the land, language, and decolonization.

The Council also launched *Research on the Value of Public Funding for Indigenous Arts and Cultures*, the Council's first research project to look at the role of arts and culture in Indigenous communities, as well as the value of public investment in the Indigenous arts community through a self-determined approach rooted in Indigenous worldviews, respectful of cultural sovereignty. The project is being conducted in partnership with Archipel Research and Consulting Inc., an Indigenous-owned and women-led firm. The project undertook consultations with a wide range of Indigenous artists, arts groups, organizations, and community members toward developing a framework that furthers the Council's understanding of its funding for Indigenous artists and the vital role that Indigenous arts and cultures play in the lives of all Canadians. A report from the project will be published in fall 2022.

The Council recognized that to better support Indigenous sovereignty and self-determination it needed to make important internal changes to the organization. This included ensuring that all staff at the Council—both Indigenous and settlers—had a shared understanding of

Canada's colonial history, which includes the creation of the Canada Council for the Arts in 1957. Staff were given training on colonialism in Canada, anti-racism, and ongoing barriers in society and the arts. Indigenous staff at the Council also led the creation of an Indigenous Caucus, made up of Indigenous staff at all levels across the organization. This group will offer vital insights and advice to advance the organization's journey toward decolonization over the coming years.

The Canadian Commission for UNESCO

The CCUNESCO operates under the authority of the Canada Council for the Arts, and its work is guided by an Executive Committee composed of government representatives and representatives from civil society. The CCUNESCO ensures that UNESCO initiatives are relevant and implemented in Canada, and that Canadian voices inform the work of UNESCO.

In fall 2021, UNESCO convened its 41st General Conference. The members adopted a new Recommendation on Open Science and a Recommendation on the Ethics of Artificial Intelligence, offering a common framework for understanding and sharing key objectives in these areas. In addition, the General Conference approved a [new Medium-Term Strategy for](#)

[UNESCO for 2022-29](#). CCUNESCO's [Strategic Plan](#), adopted in 2021, closely aligns to this plan with its three strategic objectives, detailed below with related activities from the past year.



OBJECTIVE 1

EDUCATION, CULTURE, FREEDOM OF EXPRESSION, AND ANTI-RACISM ADVANCE AN INCLUSIVE, JUST, AND PEACEFUL SOCIETY

Inclusivity, justice, and peace are core to UNESCO's mandate and urgently needed in our world. CCUNESCO was pleased to make significant progress on this objective in 2021-22.

In October 2021, following the support of CCUNESCO, [London \(Ontario\) was designated a UNESCO Creative City of Music](#). This will raise the profile of the music scene in London and contribute to important work at the nexus of music, sustainable development, and inclusion.

CCUNESCO partnered with the Metropolis Institute to engage francophone thinkers and decision makers on issues related to immigration and inclusion at the [Congrès Metropolis Francophonie Mondiale](#). This

initiative corresponds to CCUNESCO's priority to fight racism and supports the work of one of its key networks: the Coalition of Inclusive Municipalities.

[#Decarbonize:#Decolonize](#) is a partnership between CCUNESCO, the Centre for Global Education, and TakingITGlobal. The partnership facilitates a comprehensive learning journey around climate change, climate reliance, and climate justice, in the context of empowering youth to make real and lasting changes in their school and local communities. This partnership corresponds to CCUNESCO's new priority around mainstreaming youth leadership.

OBJECTIVE 2

SCIENCE, TECHNOLOGY, EDUCATION, AND CULTURE CONTRIBUTE TO SUSTAINABLE DEVELOPMENT

UNESCO plays an important role in terms of intellectual and cultural collaboration for sustainable development. Below are two examples of some initiatives from CCUNESCO:

Every fall, CCUNESCO receives applications from academics to become [UNESCO Chairs](#). In Canada, there are currently 30 of these prestigious university positions, which are aligned with the goals and priorities of UNESCO and support the UN Sustainable

Development Goals. This year, CCUNESCO received, processed, and submitted several applications to UNESCO—signaling the ongoing interest in and value of this programme.

CCUNESCO collaborated with [STEM Fellowship](#), a longtime partner of CCUNESCO in the education sector, on its Big Data Challenge project, which works with youth to develop analytical skills that will equip them to tackle pressing issues facing humanity.

OBJECTIVE 3

GOVERNMENTS AND CIVIL SOCIETY SAFEGUARD NATURAL, CULTURAL AND DOCUMENTARY HERITAGE FOR FUTURE GENERATIONS

UNESCO safeguards heritage—including traditional cultural expressions, protected landscapes, and other forms of heritage—because they are of critical value to the present and often under threat. CCUNESCO advanced this objective in 2021-22 in several ways:

CCUNESCO, supported by the Council, contributed \$200,000 with a matching contribution of \$200,000 from Canadian Heritage for a total of \$400,000, to the UNESCO Heritage Emergency Fund to protect Ukraine’s cultural and heritage sites following the Russian invasion.

This contribution, together with support from the Government of Canada, was announced by Prime Minister Trudeau following NATO and G7 meetings in Brussels.

After many years of CCUNESCO collaboration and negotiation among Indigenous, community, and government partners, UNESCO designated [Átl'ka7tsem/Howe Sound](#) Canada's 19th Biosphere Region.

Five inscriptions were added to the [Canada Memory of the World Register](#), which provides universal access to artistic, cultural, economic, geographic, linguistic, political, scientific, spiritual, and identity-based heritage:

[Gwich'in Tribal Council - Gwich'in Social and Cultural Institute fonds \(NWT Archives\)](#), a collection of Indigenous knowledge created for the preservation and promotion of the Gwich'in culture.

[Métis Nation River Lot Settlements Maps \(Library and Archives Canada\)](#), which consists of river lot maps, created by Canadian government surveyors beginning in the 1870s, that further knowledge of the Métis Nation.

[Viola Irene Desmond Court Records \(Nova Scotia Archives\)](#), which include legal documents and coverage related to Desmond, an African Nova Scotian businesswoman who challenged the province's systemic racial discrimination in 1946, a watershed moment for civil rights in Canada.

[Alvin D. McCurdy fonds \(Archives of Ontario\)](#), one of the pre-eminent collections for understanding the Underground Railroad and Black history in Canada.

[Violet Archer fonds \(University of Alberta Archives\)](#), which spans over seventy-five

years and includes records of the composing, research, teaching, and life experiences of Archer, a professor and internationally recognized composer of music.

GOVERNANCE



Board mandate

The Canada Council for the Arts is led by a director and CEO appointed by the [Governor in Council](#) and governed by a board consisting of a chair, vice-chair and nine other members from across Canada. Members are appointed by the Governor in Council for fixed terms. The Board meets at least three times a year.

As a steward of the Council, the Board is responsible for the oversight of the organization's policies, programs, budgets, granting decisions and strategic planning. The Board is accountable to Parliament through the Minister of Canadian Heritage.

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

Highlights

In 2021–22, the Board held four meetings, during which it:

- welcomed Marie Pier Germain as Vice-Chair and Ingrid Leong as a member of the Board;
- approved core funding amounts over \$500,000 to arts organizations, including additional investments as part of the \$25 million from the federal Reopening Fund for events and in-person experiences;
- approved the *Canadian Commission for UNESCO Strategic Plan 2021–26* as well as the nomination of a new CCUNESCO President and Vice-President;

- exercised oversight on the Council's budgets and various policies, including changes to the Delegation of Authority, the By-laws and Governance Policy as well as changes to the Statement of Investment Policies and Goals and its Environmental, Social and Governance statement;
- approved the appointment of a new member and a new Chair to the Audit and Finance Committee, the appointment of two new members to the Investment Committee, and the reappointment of Board representatives on the CCUNESCO Executive Committee and the Canadian Public Arts Funders (CPAF) network;
- continued to exercise its oversight of the Council's internal shift to digital operations and service delivery as well as oversight of the corporate risk profile and risk mitigation plans;
- approved the *Operational and Capital Budget*, the *Annual Financial Statements* and the *2022–23 to 2024–25 Rolling Risk-Based Internal Audit Plan*; and
- held a virtual annual public meeting on March 30, 2022.

All Board meetings were held virtually as a result of the COVID-19 pandemic, in line with public health restrictions on gatherings.

Board independence

All members of the Board are independent. While the Director and CEO and executive management attend Board meetings to provide information and report on activities, only Board members may vote and make decisions. Board committees are composed of Board members. The Investment Committee also includes external experts selected for their knowledge and expertise. At each Board meeting, in camera sessions are held with the Director and CEO and with Board members only.

A culture of ethical business conduct

Board members, as part-time public office holders, are bound by the federal government's [Conflict of Interest Act](#) and the [Values and Ethics Code for the Public Sector](#). The Board is required to disclose any real, apparent or potential conflicts of interest on an annual basis and as they occur throughout the year.

Corporate social responsibility

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

To fulfil this commitment, the Council:

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

The Board oversees these commitments and is responsible for integrating social, environmental and ethical considerations into all Board-related matters.

Appointments and reappointments

Ingrid Leong was appointed as a member of the Board for a four-year term effective December 13, 2021, to December 12, 2025.

Marie Pier Germain was appointed as Vice-Chair of the Board for a four-year term effective December 17, 2021, to December 16, 2025.

Ben Nind's term as a member of the Board ended on April 4, 2021, and was renewed for four years effective May 11, 2021, to May 10, 2025.

Cheryl Hickman's term as a member of the Board ended on April 4, 2021, and was renewed for four years effective May 21, 2021, to May 20, 2025.

Jennifer Dorner's term as a member of the Board ended on June 5, 2021, and was renewed for two years effective August 4, 2021, to August 3, 2023.

These appointments and reappointments followed the Governor in Council application and selection process, which is open, transparent and merit-based, to ensure the integrity of its public institutions.

As of March 31, 2022, there were two vacancies on the Board.

Onboarding program

New Board members receive a comprehensive information package prior to their first meeting. They also sit in on committee meetings to learn about the Council's work. Orientation sessions are held with new Board members prior to any committee meetings to which they have been appointed.

Board diversity

The Council has a history of embedding values of equity and diversity within its operations. The "Board Diversity Statement of Principles" in the *Governance Policy* is intended to summarize and make public the Council's Board diversity-related values and objectives. This includes representation on the Board for Canada's official languages, regions, generations, Deaf people and people living with a disability, Indigenous Peoples, Black people and racialized people, along with gender equity and diversity.

Performance evaluation

Annually, under the direction of the Governance and Nominating Committee, the Board evaluates the performance of the full Board and its committees.

The Director and CEO's performance is assessed annually by the Board, based on the Privy Council Office's Performance Management Program for Chief Executive Officers of Crown Corporations. The Board communicates the results of the Director and CEO's annual performance evaluation to the Minister of Canadian Heritage.

Communications and reporting

In accordance with specific acts and regulations, and to ensure ongoing communications and transparency, the Council submits several reports on an annual basis to different government departments in

line with deadlines set by legislation and/or responsible departments.

Annual Public Meeting

On March 30, 2022, the Council held its Annual Public Meeting (APM) virtually to report on its recent activities and plans. The meeting was livestreamed across the country in English, French and sign languages (ASL and LSQ). Video recordings of the event, in fully accessible formats, are available on the Council's website along with each speaker's speech.

Annual Report

According to the *Canada Council for the Arts Act*, the Council must submit an annual report after each fiscal year to the Minister of Canadian Heritage to be tabled in Parliament. The annual report presents all proceedings for the fiscal year, including the Council's financial statements.

Access to Information Act and Privacy Act

The Council is responsible for completing an annual report on the administration of the *Access to Information Act* and an annual report on the administration of the Privacy Act. These reports are submitted to the Minister of Canadian Heritage to be tabled in Parliament.

Canadian Multiculturalism Act

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

Employment Equity Act

As a federal organization with over 100 employees, the Canada Council files an annual *Employment Equity Report* with Employment and Social Development Canada.

Official Languages Act

The Council is responsible for implementing Parts IV, V, VI and VII of the *Official Languages Act*. It submits a multi-year action plan to Canadian Heritage regarding section 41 of Part VII of the Act. The Council also presents an annual review detailing its activities under Part VII to the Department of Canadian Heritage. Every three years, it presents a report on Parts IV, V, VI and VII to the Department of Canadian Heritage and to the Treasury Board Secretariat.

Board committees

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

Executive Committee

The Executive Committee acts on behalf of the Board (with exceptions related to the approval or amendment of by-laws, policies, budgets, financial statements, grants, or the annual report) in the interval between meetings of the Board. The Director and CEO is also a member of the Executive Committee, but in a non-voting capacity.

Membership: Jesse Wenté (Chair), Marie Pier Germain (Vice-Chair starting on December 17, 2021), Beverley K. Foy (Chair of the Audit and Finance Committee until June 5, 2021), Kim Spencer-Nairn (Chair of the Audit and Finance Committee starting on June 6, 2021) and Cheryl Hickman (Chair of the Governance and Nominating Committee).

Audit and Finance Committee

The Audit and Finance Committee provides oversight of the Canada Council's financial performance and ensures the integrity, effectiveness and accuracy of the Canada Council's financial reporting, control systems, integrated risk management processes and audit functions. In camera sessions are held with the Office of the Auditor General, with the internal auditors and with Audit and Finance Committee members only.

Membership: Beverley K. Foy (Chair until June 5, 2021), Kim Spencer-Nairn (Chair starting on June 6, 2021), David Binet (until April 4, 2021), Karl Schwonik and Ingrid Leong (starting on January 26, 2022). Jesse Wenté served as a voting member

of the Audit and Finance Committee from May 28, 2021, through January 26, 2022, pursuant to a resolution adopted by the Board and in accordance with Section 6.2(b) of the *By-laws*.

Governance and Nominating Committee

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

Membership: Cheryl Hickman (Chair), David Binet (until April 4, 2021), Ben Nind and Gaëtane Verna.

Investment Committee

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

Membership: Beverley K. Foy (until June 5, 2021), David Binet (until April 4, 2021), Karl Schwonik, Kim Spencer-Nairn (starting on October 20, 2021), Ingrid Leong (starting on January 26, 2022) and external experts Michael White (Chair), Paul Robillard, Kim Shannon, Martha Tredgett, Helen Kearns, Denis Larose, and Brenda Eaton as the Killam representative.

Advisory groups

Jennifer Dorner serves as Board representative on the Canadian Commission for UNESCO Executive Committee.

Ben Nind serves as Board representative to the Canadian Public Arts Funders network.

Proactive disclosure

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

Disclosure of wrongdoing

In compliance with the Council's *Policy on the Internal Disclosure of Wrongdoing in the Workplace*, which is based on the requirements of the [Public Servants Disclosure Protection Act](#), a quarterly report on the disclosure of wrongdoing in the workplace is provided to the Audit and Finance Committee. In 2021-22, there were no internal disclosures of wrongdoing in the workplace.

Remuneration

The Board remuneration is fixed by the Governor in Council, pursuant to Section 6(1) of the *Canada Council for the Arts Act*. Per diem amounts are determined by the [Remuneration guidelines for part-time Governor in Council appointees in Crown corporations](#), published by the Privy Council Office.

Board members' compensation is comprised of an annual retainer and per diems. Board members are also eligible for reimbursement of travel.

The annual retainer is paid on a pro-rata basis. The rates are as follows:

Chair: \$8,800

Vice-Chair: \$4,700

Board members: \$4,400

Per diems are a daily amount based on time spent on Board and Council business.

The rates are as follows:

Chair: \$375

Vice-Chair: \$325

Board members: \$325

In 2021-22, the total remuneration was:

Board: \$75,400 (aggregate honoraria)

Director and CEO: \$226,000-\$265,800 (fixed by the Governor in Council)

Executive positions: \$125,900-\$165,700

Executive Management

At March 31, 2022, the Executive Management Committee consisted of Simon Brault, Director and CEO; Michelle Chawla, Director General, Strategy, Public Affairs and Arts Engagement; Tania Kingsberry, Chief Financial Officer and Chief Security Officer; Joanne Larocque-Poirier, Chief of Staff and Corporate Secretary; Ian Lovsin, Chief Information Officer; and Carolyn Warren, Director General, Arts Granting Programs.

Carole Boileau was Chief Financial Officer and Chief Security Officer until January 31, 2022.



Simon Brault
Director and CEO



Michelle Chawla
Director General, Strategy, Public
Affairs and Arts Engagement



Tania Kingsberry
Chief Financial Officer
and Chief Security Officer



Joanne Larocque-Poirier
Chief of Staff and Corporate
Secretary



Ian Lovsin
Chief Information Officer



Carolyn Warren
Director General,
Arts Granting Programs

Board members

As at March 31, 2022, the Board consisted of:



Jesse Wente
Chair
Toronto, ON



Marie Pier Germain
Vice-Chair
Montréal, QC



Jennifer Dorner
Montréal, QC



Cheryl Hickman
St. John's, NL



Ingrid Leong
Vancouver, BC



Ben Nind
Yellowknife, NT



Karl Schwonik
Calgary, AB



Kim Spencer-Nairn
Vancouver, BC



Gaëtane Verna
Toronto, ON

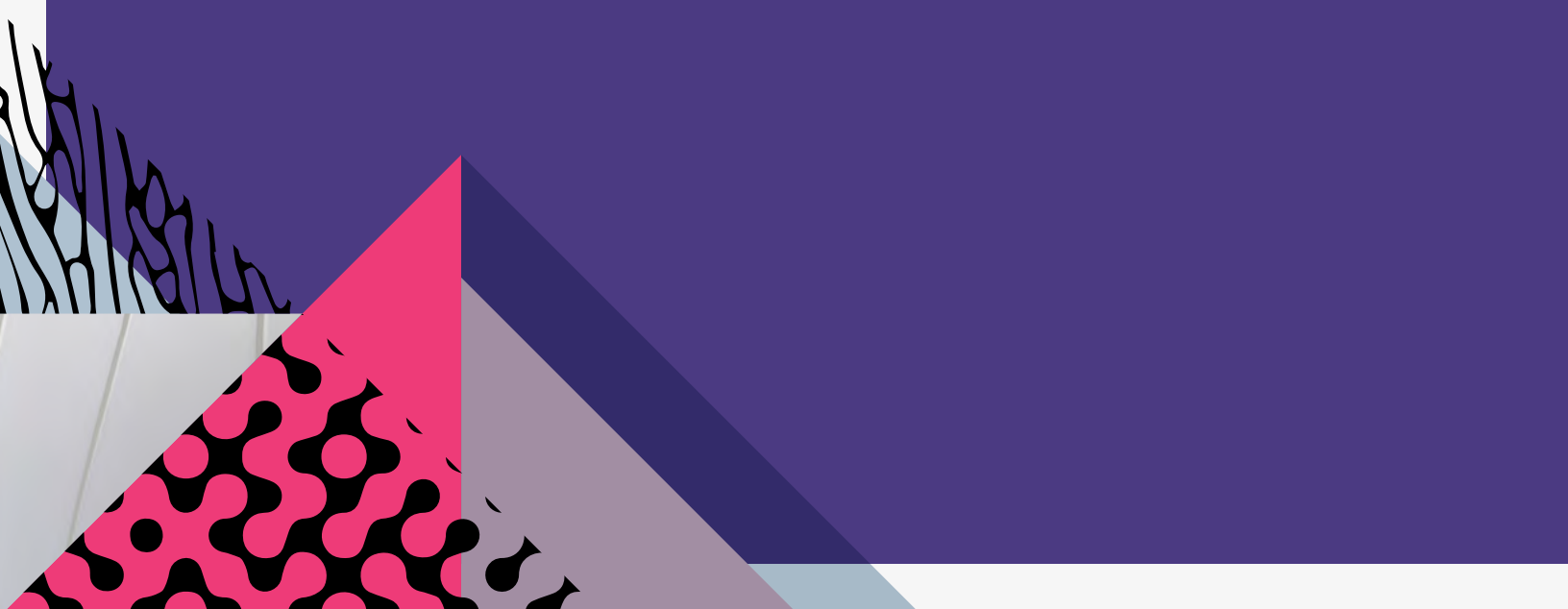
Board and Committee Meetings and Attendance (April 1, 2021, to March 31, 2022)

	Board Meetings	Executive Committee	Investment Committee	Audit and Finance Committee	Governance and Nominating Committee
Total Number of Meetings	4	0	4	7	4
Jesse Wente	4/4	--	Ex officio	Ex officio	Ex officio
Marie Pier Germain	2/2	--	Ex officio	Ex officio	Ex officio
Jennifer Dörner	3/3	N/A	N/A	N/A	N/A
Beverley K. Foy	--	--	2/2	--	N/A
Cheryl Hickman	4/4	--	N/A	N/A	4/4
Ingrid Leong	2/2	--	--	2/2	--
Ben Nind	4/4	N/A	N/A	N/A	4/4
Karl Schwonik	4/4	N/A	4/4	7/7	N/A
Kim Spencer-Nairn	4/4	N/A	1/1	7/7	N/A
Gaëtane Verna	4/4	N/A	N/A	N/A	4/4

Notes:

- Marie Pier Germain was appointed as Board Vice-Chair on December 17, 2021. She became an ex officio member of the Investment Committee, the Audit and Finance Committee and the Governance and Nominating Committee on December 17, 2021.
- Jennifer Dörner did not attend the June 22, 2021, Board meeting, as her term on the Board ended on June 5, 2021, and was renewed for two years effective August 4, 2021, to August 3, 2023.
- Beverley K. Foy's term on the Board ended on June 5, 2021.
- Ingrid Leong was appointed to the Board on December 13, 2021. She became a member of both the Audit and Finance Committee and the Investment Committee on January 26, 2021.
- Kim Spencer-Nairn became a member of the Investment Committee on October 20, 2021.

MANAGEMENT DISCUSSION AND ANALYSIS



HIGHLIGHTS

The COVID-19 pandemic continued to have a significant impact on major areas of the financial results for the Canada Council for the Arts (the Council) in 2021-22. The first area of impact being the supplementary appropriations received, \$121.0 million to support arts and live events workers in response to COVID-19 and \$25.0 million to relaunch the arts sector and to resume its public activities (with an additional \$50.0 million to come in 2022-23). Those supplementary appropriations were distributed through existing programs and a one-time initiative called Digital Now, which awarded grants for the development and sharing of digital artistic content. Another impact on the financial results was the significant increase in the net realized investment income from the Council's portfolio. The Council changed its portfolio asset mix during the year and realized significant gains of \$22.1 million mostly related to the sale of its hedge fund component. The net realized investment income of \$38.2 million was in excess by \$26.0 million over the \$12.2 million budgeted amount.

The Council was able to maintain its efficiency in program delivery due to investments over the last few years in modernizing its technology infrastructure and systems, and by adjusting its operations.

The Council has restated comparative figures in its Financial Statements due to a change in accounting policy related to the treatment of configuration and customization costs incurred in the implementation of cloud computing arrangements, commonly referred to as Software as a Service (SaaS). Further information is provided in Note 3 of the Financial Statements.

Summary Statement of Operations for the Years Ended March 31

(in thousands of dollars)	Budget 2022	Actual 2022	Restated Actual 2021
Total revenue and Parliamentary appropriations	\$ 494,799	\$ 556,516	\$ 463,374
Total expenses	494,776	529,731	445,818
Surplus from operations	\$ 23	\$ 26,785	\$ 17,556

For the year ended March 31, 2022, the Council is reporting a surplus from operations of \$26.8 million. The surplus is primarily attributable to a \$26.0 million positive variance in net realized investment income compared to budgeted investment income.

(in thousands of dollars)	Budget 2022	Actual 2022	Actual 2021
Grants and contributions	\$ 418,157	\$ 457,510	\$ 378,092
Public Lending Right program	14,688	15,033	14,807
Prizes and awards	2,448	2,288	1,688
	\$ 435,293	\$ 474,831	\$ 394,587

Grants, author payments and prizes expenses amount to \$474.8 million for the year ended March 31, 2022 and are above both the approved initial budget and the prior year related expenses. The significant increase comes from the \$121.0 million received to deliver the COVID-19 support for the arts and live events workers, of which \$116.5 million was known and budgeted for, as well as the \$25 million to deliver the COVID-19 support for the reopening fund for events and in-person experiences compared to the \$62.8 million received in the prior year for the COVID-19 Emergency Support Fund.

The Public Lending Right program (PLR) sends yearly payments to creators whose works are in Canada's public libraries. Total annual PLR payments have been stable at approximately \$15.0 million since 2019-20.

The Council also distributed \$2.3 million in prizes and awards that recognize excellence and innovation in Canada - an increase of \$0.6 million compared to last year, returning to pre-COVID-19 comparative figures.

The costs of transfer program delivery, representing 4.4% of total expenses, totaled \$23.1 million for the year ending March 31, 2022. This was \$1.7 million below the budgeted amount, mostly due to savings of \$0.6 million in professional and special services, of \$0.5 million in prize presentation costs due to no in-person ceremonies, and as well as \$0.4 million in peer assessor committees' costs due to some competitions that were planned this year but postponed. The overall increase of \$1.8 million in transfer program delivery costs compared to last year is mostly attributable to an increase in salaries and employee benefits of \$0.9 million in order to deliver on the COVID-19 initiatives for which the Council received additional government funding this year. There was also an increase of \$0.8 million in peer assessor costs due to the Council's decision to augment the amount paid as services and reading fees starting April 2021. This raise was possible due to the savings in travel costs now that all peer committees are, and will continue to be, virtual.

General administrative expenses, representing 4.8% of total expenses, totaled \$25.4 million for the year ended March 31, 2022. The \$3.9 million increase compared to budget related, in part, to a \$3.7 million increase in salaries and benefits, as well as professional and special services expenses, due to the change in accounting policy adopted during the year as described in Note 3 to the financial statements. As a result of this change in accounting policy, less costs were capitalized than initially planned. This increase in expenses was partially offset by a decrease in amortization of \$1.4 million due to the impact of decapitalizing previously capitalized assets. As well, a lower than expected turnover rate and a retro compensation for management (as per the Treasury Board guidelines) also contributed to an overspend in salary and benefits.

The \$0.8 million increase in general administrative expenses compared to last year is explained mainly by the Council's continued investments in cloud computing expenses offset by the decrease in salaries and employee benefits.

Summary Financial Position as at March 31

(in thousands of dollars)	Actual 2022	Restated Actual 2021
Total financial assets	\$ 630,705	\$ 563,810
Total liabilities	261,312	208,089
Net financial assets	369,393	355,721
Non-financial assets	27,578	28,663
Accumulated surplus	\$ 396,971	\$ 384,384

In 2021-22, the Endowment and Special Funds and the Killam Fund generated positive annual returns of 5.3% and 5.4%, respectively, compared to positive annual returns of 24.5% and 24.2%, respectively, in 2020-21. In comparison to the prior year, the investment portfolio has increased by \$15.2 million with a fair value of \$495.0 million as at March 31, 2022.

The portfolio provided an excess of \$26.0 million of net realized investment income over the \$12.2 million budgeted amount. In accordance with the Council's *Statement of Investment Policies and Goals*, the approved budgeted amount for net realized investment income is calculated using a prescribed spending rate of 3.5% times the previous three-year average market value of the portfolio. The Council's investment accounting policy states that at a minimum any investment income above the allocated approved budget must be reinvested in the portfolio to preserve capital. Therefore, this year, \$24.0 million was transferred from accumulated surplus from operations to the reserve for excess investment income.

In 2021-22, the Council updated its Corporate Risk Profile, presented to the Board in January 2022, taking into consideration the context in which the Council is operating, as well as the risks faced by the sector that the Council serves. The corporate risk profile is used as a key input in strategic and operational planning and prioritizing management action plans.

FINANCIAL POSITION

Financial Assets

(in thousands of dollars)	2022	2021
Financial Assets		
Cash	\$ 124,935	\$ 81,065
Accounts receivable	10,758	2,925
Portfolio investments	495,012	479,820
Total financial assets	\$ 630,705	\$ 563,810

As at March 31, 2022, total financial assets were \$630.7 million, an increase of \$66.9 million from the previous year. Financial assets include the portfolio investments as well as cash and accounts receivable.

The increase of \$43.9 million in cash is explained mainly by a \$45.2 million increase in grants, author payments and prizes payable due to grants results awarded late in March 2022.

The \$7.8 million increase in accounts receivable compared to the prior year figure is mostly due to \$4.8 million in parliamentary appropriations that were not yet received at March 31, 2022. There was also an increase of \$1.9 million in accrued dividend income and of \$0.8 million in employee pay receivable following the transition to pay in arrears during 2021-22.

The financial markets were volatile again in 2021-22 with a wide range of outcomes for the different asset classes: Canadian equity (+20.2%), global equity (+6.6%), fixed income (-4.5%), real estate (+2.0%), and infrastructure (+2.5%), yielding an overall positive portfolio return of 5.3%. Consequently, the fair value of the Council's investment portfolio increased modestly. As at March 31, 2022, the fair value of the Council's investments was \$495.0 million, an increase of \$15.2 million from the prior year.

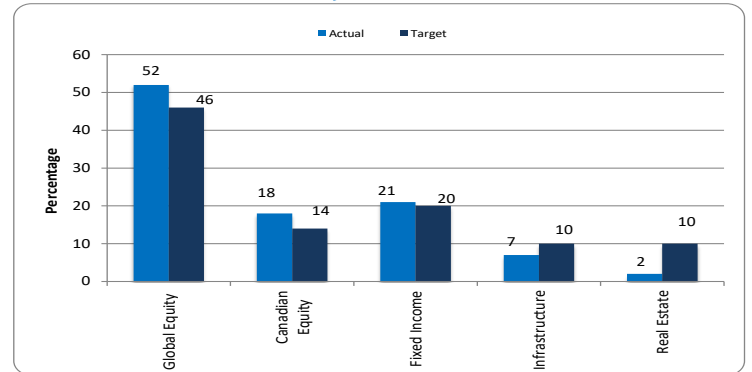
The Council invests in units of pooled funds that are managed by professional investment managers. The Council's investments are guided by a *Statement of Investment Policies and Goals* and the *Board Statement of Investment Beliefs*, which are both approved by the Board. The objective of the portfolio is to generate a real rate of return of at least 3.5% over a 10-year period to supplement the Parliamentary appropriations and to support the fellowships and prizes for the Killam Fund and Special Funds, while maintaining the purchasing power of the endowed capital. The Killam Fund and Special Funds represent contributions that have been received by way of donation and bequest and have been restricted for specific purposes by the donors. The Killam Fund is required to be maintained in a separate investment portfolio that is consolidated for reporting purposes. The Special Funds are included with the Council's investment portfolio; a proportionate share for each contribution is calculated based upon the fair value of the investment portfolio at the time each contribution is received.

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

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

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

Asset Mix as of March 31, 2022

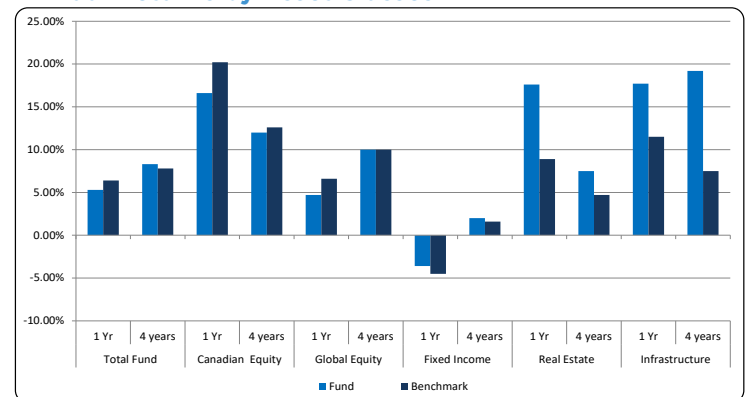


The Investment Committee and senior management closely monitor the level of risk within the portfolio. The 10-year standard deviation was at 8.2% as at March 31, 2022, compared to 7.0% for the benchmark.

The targets set for each asset class are based on an efficient frontier study done in 2021 whose objective was to achieve a minimum real return of 3.5% over rolling 10-year periods. The main changes brought to the asset mix were the decision to eliminate the hedge fund investment due to its complexity and lower the fixed income allocation to mitigate the risk of the rising interest rates. Those decisions resulted in increasing the benchmark allocation to real estate and infrastructure but it may take up-to 12-24 months to be fully invested in those two asset classes.

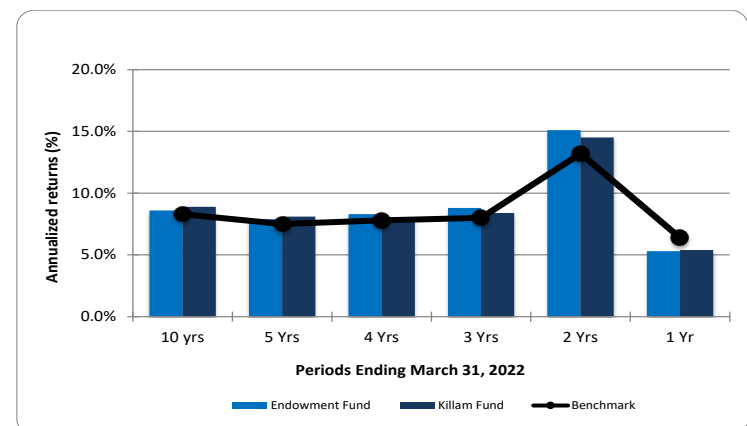
The following chart shows the returns for all the asset classes for the one- and four-year periods ending March 31, 2022.

Annual Returns by Asset Classes



The following chart shows the annualized portfolio returns for various periods for the Endowment and Special Funds and the Killam Fund against the benchmark return. It shows that the diversification in the portfolio helped sustain the performance results above the 10-year long-term objective of 3.5%.

Annualized Portfolio Returns



Liabilities

As at March 31, 2022, total liabilities were \$261.3 million, an increase of \$53.2 million from the previous year as shown in the table below:

(in thousands of dollars)	2022	2021
Liabilities		
Grants, author payments and prizes payable	\$ 164,831	\$ 119,590
Accounts payable and accrued liabilities	9,145	5,565
Deferred revenues	6,168	6,506
Employee future benefits	5,351	5,155
Deferred revenues - Externally restricted contributions	75,817	71,273
Total liabilities	\$ 261,312	\$ 208,089

The main increase in total liabilities is due to the \$45.2 million addition in Grants, author payments and prizes payable compared to 2020-21, which is directly related to the high volume of grants that were approved in the last quarter but not yet paid as at March 31, 2022.

The Deferred revenues from externally restricted contributions also increased by \$4.5 million. This increase is due to the increase in market value of the portfolio for which a portion is externally restricted. This liability consists of externally restricted investment income and accumulated gains which are being deferred until the resources are used for the specified purposes. The original externally restricted endowment principal of \$37.6 million is required to be maintained intact and is reported under accumulated surplus.

The other liabilities include:

- accounts payable and accrued liabilities which include payments to various suppliers/managers for services rendered, significant partnerships that were signed in March 2022 and some payroll liabilities incurred as of March 31, 2022;
- deferred revenues which include the leasehold inducement at 150 Elgin, Ottawa, which is being amortized over the lease period of 20 years, deferred rental income from the Art Bank and other deferred income for specific initiatives; and
- employee future benefits include the severance entitlements of the Council's employees and post-retirement benefits covering employees and retirees.

Non-Financial Assets

Tangible capital assets include office and computer equipment, computer software that is purchased or developed, with the license or access rights residing with the Council, leasehold improvements and work in progress related to new system implementation. The net decrease of \$0.7 million in comparison to the \$8.4 million as at March 31, 2021 is explained by the acquisitions of \$0.9 million related mostly to new system implementation and IT Infrastructure, offset by \$1.5 million in amortization expense.

The Council's Art Bank has the largest collection of contemporary Canadian art in the world, with 17,163 works, and rents the collection to interested public and private sector organizations. The Art Bank collection is presented under Art Bank assets, which are carried at a cost of \$19.4 million on the Statement of Financial Position as at March 31, 2022. The total appraised value of the collection is estimated at \$72.8 million as at March 31, 2022.

The Council's Musical Instrument Bank owns or manages 24 historically important, fine stringed instruments and a fine cello bow, which are loaned to gifted young musicians for three-year terms. Musical instruments appear on the Council's Statement of Financial Position at a nominal value of \$1 thousand as a reasonable estimate of the future benefits associated with such assets cannot be made. At March 31, 2022, the appraised and insured value of the musical instruments was US\$46.2 million.

Accumulated Surplus

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

(in thousands of dollars)	2022	Restated 2021
Accumulated surplus		
Endowment - Original contribution	\$ 50,000	\$ 50,000
Endowment principal - Externally restricted contributions	37,569	37,569
Reserve for excess investment income	253,445	229,445
Surplus	24,363	21,578
Total accumulated surplus from operations	\$ 365,377	\$ 338,592
Accumulated rereasurement gains	31,594	45,792
Accumulated surplus	\$ 396,971	\$ 384,384

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

The reserve of \$253.4 million at March 31, 2022 represents the sum of excess investment income relating to the original endowment since the establishment of the Council.

OPERATIONS

Summary Statement of Operations for the Years Ended March 31

	Budget 2022	Actual 2022	Restated Actual 2021
<i>(in thousands of dollars)</i>			
Parliamentary appropriations	\$ 480,562	\$ 510,389	\$ 428,631
Net realized investment income	12,245	38,204	30,784
Other revenues	1,992	7,923	3,959
Total Revenues	494,799	556,516	463,374
Transfer programs	470,408	501,555	418,725
Net Art Bank results	300	84	27
Canadian Commission for UNESCO	2,581	2,700	2,446
General administration	21,487	25,392	24,620
Total expenses	494,776	529,731	445,818
Surplus from operations	\$ 23	\$ 26,785	\$ 17,556

The Council's net financial results for the year are a surplus of \$26.8 million, compared to a balanced budget forecasting a surplus of \$23 thousand. The surplus is primarily attributable to a \$26.0 million positive variance in net realized investment income compared to budgeted investment income.

The increase of \$4.0 million in other revenues compared to prior year is explained mainly by an increase of \$4.8 million in grant returns due to projects being cancelled due to COVID-19.

The total expenses of \$529.7 million in 2021-22 are \$35.0 million more than budgeted. This variance is mainly attributable to the additional \$29.5 million received from government, \$25 million to relaunch the arts sector and to resume its public activities and \$4.5 million to support the arts and live events workers in response to COVID-19. Those supplementary appropriations were used to issue additional grant funding. In addition, it has always been the Council's policy to reinvest any surplus in grant returns directly in the granting budget, resulting in a direct inflow of \$4.8 million as noted above.

Parliamentary Appropriations

The Council receives its main funding through Parliamentary appropriations voted by Parliament. The Council records the Parliamentary appropriations received in the period as revenue in the Statement of Operations. The Council submits a monthly cash flow analysis to the Department of Canadian Heritage to justify its monthly drawdown cash requirements. The monthly drawdown is invested in a preferred rate account in a financial institution from which the Council draws its daily cash requirements. For the year ended March 31, 2022, the appropriations received by the Council through the Main Estimates and Supplementary Estimates were \$510.4 million, an increase of \$81.8 million over 2020-21. The increase in funding includes an additional \$58.2 million over the prior year to deliver COVID-19 Emergency Support Fund to the arts sector (\$121.0 million in 2021-22 compared to \$62.8 million in 2020-21), \$25.0 million to relaunch the arts sector and to resume its public activities and \$0.2 million for a contribution to UNESCO for the Heritage Emergency Fund. The base reference level was also increased with a supplement of \$1.4 million in 2021-22 for a compensation adjustment compared to a receipt of \$3.1 million in 2020-21 that included a retro adjustment for prior year salary increases.

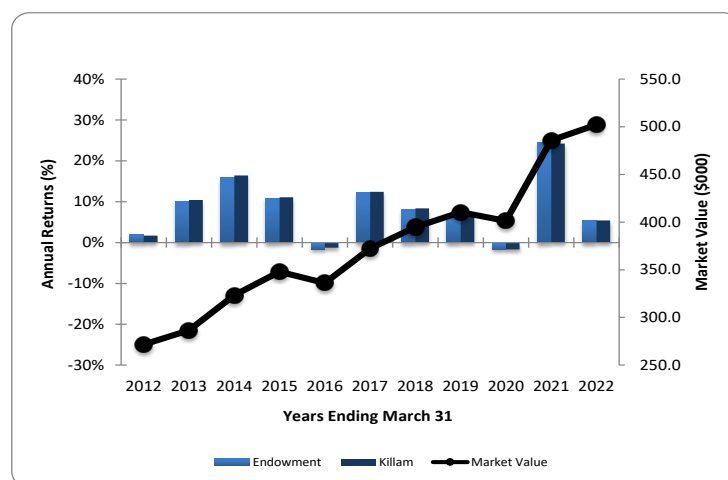
Investment Income

The financial markets in which the Council invests are diversified and, in 2021-22, both the Endowment and Special Funds and the Killam Fund generated positive annual returns of 5.3% and 5.4%, respectively.

The Council's investment policy prescribes for 2021-22 that cash can be withdrawn from the portfolio at a rate of up to 3.5% of the previous three-year average market value for both the Endowment and Special Funds and the Killam Fund. This approach recognizes the need to balance returns with the long-term preservation of capital.

The following chart shows the annual portfolio returns for the Council in each year since 2012 and the corresponding effect that these returns have had on the year-end market value. The chart also demonstrates how investment market returns can fluctuate year over year. The Council reinvests excess investment income above the budgeted amount to ensure the continued growth of the funds. This proactive approach is intended to bring additional stability and long-term growth for the Council's investment portfolio.

Annual Portfolio Returns



The net realized investment income of \$38.2 million was in excess by \$26.0 million over the \$12.2 million budgeted amount. The Council changed its portfolio asset mix during the year and realized significant gains of \$22.1 million mostly related to the sale of its alternative hedge fund component.

Other revenues

Other revenues consist mainly of the cancellation in the current year of grants approved in previous years and contributions for partnership agreements. During the year, Council recovered \$6.3 million in unused grants, \$5.2 million more than the budgeted \$1.1 million and \$4.8 million more than the prior year. These returns are mostly due to the return of grants impacted by the COVID pandemic. These returns were offset by a \$0.8 million decrease in revenues coming from partnerships mainly explained by special funds received last year from the departments of Global Affairs Canada and Canadian Heritage for the Frankfurt Book Fair.

Program expenses

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

	Budget 2022	Actual 2022	Restated Actual 2021
<i>(in thousands of dollars)</i>			
Grant, author payments and prizes	\$ 435,293	\$ 474,831	\$ 394,587
Transfer program delivery	24,788	23,109	21,338
Arts community services	10,327	3,615	2,800
Net Art Bank results	300	84	27
Canadian Commission for UNESCO	2,581	2,700	2,446
	\$ 473,289	\$ 504,339	\$ 421,198

In 2021-22, program expenses accounted for 95.2% of the Council's total expenses of \$529.7 million, an increase of 0.7% compared to the restated previous year. Overall, program expenses are \$83.1 million more than the previous year.

The vast majority of the program expenses relate to Grants, author payments and prizes at \$474.8 million which are above both the approved budget by \$39.5 million and the prior year related expenses by \$80.2 million. These significant increases come from the \$121.0 million received to deliver the COVID-19 support for the arts and live events workers, of which \$116.5 million was known and budgeted for, as well as the \$25.0 million to deliver the COVID-19 support for the reopening fund for events and in-person experiences compared to the \$62.8 million received in the previous fiscal year for the COVID-19 Emergency Support Fund.

In addition to the new funds, the Council reinvested a total of \$10.0 million compared to \$12.6 million in the previous year into grant expenses due to higher revenues in grant returns and intra-year savings with delayed partnership projects due to COVID-19.

As part of its strategic commitment to increase direct support to artists, the Council also distributed \$15.0 million in payments to authors via the Public Lending Right program. The Council also distributed \$2.3 million in prizes and awards that recognize excellence and innovation in Canada, an increase of \$0.6 million compared to last year, returning to pre-COVID figures.

Transfer program delivery costs represent the direct cost of operating the Council's grants, prizes and Public Lending Right programs. These include salaries, benefits, adjudication of programs, travel, professional services and prizes promotion. This was \$1.7 million below the budgeted amount, mostly due to savings of \$0.6 million in professional and special services, of \$0.5 million in prize presentation costs due to no in-person ceremonies, and as well as \$0.4 million in peer assessor committees' costs due to the postponement of some planned competitions. The overall increase of \$1.8 million in transfer program delivery costs compared to last year is mostly attributable to an increase in salaries and employee benefits of \$0.9 million in order to deliver on the COVID-19 initiatives for which the Council received additional government funding this year. There was also an increase of \$0.8 million in peer assessor costs due to the Council's decision to augment the amount paid as services and reading fees starting April 2021. This raise was possible due to the savings in travel costs now that all peer committees are, and will continue to be, virtual.

Services to the arts community include other types of financial support such as partnerships (which provide funding to support the arts), research, workshop expenses, event costs and program evaluation. These costs were higher than the previous year by

\$0.8 million but lower than budget by \$6.7 million, savings which contributed to the \$10.0 million reinvestment in grants. This year again the Council had to postpone planned events and partnerships because of COVID-19.

Net Art Bank results were favourable at \$216 thousand under budget in 2021-22. The Art Bank, despite COVID-19, was able to maintain its rental income surpassing the budget by \$105 thousand. Although \$45 thousand higher than the previous year, servicing and installation fees revenue were \$83 thousand less than budget due to ongoing COVID-19 restrictions. Administrative expenses were \$191 thousand lower than budgeted due to lower than budgeted operating and maintenance costs for the leased office space and lower rental service and installation costs due to COVID-19 restrictions.

The Canadian Commission for UNESCO (CCUNESCO) had net expenses of \$2.7 million in 2021-22, an increase of \$254 thousand in comparison to last year, and slightly over budget by \$119 thousand. The increase in overall expenses is mostly related to a \$200 thousand contribution received from the Department of Canadian Heritage through parliamentary appropriations to UNESCO to support the Ukrainian cultural heritage, through UNESCO's Heritage Emergency Fund. The Council also invested a \$200 thousand contribution to this initiative through its partnership fund. CCUNESCO, established by an Order in Council in 1957, supports UNESCO priorities, networks and activities in Canada; encourages Canadian participation in UNESCO activities domestically and abroad, including the provision of expert advice and assistance from both governmental and non-governmental organizations; and provides advice about UNESCO to various levels of governments, including Global Affairs Canada.

General Administration

General administration expenses include the cost of the Council Secretariat, Communications, and Corporate Services (which includes Finance, Human Resources, Information Management/Technology and Administrative Services). Items include salaries and benefits, travel, accommodation, professional services, amortization, and others. At \$25.4 million, the general administration expenses represented only 4.8% of total expenses compared to 5.5% in 2020-21 (restated) but were still higher than budget by \$3.9 million. The \$3.9 million increase related, in part, to a \$3.7 million increase in salaries and benefits, as well as professional and special services expenses, due to the change in accounting policy adopted during the year as described in Note 3 to the financial statements. As a result of this change in accounting policy, less costs were capitalized than initially planned. This increase in expenses was partially offset by a decrease in amortization of \$1.4 million due to the impact of decapitalizing previously capitalized assets. As well, a lower than expected turnover rate and a retro compensation for management (as per the Treasury Board guidelines) also contributed to an overspend in salary and benefits. The Council continues to exercise fiscal restraint and seek efficiencies regarding general administration costs.

REMEASUREMENT GAINS AND LOSSES

The accumulated remeasurement gains from portfolio investments for the year ended March 31, 2022 were \$31.6 million. These are the accumulated unrealized gains, net of reclassification to the Statement of Operations upon realization, for changes in fair value of the Council's unrestricted portfolio investments.

RISK MANAGEMENT

Effective risk management is fundamental to the success of the Council in fulfilling its mandate. The Council 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 including 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.

Risk Category	Area of Work	Canada Council Risk Appetite
Strategic risk	Mandate and reputation	<p>The Council will avoid any situations that could adversely affect its support of the arts in Canada.</p> <p>The Council is cautious in accepting risks that could affect its ability to build and sustain reputational strength with the public.</p> <p>The Council will accept risk in activities that support artistic aspirations, creativity and innovation as these are essential to the development and evolution of a vital and diverse arts sector that enriches the lives of all Canadians.</p>
Program delivery risk	Granting processes	<p>The Council is accountable to its stakeholders (government, clients, and the general public) for the effective delivery of its funding programs. As such, it will avoid any situations that could negatively impact the rigour and transparency of its granting processes.</p> <p>With regards to its suite of funding programs and support to the arts community, the Council will not put at risk its ability to be flexible and responsive to changes in the arts environment.</p>
Human Resources risk	Internal structure Staffing	The Council is willing to accept moderate risks that could lead to improved internal structure, staffing, and services, as well as overall strategy execution to enable continuous improvement of its operating performance.
Information and systems risk	Services Systems	The Council is willing to accept moderate risks that could lead to improved processes and efficiencies in program delivery to enable continuous improvement of its operating performance.
Financial risk	Financial management Investments	<p>The Council will avoid any financial decisions or activities that would negatively impact its cost-effectiveness.</p> <p>Risk decisions for investments will be consistent with the Council's <i>Board Statement of Investment Beliefs and Statement of Investment Policies and Goals</i>.</p>
Compliance risk	Legislative and corporate reporting requirements	The Council will avoid any risks that could affect its capacity to independently govern itself or its ability to meet its legislative obligations.

Risk Profile

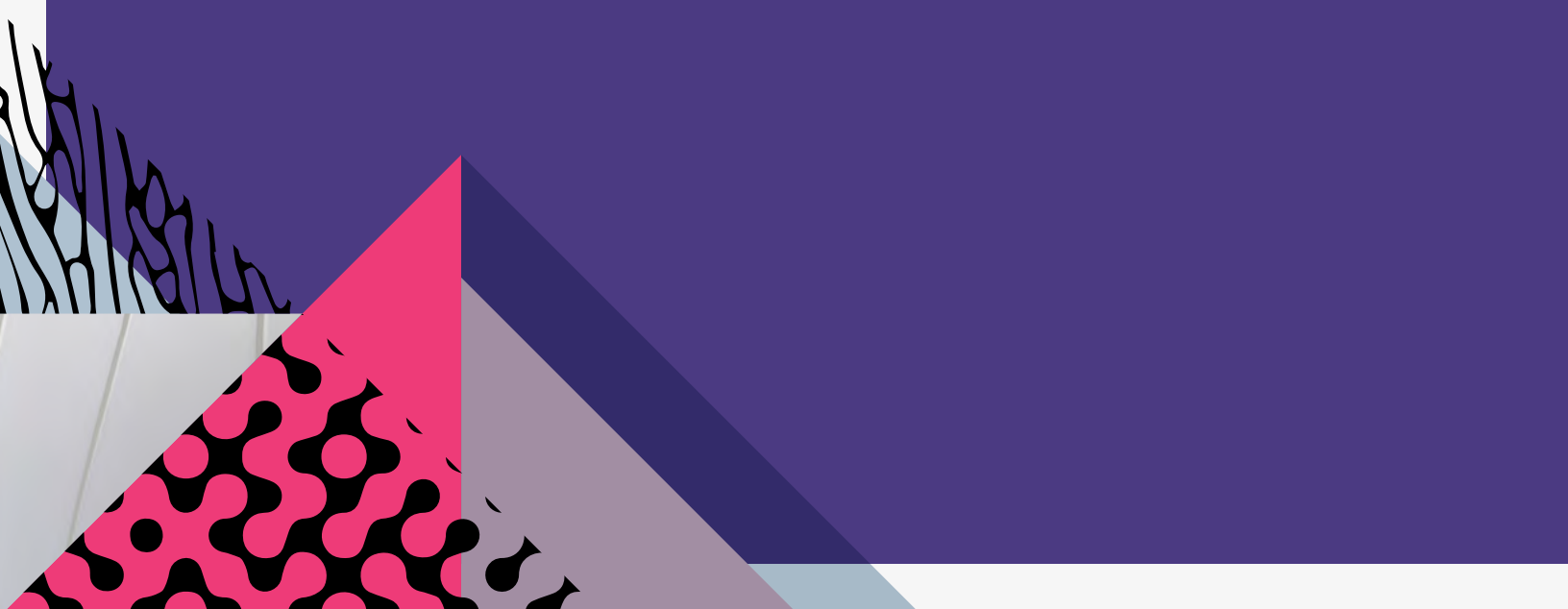
Using the Council's risk appetite as key context, a new risk management framework was created in the fall of 2018. Every year the Council reviews the identified risks which are ranked based on likelihood and potential impact on the Council's operations with a focus on potential operational, financial, and reputational dimensions. The corporate risk profile highlighting the top risks areas and their mitigation strategies were presented to the Board in January 2022.

The risk mitigation strategies and related activities are monitored on an ongoing basis by assigned members of 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 expected to be received within 90 days after year-end and as such the related credit risk is very low. Liquidity risk is the risk that Council will not be able to meet its financial obligations as they fall due. The Council currently receives most of its revenues by way of Parliamentary appropriations drawn down monthly. That revenue is invested in a 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.

FINANCIAL STATEMENTS



MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

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

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

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

The Board is responsible for the management of the business and activities of the Council. In particular, they are responsible for ensuring that Management fulfills its responsibilities for financial

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

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

June 29, 2022



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



Tania Kingsberry, CPA, CA
Chief Financial Officer



INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Canada Council for the Arts (the Council), which comprise the statement of financial position as at 31 March 2022, and the statement of operations, statement of remeasurement gains and losses, statement of changes in net financial assets, and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Council as at 31 March 2022, and the results of its operations, its remeasurement gains and losses, changes in its net financial assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Council in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Council or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Council's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Council's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our

conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Council to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Compliance with Specified Authorities

Opinion

In conjunction with the audit of the financial statements, we have audited transactions of the Canada Council for the Arts coming to our notice for compliance with specified authorities. The specified authorities against which compliance was audited are the applicable provisions of Part X of the *Financial Administration Act* and regulations, the *Canada Council for the Arts Act* and the by-laws of the Canada Council for the Arts.

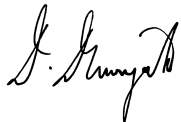
In our opinion, the transactions of the Canada Council for the Arts that came to our notice during the audit of the financial statements have complied, in all material respects, with the specified authorities referred to above. Further, as required by the *Financial Administration Act*, we report that, in our opinion, the accounting principles in Canadian public sector accounting standards have been applied, after giving retroactive effect to the change in the method of accounting for tangible capital assets as explained in Note 3 to the financial statements, on a basis consistent with that of the preceding year.

Responsibilities of Management for Compliance with Specified Authorities

Management is responsible for the Canada Council for the Arts' compliance with the specified authorities named above, and for such internal control as management determines is necessary to enable the Canada Council for the Arts to comply with the specified authorities.

Auditor's Responsibilities for the Audit of Compliance with Specified Authorities

Our audit responsibilities include planning and performing procedures to provide an audit opinion and reporting on whether the transactions coming to our notice during the audit of the financial statements are in compliance with the specified authorities referred to above.



Dusan Duvnjak, CPA, CMA
Principal
for the Auditor General of Canada

Ottawa, Canada
29 June 2022

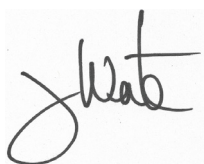
Statement of Financial Position

As at March 31 (in thousands of dollars)	2022	Restated (Note 3) 2021
FINANCIAL ASSETS		
Cash	\$ 124,935	\$ 81,065
Accounts receivable	10,758	2,925
Portfolio investments (Note 4)	495,012	479,820
Total financial assets	630,705	563,810
LIABILITIES		
Grants, author payments and prizes payable	164,831	119,590
Accounts payable and accrued liabilities	9,145	5,565
Deferred revenues	6,168	6,506
Employee future benefits (Note 6)	5,351	5,155
Deferred revenues - Externally restricted contributions (Note 7)	75,817	71,273
Total liabilities	261,312	208,089
NET FINANCIAL ASSETS	\$ 369,393	\$ 355,721
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 8)	7,738	8,422
Art Bank assets (Note 9)	19,363	19,466
Musical instruments (Note 10)	1	1
Prepaid expenses	476	774
Total non-financial assets	27,578	28,663
ACCUMULATED SURPLUS (Note 11)	\$ 396,971	\$ 384,384
Accumulated surplus is comprised of:		
Accumulated surplus from operations	365,377	338,592
Accumulated remeasurement gains	31,594	45,792
ACCUMULATED SURPLUS	\$ 396,971	\$ 384,384

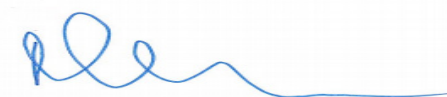
Contractual obligations and commitments (Note 16)

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

APPROVED BY THE BOARD



Jesse Wente
Chair



Marie Pier Germain
Vice Chair

Statement of Operations

	Budget	Actual	Restated (Note 3)
For the year ended March 31 (in thousands of dollars)	2022	2022	Actual 2021
Revenues			
Net realized investment income (Note 12)	\$ 12,245	\$ 38,204	\$ 30,784
Other revenues	1,992	7,923	3,959
Total revenues	14,237	46,127	34,743
Expenses			
Transfer Programs			
Grants, author payments and prizes (Schedule I)	435,293	474,831	394,587
Transfer program delivery (Schedule II)	24,788	23,109	21,338
Arts community services (Schedule III)	10,327	3,615	2,800
	470,408	501,555	418,725
Net Art Bank results (Note 13)	300	84	27
Canadian Commission for UNESCO (Note 14)	2,581	2,700	2,446
General administration (Schedule II)	21,487	25,392	24,620
Total expenses	494,776	529,731	445,818
Deficit from operations before Parliamentary appropriations	(480,539)	(483,604)	(411,075)
Parliamentary appropriations	480,562	510,389	428,631
SURPLUS FROM OPERATIONS	23	26,785	17,556
ACCUMULATED SURPLUS FROM OPERATIONS, BEGINNING OF YEAR	343,248	338,592	321,036
ACCUMULATED SURPLUS FROM OPERATIONS, END OF YEAR	\$ 343,271	\$ 365,377	\$ 338,592

Statement of Remeasurement Gains and Losses

For the year ended March 31 (in thousands of dollars)	2022	2021
ACCUMULATED REMEASUREMENT GAINS (LOSSES), BEGINNING OF YEAR	\$ 45,792	\$ (32)
Unrealized gains attributable to:		
Portfolio investments	347	60,724
Amounts reclassified to the Statement of Operations:		
Portfolio investments	(14,545)	(14,900)
NET REMEASUREMENT GAINS (LOSSES) FOR THE YEAR	(14,198)	45,824
ACCUMULATED REMEASUREMENT GAINS, END OF YEAR	\$ 31,594	\$ 45,792

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

Statement of Changes in Net Financial Assets

	Budget 2022	Actual 2022	Restated (Note 3) Actual 2021
For the year ended March 31 (in thousands of dollars)			
SURPLUS FROM OPERATIONS	\$ 23	\$ 26,785	\$ 17,556
Acquisition of tangible capital assets (Note 8)	(6,802)	(884)	(938)
Write-downs and disposals of tangible capital assets	-	34	23
Amortization of tangible capital assets (Note 8)	3,080	1,534	1,507
Acquisition of Art Bank assets (Note 9)	-	(37)	(1)
Disposals/donations of Art Bank assets (Note 8)	-	140	-
	(3,722)	787	591
Acquisition of prepaid expenses	-	(708)	(798)
Use of prepaid expenses	-	1,006	772
	-	298	(26)
Net remeasurement gains (losses)	-	(14,198)	45,824
INCREASE (DECREASE) IN NET FINANCIAL ASSETS	(3,699)	13,672	63,945
NET FINANCIAL ASSETS, BEGINNING OF YEAR	355,721	355,721	291,776
NET FINANCIAL ASSETS, END OF YEAR	\$ 352,022	\$ 369,393	\$ 355,721

Statement of Cash Flows

	2022	Restated (Note 3) 2021
For the year ended March 31 (in thousands of dollars)		
Operating Transactions		
Surplus from operations	\$ 26,785	\$ 17,556
Gains from disposal of portfolio investments (Note 12)	(22,083)	(18,332)
Dividend and other distributed income - reinvested (Note 12)	(19,177)	(11,559)
Amortization of tangible capital assets (Note 8)	1,534	1,507
Write-downs and disposals of tangible capital assets	34	23
Disposals/donations of Art Bank assets (Note 8)	140	-
Decrease (increase) in prepaid expenses	298	(26)
Increase in employee future benefits	196	815
Income transferred to Deferred revenues - Externally restricted contributions from investment income (Note 7)	10,077	7,705
Net change in other non-cash items (Note 15)	40,834	62,288
Cash provided by operating activities	38,638	59,977
Capital Transactions		
Acquisition of tangible capital assets (Note 8)	(1,149)	(983)
Acquisition of Art Bank assets (Note 9)	(37)	(1)
Cash used by capital activities	(1,186)	(984)
Investing Transactions		
Acquisition of portfolio investments	(83,735)	(152,859)
Disposal of portfolio investments	89,216	152,016
Cash provided (used) by investing activities	5,481	(843)
NET INCREASE IN CASH	42,933	58,150
CASH, BEGINNING OF YEAR	82,002	23,852
CASH, END OF YEAR	124,935	82,002
Represented by:		
Cash	124,935	81,065
Cash held for investment purposes included in portfolio investments	-	937
	\$ 124,935	\$ 82,002

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

Notes to the Financial Statements

March 31, 2022

1. AUTHORITY, MANDATE AND ACTIVITIES

The Council, established by the *Canada Council Act* in 1957 and subsequently amended in 2001 by Bill C-40 to the *Canada Council for the Arts Act*, is not an agent of Her Majesty and is deemed to be a registered charity for the purposes of the *Income Tax Act*. In accordance with section 85(1.1) of the *Financial Administration Act*, the Council is exempt from Divisions I to IV of Part X of this Act, except for 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 Council pursuant to a 1957 Order in Council. The CCUNESCO acts as a forum for governments and civil society to mobilize the participation of Canadians in UNESCO's mandated areas of education, natural and social sciences, and culture, communication and information. The Secretariat for the CCUNESCO is provided by the Council and led by a Secretary General who reports directly to the Director and Chief Executive Officer.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

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

The Council's significant accounting policies are as follows:

Financial instruments

All financial instruments are initially measured at fair value. The following table identifies the Council's financial instrument assets and liabilities and identifies how they are subsequently measured on the Statement of Financial Position:

Financial asset or liability	Subsequent measurement
Accounts receivable	Amortized cost
Portfolio investments	Fair value
Grants, author payments and prizes payable	Amortized cost
Accounts payable and accrued liabilities	Amortized cost

Portfolio investments

Unrealized changes in the fair value of portfolio investments are recognized in the Statement of Remeasurement Gains and Losses, except for the restricted portion which is recognized as a liability under Deferred revenues - Externally restricted contributions. Once realized, the cumulative gain or loss previously recognized in the Statement of Remeasurement Gains and Losses is recorded in net realized investment income on an average cost basis for the year. The realized gains and losses on externally restricted contributions are recognized in accordance with the externally restricted contributions accounting policy. Purchases and dispositions of portfolio investments are recorded on the trade date. Management fees charged are expensed in the year they are incurred.

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

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

Tangible capital assets

Leasehold improvements, office and computer equipment, as well as computer software are carried at cost less accumulated amortization.

Amortization is calculated using the straight-line method, over the estimated useful lives of the assets as follows:

Office equipment	10 years
Computer equipment	4 years
Computer software	7 years
Leasehold improvements	remaining term of the lease

The estimated useful lives, residual values and depreciation method are determined in the capital asset policy, which is reviewed on a regular basis with the effect of any changes in estimate accounted for on a prospective basis.

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

CLOUD COMPUTING ARRANGEMENTS

Cloud computing arrangements, also referred as Software-as-a-Service (SaaS), are service contracts providing the Council with the right to access the cloud provider's application software over the term of the contract. The Council does not generally receive a computer software asset as a result of these services and related costs are recognized as operating expenses.

In limited circumstances, where the Council controls the intellectual property of the underlying software code, certain costs of configuration and customization activities undertaken to implement cloud computing arrangements meet the definition of, and the recognition criteria for, a tangible capital asset. These costs are recognized as a computer software asset.

In all other instances, costs will be expensed in the Statement of Operations when services are received.

Art Bank assets

The Art Bank assets are carried at the cost of purchase or independently appraised value of donation plus cost of framing, mounting and shipping when acquired. If the cost of assets, less any estimated residual value, is greater than the appraised value, it will be amortized over the estimated useful lives of these assets which is 50 years.

Musical instruments

Musical instruments, which have cultural and historical value, are recorded at nominal value in the Statement of Financial Position as a reasonable estimate of the future benefits associated with such assets cannot be made.

Employee future benefits

i) PENSION BENEFITS

Substantially all of the employees of the Council are covered by the Public Service Pension Plan (the "Plan"), a contributory defined benefit plan established through legislation and sponsored by the Government of Canada. Contributions are required by both the employees and the Council to cover current service cost. Pursuant to legislation currently in place, the Council has no legal or constructive obligation to pay further contributions with respect to any past service or funding deficiencies of the Plan. Consequently, contributions are recognized as an expense in the year when employees have rendered service and represent the total pension obligation of the Council.

Notes to the Financial Statements (continued)

March 31, 2022

ii) SEVERANCE BENEFITS

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

iii) RETIREES' BENEFITS

The Council provides extended health care and dental benefits to its current and retired employees. Retirees pay 50% of the extended health care premium and 100% of the dental premium. The Council accrues its obligations as the employees render the services necessary to earn these benefits. The cost of these benefits earned by employees has been estimated using the accrued benefit method (Projected unit credit).

Actuarial gains (losses) on the accrued benefit obligation arise from differences between actual and expected experience and from changes in the actuarial assumptions used to determine the accrued benefit obligation. Actuarial gains (losses) are amortized over the average remaining service period of active employees.

Deferred revenues - Externally restricted contributions

Externally restricted income is recognized as revenue in the Statement of Operations in the year in which the resources are used for the purpose or purposes specified. An externally restricted inflow, excluding original principal, received before this criterion has been met is reported as a liability until the resources are used for the purpose or purposes specified.

Endowment principal - Externally restricted contributions

Externally restricted contributions consist of endowments and restricted donations received by the Council that are required to be maintained intact. They are reported under Accumulated Surplus from Operations.

Reserve for excess investment income

This reserve represents the sum of excess investment income since the establishment of the Council in 1957 and is presented as a separate internal reserve within the accumulated surplus from operations. In years when net investment income exceeds the amount of net budgeted investment income, an amount may be transferred from the accumulated surplus from operations to the reserve for excess investment income. In years when net investment income is less than the amount of net budgeted investment income, an amount may be transferred to the accumulated surplus from operations from the reserve for excess investment income. These transfers are approved by the Board.

Revenue recognition

i) PARLIAMENTARY APPROPRIATIONS

Parliamentary appropriations are considered government transfers and are recognized as revenue in the year for which they are approved by Parliament. Parliamentary appropriations received for specific projects are deferred when the stipulations and circumstances create an obligation that meets the definition of a liability. They are subsequently recognized on the Statement of Operations when the obligation no longer exists.

ii) RESTRICTED AND UNRESTRICTED CONTRIBUTIONS

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

Externally restricted contributions that are to be held in perpetuity are recognized as revenue in the year in which they are received. The externally

restricted contributions that are not held in perpetuity, externally restricted investment income, and realized and unrealized gains and losses on externally restricted investments are recorded as a liability until the resources are used for their specified purpose, at which time the contributions are recognized as revenue.

Unrestricted contributions are recognized as other revenue in the year received or in the year the funds are committed to the Council if the amount can be reasonably estimated and collection is reasonably assured.

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

iii) ART BANK RENTAL REVENUES

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

iv) OTHER REVENUES

Other revenues consist mainly of the cancellation in the current year of grants approved in previous years and contributions for partnership agreements.

v) FOREIGN CURRENCY TRANSLATION

Monetary assets and liabilities denominated in foreign currencies are translated to Canadian dollars at the exchange rate in effect at the date of the Statement of Financial Position. Revenue and expense items are translated at exchange rates prevailing throughout the year. Unrealized foreign exchange gains and losses are recognized in the Statement of Remeasurement Gains and Losses, except for the restricted portion which is recognized as a liability under Deferred revenues - Externally restricted contributions. Once realized, the cumulative gain or loss is recognized in net realized investment income on the Statement of Operations.

Grants, author payments and prizes

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

Operating leases

The Council enters into operating leases for its office accommodation which are recorded on a straight-line basis over the term of the lease. Lease inducements are recorded as a reduction to the office accommodation expense on a straight-line basis over the term of the lease.

Measurement uncertainty

The preparation of financial statements in accordance with Canadian PSAS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the financial statement date and the reported amounts of revenues and expenses during the reporting year. Employee future benefits liabilities, the estimated useful lives of tangible capital assets, the residual and appraised value of the Art Bank assets, and the fair value of financial instruments are the most significant items where estimates are used.

With respect to the portfolio investments, the level of measurement uncertainty varies based on the classification of the financial instruments in the fair value hierarchy as described in Note 5. Due to the inherent nature of Level 3 financial instruments measured using unobservable inputs there is a significant level of measurement uncertainty.

Actual results could differ from those estimated.

Notes to the Financial Statements (continued)

March 31, 2022

Inter-entity transactions

Inter-entity transactions are transactions between commonly controlled entities. Inter-entity transactions, other than restructuring transactions, are recorded on a gross basis and are measured at the carrying amount, except for the following:

- i) Inter-entity transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties, when undertaken on similar terms and conditions to those adopted if the entities were dealing at arm's length, or where costs provided are recovered.
- ii) Goods or services received without charge between commonly controlled entities are not recorded.

Other related party transactions

Related party transactions, other than inter-entity transactions, are recorded at the exchange amount.

Budget

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

3. CHANGE IN ACCOUNTING POLICY

The Council changed the accounting policy for configuration and customization costs related to cloud computing arrangements as a result of clarifications on accounting for cloud computing arrangements from the Public Sector Accounting (PSA) Discussion Group and guidance from secondary sources of Generally Accepted Accounting Principles (GAAP), including the International Reporting Interpretations Committee (IFRIC) agenda decisions of 2019 and 2021.

The revised accounting policy for cloud computing arrangements, as detailed in Note 2, indicates that when the Council cannot demonstrate control over computer software the related costs will be expensed. Previously these costs were capitalized.

The change in accounting policy has been applied retroactively and prior comparative periods have been restated. The most significant impacts of the change in accounting policy on previously reported financial results are as follows:

- On the Statement of Financial Position, a decrease of \$4,656,000 in Tangible capital assets and Accumulated surplus from operations;
- On the Statement of Operations, an increase in Transfer payment program delivery and General administration expenses of \$133,000 and \$2,091,000 respectively, resulting in a decrease of \$2,224,000 in Surplus from operations, as well as a decrease of \$2,432,000 in Accumulated surplus from operations, Beginning of year;
- On the Statement of Cash Flows, a decrease of \$2,692,000 in Cash provided by operating activities and Cash used by capital activities;
- In Note 8 to the financial statements, a decrease in the opening Cost of tangible capital assets of \$5,300,000 and opening Accumulated amortization of \$644,000;
- In Schedule II, an increase in Professional and special services expenses of \$2,692,000 and in Amortization expense of \$468,000.

Where relevant, comparative information has been restated throughout the financial statements.

4. PORTFOLIO INVESTMENTS

	2022					2021		
	Cost	Unrealized losses	Unrealized gains	Fair value		Cost	Fair value	
(in thousands of dollars)	\$	\$	\$	\$	%	\$	\$	%
Canada Council Endowment and Special Funds								
Pooled funds								
Canadian Equity	56,039	-	18,525	74,564	18	43,853	56,904	14
Global Equity	198,221	6,287	21,637	213,571	52	163,732	182,055	46
Fixed income	91,405	5,877	-	85,528	21	87,460	87,523	22
Alternatives	-	-	-	-	-	20,630	33,986	9
Real estate	7,074	-	1,635	8,709	2	7,557	8,640	2
Infrastructure	23,495	456	5,500	28,539	7	22,708	26,943	7
Cash	-	-	-	-	-	937	937	-
	376,234	12,620	47,297	410,911	100	346,877	396,988	100
Killam Fund								
Pooled funds								
Canadian Equity	12,312	-	2,833	15,145	18	9,419	11,205	14
Global Equity	41,970	1,298	4,236	44,908	53	34,500	38,183	46
Fixed income	18,409	1,156	-	17,253	21	17,790	17,795	21
Alternatives	-	-	-	-	-	5,298	8,720	10
Real estate	1,818	-	416	2,234	3	1,939	2,213	3
Infrastructure	3,772	114	903	4,561	5	3,769	4,716	6
	78,281	2,568	8,388	84,101	100	72,715	82,832	100
Total Portfolio investments	454,515	15,188	55,685	495,012		419,592	479,820	

Notes to the Financial Statements (continued)

March 31, 2022

Unrealized gains/losses on investments are primarily due to the timing of the market prices, foreign exchange movements, or the early years in the business cycle for some investments. Annually, the Council assesses each of its investment instruments against specific criteria to determine whether there is objective evidence that the adjusted cost may not be recovered and is therefore impaired. The Council does not consider these investments to be other-than-temporarily impaired as at March 31, 2022.

The Council manages two separate portfolios, the Canada Council Endowment and Special Funds as well as the Killam Fund. The Killam's 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% (2021 - 8%) of that Fund with a total fair value of \$32,914,000 (2021 - \$31,799,000). The total fair value of the externally restricted investment including the Killam Fund is \$117,015,000 (2021 - \$114,631,000).

All transactions for the externally restricted contributions are initially paid by or received in the Council's general bank account thus creating temporary interfund balances. The interfund balance of externally restricted contributions owed to Council at March 31, 2022 by the Special Funds is \$3,966,000 (2021 - \$4,083,000) and owed by the Killam Fund is \$2,392,000 (2021 - \$2,606,000).

The long-term objectives of the Canada Council Endowment and Special Funds as well as 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 pooled funds, and in limited partnership units of two real estate funds and six infrastructure funds. During the year, the Council sold its investments in the alternative pooled fund. 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	18%	10%	14%	20%
Global equities	52%	40%	46%	55%
Fixed income	21%	15%	20%	30%
Alternatives	0%	0%	0%	10%
Real estate	2%	0%	10%	15%
Infrastructure	7%	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 the 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 fixed income funds are measured against the returns of the FTSE Canada Universe Bond Index. During the year, the Council sold its investments in the alternative pooled fund which were comprised of units of one hedge fund with diversified positions across global asset classes. This investment was measured against the returns of the FTSE Canada 91-day T-bill plus 4%. The assets included in the real estate funds are commercial real estate properties in Canada, the United States and globally. These investments are measured against the returns of the Investment Property Databank. The infrastructure funds include six portfolios of diversified infrastructure investments. These investments are measured against the Consumer Price Index (CPI) plus 4.5%.

5. FINANCIAL RISKS AND FAIR VALUE

a) Establishing fair value

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

The fair values of the investments are determined as follows:

- 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.

- The Alternatives pooled fund investment sold during the year was valued at the unit values supplied by the external pooled fund manager. The fund manager managed multiple funds with different strategies within the fund and the unit's fair value was determined predominantly using valuation models with unobservable inputs and for smaller portions using closing market prices when available.
- Real Estate and Infrastructure investment values are supplied by the external fund managers using internally determined appraisals as at March 31 based on valuation models with unobservable inputs.

At March 31, the measurement categories of the Council's financial instruments, as well as their carrying amounts and fair values are as follows:

(in thousands of dollars)		2022	2021
Financial assets and liabilities	Measurement categories	Carrying amount and fair value (\$)	Carrying amount and fair value (\$)
Cash	Fair value	124,935	81,065
Accounts receivable	Amortized cost	10,758	2,925
Portfolio Investments	Fair value	495,012	479,820
Grants, author payments and prizes payable	Amortized cost	164,831	119,590
Accounts payable and accrued liabilities	Amortized cost	9,145	5,565

Notes to the Financial Statements (continued)

March 31, 2022

b) Fair value hierarchy

The financial instruments are grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

The following table presents the financial instruments recorded at fair value in the Statement of Financial Position, classified using the fair value hierarchy described above:

Financial assets at fair value as at March 31

(in thousands of dollars)	2022				2021			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$	\$	\$	\$	\$
Cash	124,935	-	-	124,935	81,065	-	-	81,065
Portfolio Investments								
Canada Council Endowment and Special Funds								
Pooled Funds								
Canadian Equity	-	74,564	-	74,564	-	56,904	-	56,904
Global Equity	-	213,571	-	213,571	-	182,055	-	182,055
Fixed Income ¹	-	69,865	15,663	85,528	-	74,322	13,201	87,523
Alternatives	-	-	-	-	-	-	33,986	33,986
Real Estate	-	-	8,709	8,709	-	-	8,640	8,640
Infrastructure	-	-	28,539	28,539	-	-	26,943	26,943
Cash	-	-	-	-	937	-	-	937
Killam Fund								
Pooled Funds								
Canadian Equity	-	15,145	-	15,145	-	11,205	-	11,205
Global Equity	-	44,908	-	44,908	-	38,183	-	38,183
Fixed Income ¹	-	13,647	3,606	17,253	-	14,495	3,300	17,795
Alternatives	-	-	-	-	-	-	8,720	8,720
Real Estate	-	-	2,234	2,234	-	-	2,213	2,213
Infrastructure	-	-	4,561	4,561	-	-	4,716	4,716
	-	431,700	63,312	495,012	937	377,164	101,719	479,820
Total	124,935	431,700	63,312	619,947	82,002	377,164	101,719	560,885

¹ The amount disclosed as Level 3 for the fixed income pooled funds investments as at March 31, 2021 in the table above were reclassified from Level 2 to conform with the current year classification. There were no other transfers of amounts between levels.

Notes to the Financial Statements (continued)

March 31, 2022

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

(in thousands of dollars)	2022					2021				
	Fixed Income fund	Alternatives fund	Real estate funds	Infrastructure funds	Total	Fixed Income fund ¹	Alternatives fund	Real estate funds	Infrastructure funds	Total ¹
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Canada Council Endowment and Special Funds										
Opening balance	13,201	33,986	8,640	26,943	82,770	12,509	29,259	9,802	29,958	81,528
Total gains (losses)										
Recognized in remeasurement statement	(591)	(12,286)	508	745	(11,624)	258	4,348	(974)	(2,011)	1,621
Recognized in externally restricted contributions	(52)	(1,070)	44	64	(1,014)	22	379	(85)	(175)	141
Purchases	3,105	-	-	2,227	5,332	412	-	-	1,902	2,314
Sales	-	(20,630)	(483)	(1,440)	(22,553)	-	-	(103)	(2,731)	(2,834)
Closing balance	15,663	-	8,709	28,539	52,911	13,201	33,986	8,640	26,943	82,770
Killam Fund										
Opening balance	3,300	8,720	2,213	4,716	18,949	3,128	7,507	2,530	5,752	18,917
Total gains (losses)										
Recognized in externally restricted contributions	(148)	(3,422)	142	(158)	(3,586)	69	1,213	(291)	(637)	354
Purchases	454	-	-	291	745	103	-	-	247	350
Sales	-	(5,298)	(121)	(288)	(5,707)	-	-	(26)	(646)	(672)
Closing balance	3,606	-	2,234	4,561	10,401	3,300	8,720	2,213	4,716	18,949

¹ Given the reclassification of certain fixed income pooled fund investments into Level 3 as disclosed above, the Fixed income fund column has been added to the comparative table resulting in a change to the 2021 Total.

Level 3 Sensitivity Analysis

In the course of measuring the 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 analysis of reasonably possible alternate assumptions for estimation of the fair value measurement of the Level 3 financial instruments is not possible.

c) Risk management

The Council is exposed to a variety of financial risks as a result of its activities. These risks include credit risk, liquidity risk and market risk (price risk, interest rate risk and currency risk).

In order to manage risk, the Council invests in a diversified portfolio that is managed by professional investment managers. The Council's investments are guided by a *Statement of Investment Policies and Goals* which is approved by the Board and reviewed on an annual basis. The Council is assisted in the oversight and management of its portfolio by an Investment Committee that includes independent experts with experience in both the investment field and the asset classes being invested in. In addition, the Council uses the services of an independent investment consultant to assist the Investment Committee in its work. As the investment markets continue to evolve, the Investment Committee recommends adjustments to the asset mix to reduce the overall risk of the portfolio to an acceptable level.

i. CREDIT RISK

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

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

Through its investments in units of equity, fixed income, and in limited partnership units of two real estate funds and six infrastructure funds (March 31, 2021 - also in alternatives pooled funds), the Council is indirectly exposed to the credit risk of the underlying investments of those funds. These risks are managed at the investment manager level. Their objectives are to invest in high quality financial instruments with creditworthy counterparties, by limiting the amount that can be invested in any one counterparty and by using other limits set out in the Council's investment policy.

The Council mitigates credit risk of accounts receivable through monitoring of the outstanding balances. As at March 31, 2022, there were no significant amounts past due and no impairment losses have been recognized.

ii. LIQUIDITY RISK

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

The Council receives most of its revenue by way of parliamentary appropriation from the Government of Canada. That revenue is temporarily invested in a preferred rate account in a financial institution until it is required.

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

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

The liquidity available from either the preferred rate account in a financial institution or from the portfolio investments ensures that the Council is able to meet its obligations and commitments. The portfolio investments classified into Levels 1 and 2 of the fair value hierarchy can be redeemed within a maximum of three days. As well, the permitted and prohibited investments are governed by Board-approved short-term and long-term investment policies which ensure that the liquidity risk is minimized.

Notes to the Financial Statements (continued)

March 31, 2022

The Council has an investment policy that enables it to withdraw annual amounts from its investment portfolio valued up to 3.5% for the Endowment and Special Funds as well as for the Killam Fund (2021 - 3.5%) of the previous three-year average market value using balances at September 30.

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

(in thousands of dollars)	Less than one year	Between one to two years	Over two years	2022 Total
	\$	\$	\$	\$
Financial Liabilities				
Grants, author payments and prizes payable	140,673	23,729	429	164,831
Accounts payable and accrued liabilities	8,471	674	-	9,145
	149,144	24,403	429	173,976

iii. MARKET RISKS

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

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

Measurement of market risk

The following details the Council's portfolio investments sensitivity to a 8.2% increase or decrease in market prices. The sensitivity rate is used when reporting market risk internally to key management personnel and represents management's assessment of a reasonably possible change in value in an investment, or portfolio of investments, as a result of fluctuations in market prices.

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

At March 31, 2022, a fluctuation of market prices of 8.2% (2021 - 7.9%), with all other variables held constant, would result in a change in remeasurement gains and losses and deferred revenues - externally restricted contributions of \$40,591,000 (2021 - \$37,832,000) due to the increase or decrease in the fair value of the portfolio investments.

Price risk

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

The Council is exposed to market price risk arising from its investments in units of equity pooled funds, and in limited partnership units of two real estate funds and six infrastructure funds (March 31, 2021 - also in alternatives pooled funds).

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

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

The Council's investments in fixed income pooled funds (March 31, 2021 - also in alternatives pooled fund) are indirectly affected by movements in their fair value as a result of fluctuations in market interest rates. The impact of the fluctuation cannot be assessed since Council holds units of pooled funds and not the underlying assets.

Currency risk

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

At the Statement of Financial Position date, the non-Canadian dollar denominated portion of its investment portfolio represents \$26,416,000 (2021 - \$25,219,000). Compared with the total financial assets of the Council of \$630,705,000 (2021 - \$563,810,000), currency risk is not considered significant.

6. EMPLOYEE FUTURE BENEFITS

a) Pension benefits

Substantially all of the employees of the Council are covered by the Public Service Pension Plan (the "Plan"), a contributory defined benefit plan established through legislation and sponsored by the Government of Canada. Contributions are required by both the employees and the Council. The President of the Treasury Board of Canada sets the required employer contribution rates based on a multiple of the employees' required contribution. The required employer contribution rate is dependent on the employee's employment start date. For employment start dates before January 1, 2013, the Council's contribution rate effective at year-end was 1.02 times (2021 - 1.01) the employee's contribution; and for employment start dates after December 31, 2012, the Council's contribution rate effective at year-end was 1.00 times (2021 - 1.00) the employee's contribution.

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

(in thousands of dollars)	2022	2021
Employer's contributions	\$ 2,399	\$ 2,436
Employees' contributions	2,439	2,384

Notes to the Financial Statements (continued)
March 31, 2022

b) Severance benefits

The Council provided severance benefits to its employees based on years of service and final salary. These benefits were not pre-funded and thus had no assets, resulting in a plan deficit equal to the accrued benefit obligation. These benefits no longer accrue since 2011. The employees were given the option to either cash out their severance benefits or to wait until their departure. The obligation was adjusted at year-end to reflect employees' actual salary level.

Information about the plan benefits, measured as at March 31, is as follows:

(in thousands of dollars)	2022	2021
Accrued benefit obligation, beginning of year	\$ 460	\$ 255
Current service cost	5	293
Benefits paid during the year	(331)	(88)
Accrued benefit obligation, end of year	\$ 134	\$ 460

c) Retirees benefits

The Council has defined post-retirement benefit plans covering certain employee groups. These plans provide extended health and dental benefits to retired employees. Retirees pay 50% of the extended health care premium and 100% of the dental premium. The Council's independent actuary measures the accrued benefit obligation for accounting purposes as at March 31 of each year. The obligation as at March 31, 2022 was determined using a full actuarial value based on membership data as at March 31, 2022 (the obligation for March 31, 2021 was determined using an extrapolation of the valuation results based on membership data as at December 31, 2019).

(in thousands of dollars)	2022	2021
Accrued net benefit obligation, beginning of year	\$ 6,089	\$ 6,353
Current service cost	308	382
Interest cost	113	81
Benefits paid	(107)	(108)
Actuarial gains	(1,370)	(619)
	5,033	6,089
Unamortized net actuarial (gains) losses	184	(1,394)
Accrued net benefit obligation, end of year	\$ 5,217	\$ 4,695

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

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

	2022	2021
Discount rate for calculation of net benefit costs	1.9%	1.3%
Discount rate for calculation of accrued benefit obligation	2.4%	1.9%
Initial Health care cost trend rate increase - Prescription drugs	5.6%	5.7%
Ultimate health care cost trend rate	4.0%	4.0%
Year ultimate rate reached	2040	2040

7. DEFERRED REVENUES - EXTERNALLY RESTRICTED CONTRIBUTIONS

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

(in thousands of dollars)	2022	2021
Balance, beginning of year	\$ 71,273	\$ 50,253
Transferred from investment income (Note 12)		
Net Investment income	12,127	9,607
Use of funds	(2,050)	(1,902)
	10,077	7,705
Unrealized (losses) gains on portfolio investments	(123)	23,023
Reclassified to statement of operations - portfolio investments	(5,410)	(9,708)
Balance at end of year	\$ 75,817	\$ 71,273

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

Notes to the Financial Statements (continued)
March 31, 2022

8. TANGIBLE CAPITAL ASSETS

<i>(in thousands of dollars)</i>	Computer Software	Computer Equipment	Office Equipment	Leasehold improvements	Work in Progress	Total
Cost						
Opening balance as at April 1, 2021 (Restated - Note 3)	\$ 4,525	\$ 4,419	\$ 1,631	\$ 7,752	\$ 414	\$ 18,741
Acquisitions	3	307	57	-	517	884
Transfer from Work in Progress	452	-	-	-	(452)	-
Write-downs/Disposals	(50)	(1,737)	-	-	-	(1,787)
Closing balance as at March 31, 2022	\$ 4,930	\$ 2,989	\$ 1,688	\$ 7,752	\$ 479	\$ 17,838
Accumulated Amortization						
Opening balance as at April 1, 2021 (Restated - Note 3)	\$ 2,147	\$ 3,465	\$ 1,171	\$ 3,536	\$ -	\$ 10,319
Amortization expense	618	513	73	330	-	1,534
Write-downs/Disposals	(50)	(1,703)	-	-	-	(1,753)
Closing balance as at March 31, 2022	\$ 2,715	\$ 2,275	\$ 1,244	\$ 3,866	\$ -	\$ 10,100
Net carrying amount as at March 31, 2021 (Restated - Note 3)	\$ 2,378	\$ 954	\$ 460	\$ 4,216	\$ 414	\$ 8,422
Net carrying amount as at March 31, 2022	\$ 2,215	\$ 714	\$ 444	\$ 3,886	\$ 479	\$ 7,738

9. ART BANK ASSETS

<i>(in thousands of dollars)</i>	2022	2021
Opening balance	\$ 19,466	\$ 19,465
Acquisitions	37	1
Disposals/donations	(140)	-
Closing Balance	\$ 19,363	\$ 19,466

The Council's Art Bank has the largest collection of contemporary Canadian art in Canada. It includes 17,163 (2021 - 17,169) paintings, sculptures, drawings, photographs and prints by 3,176 (2021 - 3,168) artists. The Art Bank rents its assets to interested parties and as at March 31, 2022 has 3,749 (2021 - 3,686) works on rental to federal government departments and agencies, associations, hospitals, schools, municipalities and private corporations.

The Council uses an independent appraiser to determine the fair value of the Art Bank assets. A full independent valuation of the Art Bank assets was completed in 2001, with a significant update of the appraisals occurring in 2010. An individual piece of art may be separately independently appraised when management identifies significant events such as special recognition, type of artworks or artist passing which are known to trigger a change in valuation. The total appraised value of the Art Bank assets is estimated at \$72,831,000 as at March 31, 2022 (2021 - \$73,242,000).

The residual values of these assets are estimated to be greater than the cost of purchases or independent appraisals when donated plus associated cost of framing, mounting and shipping; therefore no amortization is recognized.

The Council insures the Art Bank assets based on its assessment of risk.

10. MUSICAL INSTRUMENTS

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

Agreements are signed with the individuals to whom the instruments are loaned. Those agreements include clauses that stipulate how the musical instruments are to be handled in order to safeguard them. The appraised value of the Council's Musical Instruments Bank as at March 31, 2022 is \$57,716,000 converted from a value of US\$46,208,000 using the March 31, 2022 US exchange rate of 1.25 (2021 - \$58,642,000, converted from a value of US\$46,658,000 using the March 31, 2021 US exchange rate of 1.26).

The Council insures the musical instruments at their appraised value, in US dollars.

Notes to the Financial Statements (continued)
March 31, 2022

11. ACCUMULATED SURPLUS

<i>(in thousands of dollars)</i>	2022	Restated (Note 3) 2021
Accumulated surplus from operations		
Endowment - original contribution	\$ 50,000	\$ 50,000
Endowment principal - Externally restricted contributions	37,569	37,569
Reserve for excess investment income		
Balance at beginning of the year	229,445	203,445
Appropriated from the accumulated surplus during the year	24,000	26,000
Balance at end of the year	253,445	229,445
Surplus		
Balance at beginning of the year	21,578	30,022
Appropriated to the reserve for excess investment income during the year	(24,000)	(26,000)
Surplus from operations	26,785	17,556
Balance at end of the year	24,363	21,578
Total accumulated surplus from operations	365,377	338,592
Accumulated remeasurement gains (losses)		
Balance at beginning of the year	45,792	(32)
Change in fair value	(14,198)	45,824
Balance at end of the year	31,594	45,792
Balance of accumulated surplus at end of year	\$ 396,971	\$ 384,384

Included in accumulated surplus is the original contribution by the Government of Canada of \$50 million, which constituted a government transfer ("Endowment Fund") when the Council was established in 1957.

12. NET REALIZED INVESTMENT INCOME

<i>(in thousands of dollars)</i>	2022	2021
Gains from disposal of portfolio investments	\$ 22,083	\$ 18,332
Income transferred to deferred revenues -		
Externally restricted contributions (Note 7)	(10,077)	(7,705)
Net (losses) gains on foreign exchange	(29)	160
Dividend and other distributed income - reinvested	19,177	11,559
Interest, dividend and other distributed income - cashed	8,891	9,828
Investment portfolio management costs	(1,841)	(1,390)
	\$ 38,204	\$ 30,784

13. NET ART BANK RESULTS

<i>(in thousands of dollars)</i>	2022	2021
Rental revenue	\$ (1,575)	\$ (1,574)
Other income	(152)	(107)
Administration expense	1,811	1,708
	\$ 84	\$ 27

14. CANADIAN COMMISSION FOR UNESCO

<i>(in thousands of dollars)</i>	2022	2021
Program expenses	\$ 1,714	\$ 1,201
Program - contributions received	(405)	(235)
Administration expense	1,391	1,480
	\$ 2,700	\$ 2,446

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

15. NET CHANGE IN OTHER NON CASH ITEMS

<i>(in thousands of dollars)</i>	2022	2021
(Increase) decrease in accounts receivable	\$ (7,833)	\$ 422
Increase in grants, author payments and prizes payable	45,241	61,520
Increase in accounts payable and accrued liabilities	3,764	444
Decrease in deferred revenues	(338)	(98)
Net change	\$ 40,834	\$ 62,288

Notes to the Financial Statements (continued) March 31, 2022

16. CONTRACTUAL OBLIGATIONS AND COMMITMENTS

a) Grants, author payments and prizes

Grants, author payments and prizes extending into future years are subject to the provision of funds by Parliament. Future year commitments for those payments approved prior to March 31, 2022 amounted to \$226,740,000 (2021 – \$342,038,000). The future payments of grant commitments as of March 31, 2022 are as follows:

(in thousands of dollars)

2023	\$	147,850
2024		73,144
2025		3,858
2026		988
2027		600
2028		300

The commitments for future years for grants, author payments and prizes include transactions with related parties totaling \$10,480,000 (2021 – \$9,629,000).

b) Rent

The Council is party to long-term operating leases with respect to rental accommodation. Future year payments related to operating leases as of March 31, 2022 amounted to \$61,116,000 (2021 – \$56,926,000). The future payments of operating leases as of March 31, 2022 are as follows:

(in thousands of dollars)

2023	\$	4,504
2024		4,444
2025		4,450
2026		4,631
2027		4,825
2028-2034		38,262

c) Investment commitments

The Council has committed funds with fixed income, real estate and infrastructure investment managers through limited partnership funds. As it takes time for those funds to be fully invested, the balance of committed capital not yet drawn at March 31, 2022 is \$41,047,000 (2021 – \$7,461,000). These commitments will be paid by selling assets currently invested primarily in Canadian and Global equities.

d) Other commitments

The Council entered into various contracts during the year creating commitments of payments in future years. Future year payments related to these commitments as of March 31, 2022 amounted to \$8,123,000 (2021 – \$9,564,000). Future annual payments as of March 31, 2022 are as follows:

(in thousands of dollars)	Less than 1 year	Less than 7 years	Total
Tangible capital assets	\$ 1,393	\$ -	\$ 1,393
General administration	2,644	2,754	5,398
Arts community services	607	310	917
Program Delivery	174	20	194
Canadian Commission for UNESCO	219	-	219
Net Art Bank results	2	-	2

The other commitments for future years include transactions with related parties totaling \$682,000 (2021 – \$873,000), \$382,000 under General administration and \$300,000 under Arts community services.

17. IMPACT OF THE COVID-19 PANDEMIC

The COVID-19 pandemic has led to the closure of public spaces and the cancellation of events around the world, causing great stress on the arts sector.

The Council has maintained its level of program delivery while adjusting its priorities and operations due to events related to COVID-19. The Council continues to work with the Government of Canada, as well as provincial, territorial, and municipal partners, to ensure the strength of the sector.

During 2021-22, the Council received \$146,000,000 (2021 – \$62,800,000) from the Government of Canada through the COVID-19 Emergency Support Fund which was distributed through the following initiatives:

Funding to Support Arts and Live Events Workers in Response to COVID-19

In the Fall Economic Statement 2020 delivered on November 30, 2020, the Minister of Finance announced its support for the planning and presentation of COVID-19-safe events and the arts — including both live and digital — and to provide work opportunities in these sectors. The Council received a total of \$121,000,000 in 2021-22 for this initiative to expand its funding programs. The Council invested \$50,500,000 through a new digital innovation initiative (Digital Now) to enable arts groups, collectives and organizations to adapt or create works to be shared with virtual audiences; and \$70,500,000 to stimulate increased research, creation and production of new work through the Explore and Create granting program.

Funding to Support the Recovery and Reopening of the Arts, Culture, Heritage and Sport Sectors in Response to COVID-19

On June 28, 2021—as part of the \$500 million Recovery Fund for Arts, Culture, Heritage and Sport Sectors and Reopening Fund—the government announced that the Council would receive an additional \$75 million.

The Council received \$25,000,000 in 2021-22 through the Reopening Fund to enable recipients of core funding to invest in activities aimed at re-engaging existing audiences and building new ones.

The Council will also receive \$50,000,000 in 2022-23 through the Recovery Fund of which \$20,000,000 will be invested for the research, creation, and production of work; \$5,000,000 for domestic touring activities and market development; and, \$25,000,000 for sector innovation.

2022 Federal Budget

In Budget 2022, the Government of Canada committed \$50 million in 2022-23 to the Department of Canadian Heritage, the Canada Council for the Arts, and Telefilm Canada to compensate Canadian arts, culture, and heritage organizations for revenue losses due to public health restrictions and capacity limits. Of this, the Council will obtain \$9.2 million in 2022-23 which will be disbursed as supplements to existing core grants.

Notes to the Financial Statements (continued)
March 31, 2022

18. 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.

During the year, the Council incurred expenses totaling \$10,352,000 (2021 – \$7,601,000) and recorded rental revenues for the Art Bank assets, contributions and other revenues totaling \$2,459,000 (2021 – \$2,764,000) with related parties.

During the year, the Council received audit services without charge from the Office of the Auditor General. The estimated cost for these services is \$400,000 (2021: \$545,000).

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

<i>(in thousands of dollars)</i>	2022	2021
Accounts receivable	\$ 5,840	\$ 654
Grants, author payments and prizes payable	1,833	852
Accounts payable and accrued liabilities	1,050	686
Deferred revenues	457	437

19. SUBSEQUENT EVENTS

On April 6, 2022, the Council's Investment Committee approved a plan to sell certain fixed income pooled funds. Given the current market and economic conditions, in particular the rising interest rate environment and the nature of the underlying investments in these fixed income pooled funds, the Council expects the market value of the funds to decline further, resulting in the realization of a loss on the future sale of these funds.

As at March 31, 2022, the unrealized loss recognized in the Statement of Remeasurement Gains and Losses related to these funds is \$6,480,000. As at May 31, 2022, the unrealized loss related to these funds was \$7,970,000. Given the uncertainty with respect to conditions that may exist on the ultimate date of sale, it is impracticable to estimate the financial effect of this sale transaction and an impairment loss could not be recorded as at March 31, 2022.

Notes to the Financial Statements (continued)
March 31, 2022

Schedule I - Grants, Author Payments and Prizes by Section

(in thousands of dollars)

	2022	2021
Arts Granting Programs		
Explore and Create	\$ 96,632	\$ 105,248
Engage and Sustain	82,054	80,580
Supporting Artistic Practice	40,452	37,787
Arts Across Canada	26,343	20,596
Arts Abroad	7,651	6,184
Creating, Knowing and Sharing: The Arts and Cultures of First Nations, Inuit and Métis Peoples	25,312	15,625
Digital Strategy Fund	553	46,388
Digital Now ⁽¹⁾	27,204	-
Strategic Innovation Fund	2,337	-
Strategic Investments	3,472	2,884
COVID-19 Arts and Live Events Workers in response to the pandemic ⁽²⁾	120,500	-
COVID-19 Reopening Fund for events and in-person experiences ⁽³⁾	25,000	-
COVID-19 Emergency Support Fund	-	62,800
Prizes	1,335	314
Public Lending Right	15,033	14,807
Killam Program		
Killam Research Fellowships	-	420
Killam Prizes	500	500
Other Prizes and Awards		
Molson Prizes	100	100
Other prizes and awards < \$100,000	353	354
	\$ 474,831	\$ 394,587

(1) The Council contributed directly \$27.2M in the Digital Now initiative. The total invested in this initiative, including a \$50.0M from the COVID-19 Arts and Live Events Workers, was \$77.2M.

(2) The \$120.5M received for COVID-19 support of Arts and Live Events Workers in response to the pandemic was distributed through the Explore and Create Program (\$70.5M) and the Digital Now initiative (\$50M).

(3) The \$25M received for COVID-19 support for the Reopening Fund for events and in-person experiences was distributed to core-funded organizations through the various programs.

Notes to the Financial Statements (continued)
March 31, 2022

Schedule II - Other Expenses

(in thousands of dollars)

	2022			Restated (Note3)
	Transfer Program Delivery	General Administration	Total	2021 Total
Salaries and employee benefits	\$ 18,915	\$ 11,703	\$ 30,618	\$ 30,418
Peers and advisory committees	2,343	-	2,343	1,523
Office accommodation	44	3,746	3,790	3,835
Professional and special services	708	6,794	7,502	6,159
Amortization	609	925	1,534	1,530
Information management	73	1,644	1,717	1,431
Staff travel	17	8	25	12
Prizes presentation	367	-	367	332
Printing, publications and duplicating	26	244	270	236
Communications	2	204	206	268
Office expenses and equipment	-	25	25	125
Meeting expenses including members' honoraria	3	77	80	75
Miscellaneous	2	22	24	14
	\$ 23,109	\$ 25,392	\$ 48,501	\$ 45,958

Schedule III - Arts Community Services

(in thousands of dollars)

	2022	2021
Partnership and networking	\$ 2,748	\$ 1,664
Research and consultation	789	1,096
Event costs	78	40
	\$ 3,615	\$ 2,800