



Canada Council
for the Arts

Conseil des arts
du Canada

2022-23 Annual Report

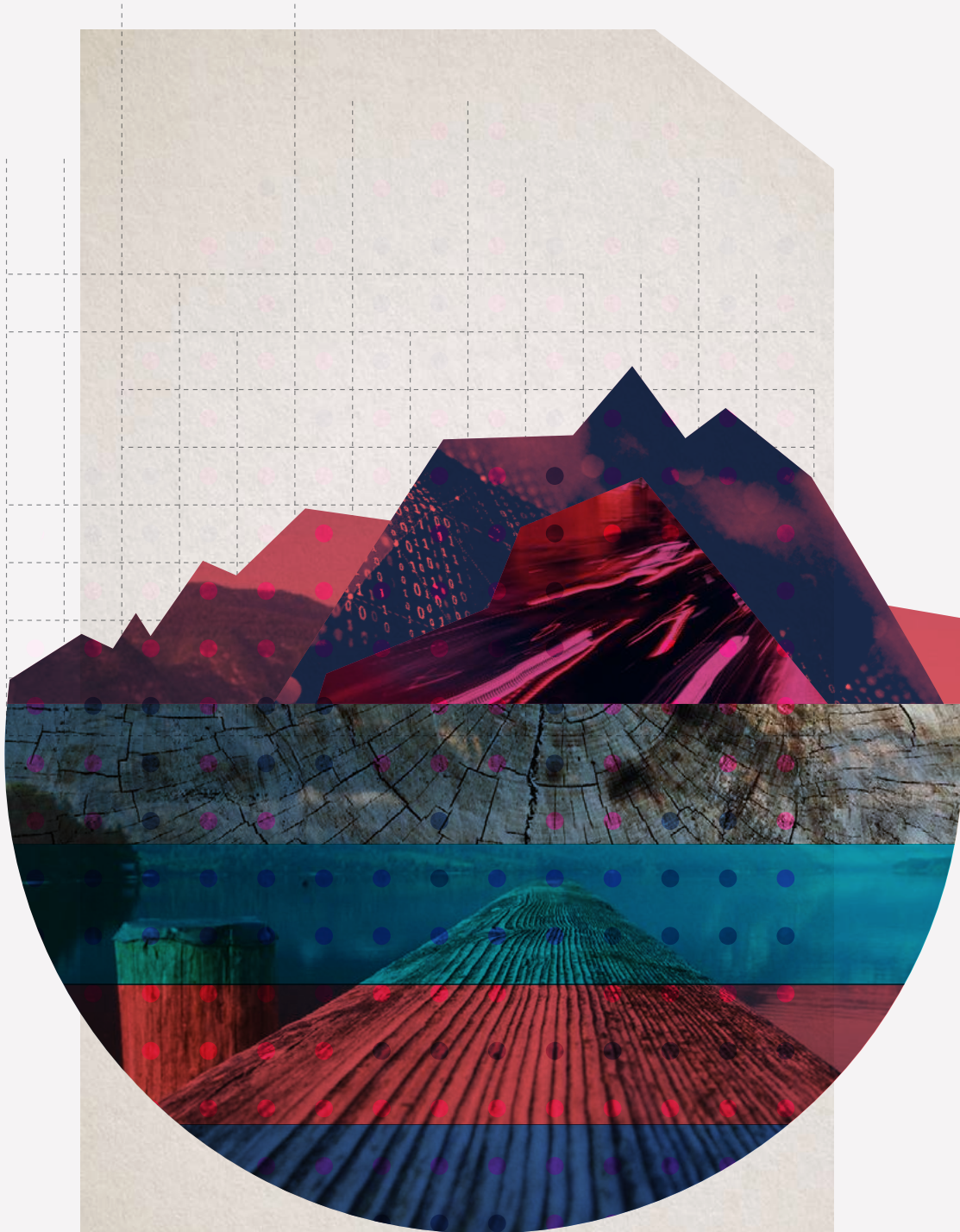


Photo: For Indigenous people, the canoe holds a special and unique place in their relationship with the land.

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 66th 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 honoured and will continue to honour the commitments to self-determination and sovereignty it has 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 artists, authors, and arts groups and organizations from Canada. 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 audiences in Canada and abroad.

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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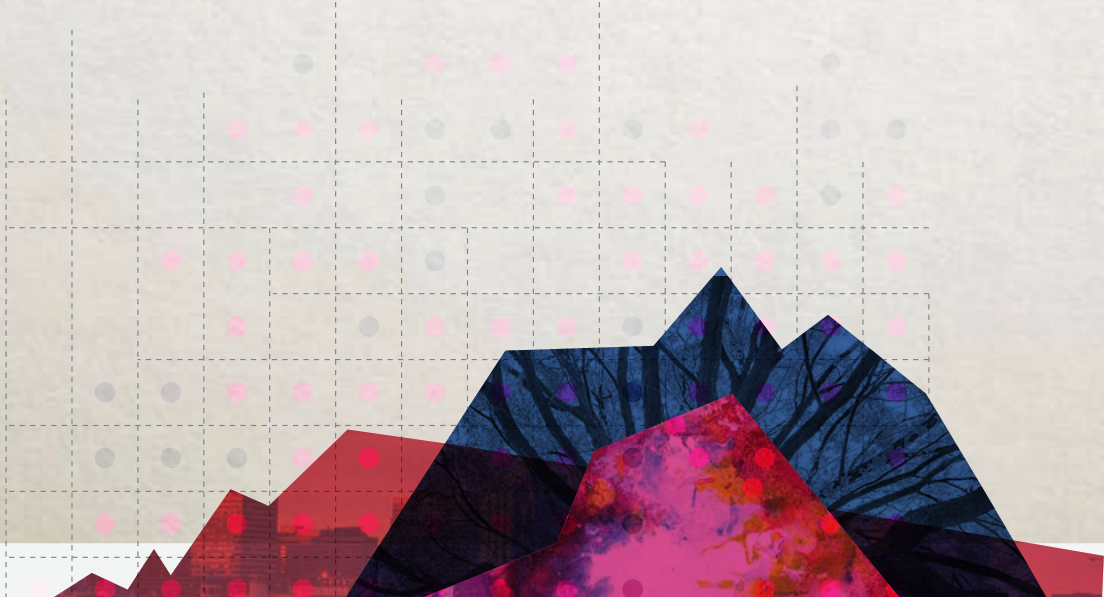
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MESSAGE FROM THE CHAIR

Throughout this second year of the Council's five-year strategic plan, work and initiatives to implement the plan's vision have intensified. I am delighted to note that the Council made significant progress with its actions—particularly those related to the North. The Board's trip to the North, our participation in the Arctic Arts Summit and the partnerships that emerged from that are all examples of the work that has been accomplished in the last year.

We learned much from the communities we visited in the North. And we continue to learn as we work with our partners in the region: they have a nuanced understanding of the context and issues of their region that we lack. This empowering approach will inform

our work in communities across Canada. I am positive that collaboration with partners on the ground is crucial to a more equitable funding of the arts in Canada.

I would like to thank the new and existing members of the Board for their openness and engagement. The talks we've had and the recommendations they've made at meetings are always deeply informative. The Council greatly benefits from the wide range of their respective fields of expertise.

I also want to thank Simon Brault for his vision and leadership throughout his nine-year term. Our conversations have always been fruitful, and he is leaving the Council a stronger organization.

His leadership of nearly a decade will soon be a thing of the past, and the Council will embark on a transitional period. With all the changes taking place—including those related to the pandemic recovery—the Council needs stability and solid governance. I am positive that the organization can count on its employees, the Board and the strategic plan to welcome the next person to take the helm.



JESSE WENTE
CHAIR



MESSAGE FROM THE DIRECTOR AND CEO

After nine years, my term as Director and Chief Executive Officer of the Canada Council for the Arts is coming to an end in June 2023. Serving the arts sector has been an honour.

I'm especially happy that we benefitted from a historic increase in our budgets. The number of artists we were able to support grew significantly, as did the number of communities that were positively impacted by our grants. Thanks to a deep overhaul of our programs, we are now able to fund a wider range of artists, organizations and artistic practices whose outreach is felt in their communities, across Canada and sometimes even abroad.

What's more, the Council played an important role throughout the pandemic. We led the charge with the government in

order to impress upon it the need to directly support artists financially, and we delivered emergency and recovery funding efficiently throughout the sector. Though the pandemic had devastating effects, it enabled audiences to realize just how much the arts impact our daily lives and society as a whole.

Over the last year, the Council was also active on numerous fronts both in Canada and abroad. You will discover the breadth of our achievements in this report.

Though there is still much work to be done, I am positive that the Council is now better equipped to support the arts in the 21st century.

I would like to thank the Board chairs, vice-chairs and members I have had the privilege of collaborating with. They did remarkable



work. Year after year, Council employees work in service to the arts sector, and I want to thank them as well.

In closing, I want to salute the creativity, courage and resilience of artists and cultural workers, who continue to enchant our world in spite of ongoing uncertainties and difficulties.

Make sure you keep bringing the arts to life.



SIMON BRAULT, O.C., O.Q.
DIRECTOR AND CEO



OUR 2022-23 FUNDING AT A GLANCE

2,188

ARTS ORGANIZATIONS RECEIVED \$228.9M IN FUNDING, OF WHICH 274 WERE FIRST-TIME RECIPIENTS AWARDED A TOTAL OF \$10.5M

4,728

ARTISTS RECEIVED \$113.6M IN FUNDING, OF WHICH 2,133 WERE FIRST-TIME RECIPIENTS AWARDED A TOTAL OF \$44.1M

569

GROUPS RECEIVED \$22.9M IN FUNDING, OF WHICH 241 WERE FIRST-TIME RECIPIENTS AWARDED A TOTAL OF \$7.1M

18,192

CREATORS RECEIVED PUBLIC LENDING RIGHT PAYMENTS TOTALING \$14.8M, OF WHICH \$1.0M WAS AWARDED TO NEWLY REGISTERED TITLES

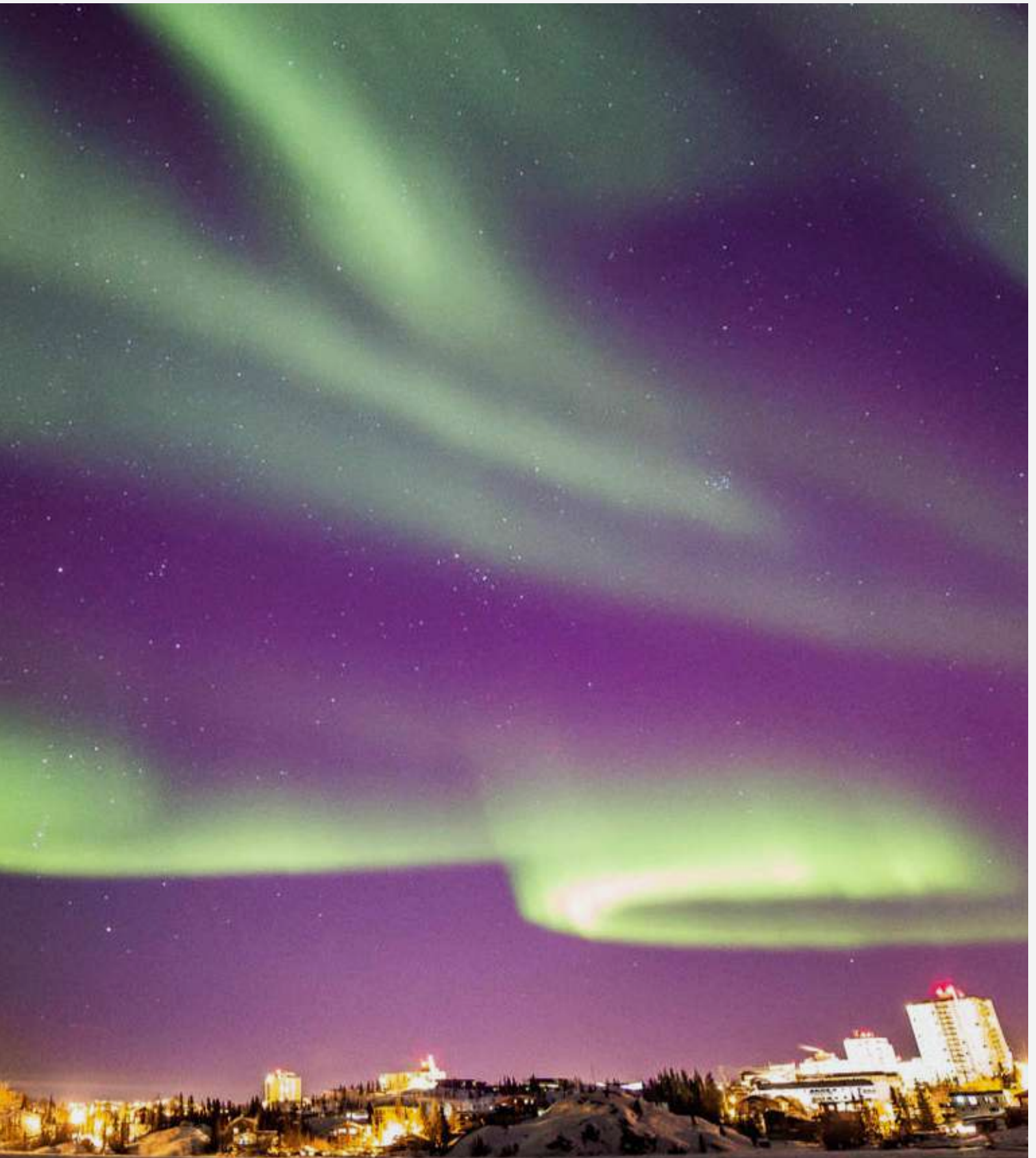
2,077

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

683

ARTISTS AND ARTS PROFESSIONALS SERVED AS PEER ASSESSORS, OF WHICH 299 WERE FIRST-TIME PEER ASSESSORS





KEY ACCOMPLISHMENTS

2022–23 was the second year in the Canada Council for the Arts' 2021–26 strategic plan, *Art, now more than ever*. The plan was written at the beginning of the COVID-19 pandemic and was strongly informed by its impact on the arts sector and wider society.

Art, now more than ever is a rallying call to rebuild a stronger, more resilient and more inclusive arts sector. The key accomplishments detailed here explore some of the significant ways the Canada Council for the Arts contributed to that rebuild this past year.



KEY ACCOMPLISHMENTS

Increasing access and accessibility

The Council's 2021–26 strategic plan champions an arts sector that is accessible to all people in Canada, and this past year the Council undertook several initiatives that improved access and accessibility to its programs and services.

Since 2021, the Council has committed to allocating at least 20% of its project funding to first-time recipients. In 2022–23, the Council allocated 27% of project funding totaling \$56.7M to 2,498 first-time recipients.

The Council also undertook the *Impact of Grants on First-Time Recipients* research project, which demonstrates the transformative power of the Council's funding programs. The study highlighted many benefits of a first-time grant for artists, arts groups and organizations. These benefits included a sense of legitimacy and validation of artistic creativity; a greater sense of representation, increased visibility and professional opportunities for underrepresented communities and practices; and fostering intercultural dialogue and discussions around major social issues.

In line with the Council's commitment to increase access to its funding by historically underserved and marginalized communities, the share of funding awarded to Indigenous people, Black and racialized people, Deaf and disability arts, official language minority communities, and those at the intersections of these groups has increased notably since the release of its strategic plan.

The Council also broadened access this year with changes to its Public Lending Right (PLR) program. Through the PLR, more than 18,000 Canadian literary creators received payments based on the presence of their works in public library catalogues. In 2022, the PLR expanded its catalog research to include more regional libraries and, for the first time, an Indigenous-led public library. In turn, access to the PLR program was expanded to creators whose work might not be found in urban library collections.

This year, the Canada Council Art Bank launched an open call to purchase works with the goal of including a greater diversity of artists in its collection. Specifically, this open call prioritized the acquisition of works by artists who were not previously included in the Art Bank collection and who self-identify as Indigenous, Black, racialized, Deaf, having a disability, being from an official language minority community, youth, 2SLGBTQI+ and gender-diverse communities, women, and artists at the intersections of these identities. The call received more than 1,700 eligible submissions, and the Art Bank acquired



Chun Hua Catherine Dong, *Skin Deep* (2014–2020),
Digital photograph
Collection of the Canada Council Art Bank



Nelson White, *Grandfather* (2022), Oil on canvas.
Collection of the Canada Council Art Bank



Rémi Belliveau, *Land of Evangeline Route, 1930* (2021), Silkscreen.
Collection of the Canada Council Art Bank

72 works by emerging and established artists from every province and territory and from each of the Council's priority groups. In turn, the Art Bank collection can now engage audiences with better representation of the country's diversity.

In September 2022, the Council published its *Research on the Value of Public Funding for Indigenous Arts and Cultures*. This study, grounded in Indigenous ways of knowing and self-determination, concluded that public funding is integral to the success of Indigenous artists, arts, and cultures. Moreover, it found that the Council supported meaningful work that Indigenous artists might not have been able to do otherwise. The report also includes 26 recommendations for the Council and other arts funders to improve their support for Indigenous artists across the country—several of which relate to improving accessibility to its programs and services for Indigenous peoples. The Council is committed to increasing its support for Indigenous arts and cultures, which are essential to both cultural continuity and cultural revitalization.

The Council hosted five virtual Deaf and Disability Arts Gatherings. These gatherings brought together 48 artists from Deaf and disability arts communities across Canada to share perspectives on topics like developing, producing and presenting Deaf and disability arts, intersectionality and disability justice. From these gatherings, the Council will

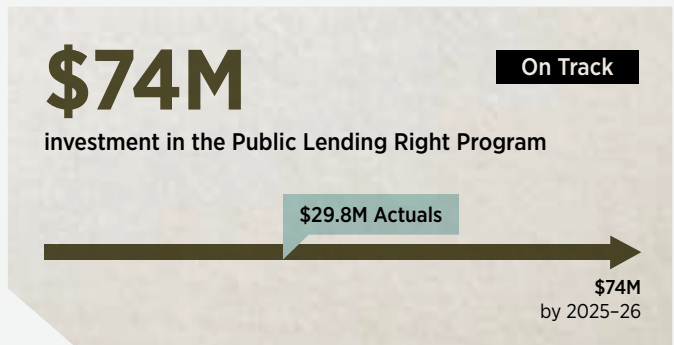
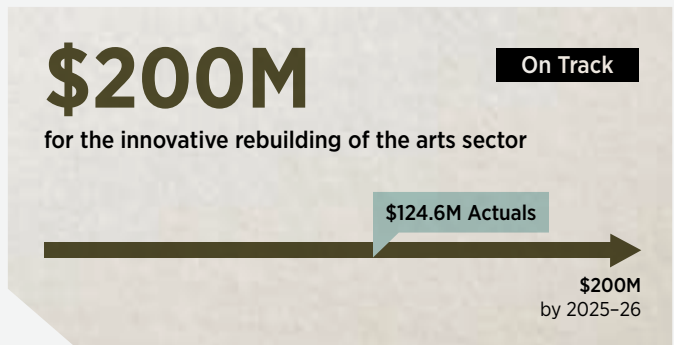
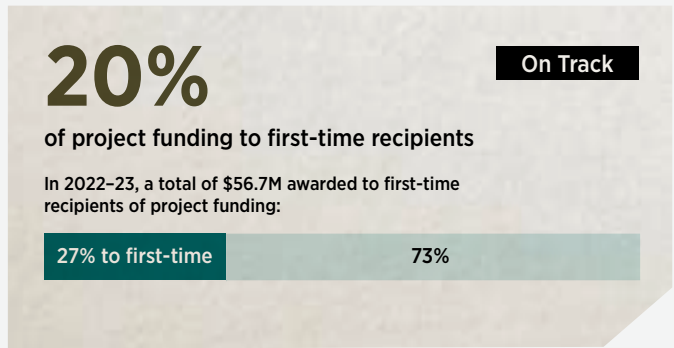
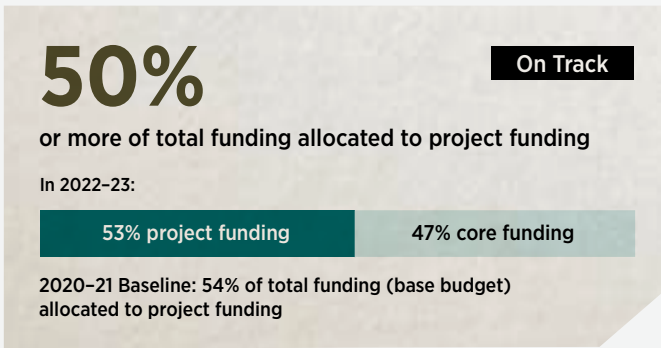
identify opportunities to increase access and accessibility across the arts sector in the coming years. This work aligns with the Council's *2023–25 Accessibility Plan*, published in December 2022. The first of its kind for the Council, the plan aims to eliminate barriers to accessibility and prevent new ones from being created.

Over the past year, the Council expanded its reach to parts of the world where Canada's arts sector has historically had limited reach. This is giving artists greater access to new and underexplored markets, often in places with strong ties to diasporic communities in Canada. Notably, the Council undertook several initiatives to build stronger relationships with countries in Africa. This included, for example, support to the Festival Afropolitain Nomade in Douala, Cameroon, held in June 2022. This year the festival promoted women in the African music industry, and it brought together women musicians from both Canada and Africa.

The Council also built stronger connections in Asia by partnering with Arts Council Korea and Global Affairs Canada. This partnership will support projects that deepen and diversify creative and collaborative relationships between Korean and Canadian artists.

MAKING PROGRESS IN THE 2021–26 STRATEGIC FUNDING COMMITMENTS

As at March 31, 2023



KEY ACCOMPLISHMENTS

By the North, for the North

The 2021-26 strategic plan commits to strengthening the Council's presence and relationships in northern Canada to meet the region's unique and varied cultural realities.

In June 2022, the Council cohosted the Arctic Arts Summit, in Whitehorse, in partnership with the Government of Yukon. The Summit brought together participants from across the circumpolar region to discuss topics of shared interest as well as opportunities for future collaboration. Through the Summit, the Council made many new connections and deepened relationships with communities across the North.

To better serve northerners in the arts, the Council launched two co-delivery partnerships in the North. Co-delivery partnerships are a new way of working for the Council that allow the partner organization to support artists and arts workers in the North on their own terms, according to their realities and priorities for making and sharing arts and culture. A co-delivery partnership with the Inuit Art Foundation created a multidisciplinary granting program and distributed \$150,000 to Inuit artists and arts workers in 2022-23 alone. A co-delivery partnership with the Government of Yukon is supporting emerging

Indigenous artists and cultural carriers in the region, distributing \$200,000 in funding over two years starting in 2022-23.

Expanding on its commitment to support Inuit communities in the North, in early 2023, the Council's Creating, Knowing and Sharing: The Arts and Cultures of First Nations, Inuit and Métis Peoples program contributed \$250,000 to the Inuit Circumpolar Council of Canada. This contribution is supporting capacity building and scaling up work around international Inuit language and cultural promotion.

In addition to these co-delivery partnerships and contributions, the Council is supporting northern communities through its granting programs. Through the Strategic Innovation Fund, for example, the Council awarded a Cultivate grant to the Flin Flon Arts Council, in northern Manitoba. With this funding, the Flin Flon Arts Council will work with partners to grow a network of artists in the region, develop depots for digital communication, help discover and develop regional talent, and more.

KEY ACCOMPLISHMENTS

Ongoing support for an innovative, sustainable future

The Council's 2021–26 strategic plan emphasizes the essential role of innovation in rebuilding an inclusive and sustainable arts sector.

To foster innovation in the arts, the Council launched its Strategic Innovation Fund in 2021 with several granting components to fund projects at various stages of innovation readiness. This past year, the Council awarded 435 Strategic Innovation Fund grants, with a total investment of \$28.5 million. The Council supported small-scale projects involving experimentation or in preparation for innovation; medium-size projects that piloted or implemented innovation; and, for the first time, large-scale projects that were ready to scale for greater impact by addressing systemic issues and helping rebuild a more resilient, sustainable, equitable, accessible, greener, healthier, and connected arts sector.

In the spirit of rebuilding a more sustainable future, the Council's strategic plan also commits to mitigating the arts sector's effects on climate change. This past year, through its Strategic Innovation Fund,

the Council contributed over \$250,000 to a partnership with the Centre for the Sustainable Practice in the Arts (CSPA), a think tank for sustainability in arts and cultures. With this grant, the CSPA offered a climate leadership program to arts professionals in Canada, offering them tools and strategies to bring climate and ecological action to their arts practices and organizations. A second cohort of participants will access the program next year.

In a similar vein, arts organizations can now access a set of carbon and environmental calculators to record, measure and understand the impact of their venue, tour, production or event. The Council partnered with other funders across Canada to support the development of these tools, such as Creative Green Tools Canada.

This year, in partnership with the National Arts Centre, the Council supported

Sectoral Climate Arts Leadership for the Emergency (SCALE), a network of artists and organizations working at the intersection of culture and climate in Canada. Through this partnership, the Council is building its knowledge about climate-related challenges, opportunities, and developments in the sector. The partnership is helping the Council better adapt its climate-related work in alignment with evolving realities and opportunities for the arts sector.

In 2022-23, the Council also delivered two rounds of government funding in response to the impacts of the COVID-19 pandemic. The Council delivered \$50 million in recovery funding in 2022-23, specifically to support

research and the creation and production of artistic works, domestic touring activities and market development, and sector innovation. In addition, the Council directed \$9.2 million in government support to approximately 200 core-funded organizations, with a mandate dedicated to underserved and marginalized communities, specifically Indigenous, racialized, Deaf and disability, and official language minority communities. Through these organizations, funding reached artists, technicians and cultural workers whose livelihoods suffered because of the pandemic and whose contributions are essential to rebuilding a more inclusive, equitable, and sustainable future for the arts.



The Canadian Commission for UNESCO

The Canadian Commission for UNESCO (CCUNESCO), which operates under the authority of the Canada Council for the Arts, has supported Canada's multilateral commitment to UNESCO since 1957. CCUNESCO ensures that Canadian voices inform the work of UNESCO and that relevant UNESCO initiatives are implemented in Canada.

A dedicated convener, CCUNESCO brings together experts in the fields of education, science, culture, communication and information with a view to fostering dialogue, collaboration and knowledge-sharing. One of the principal ways it does this is by mobilizing UNESCO networks in Canada, including cities, universities, regions and schools.

The work of UNESCO is more relevant today than ever. It is the lead United Nations (UN)

agency on urgent matters such as the ethics of science and technology, the preservation and revitalization of Indigenous languages, the protection of cultural and natural heritage, and education for sustainable development.

The following highlights from 2022-23 advance the four priorities specified in CCUNESCO's 2021-26 Strategic Plan:



PRIORITY 1

Implementing the UN Declaration on the Rights of Indigenous Peoples in supporting Truth and Reconciliation

CCUNESCO collaborated with the Department of Canadian Heritage, the Canadian Cultural Centre in Paris, the Canada Council for the Arts, and Global Affairs Canada in supporting an Indigenous delegation to the global launch of the International Decade of Indigenous Languages. The launch events, held in Paris in December 2022, included musical performances by Art Napoleon, Looee Arreak, James Arreak, Morgan Toney and Keith Mullins.

CCUNESCO hosted a webinar in partnership with the Canada School of Public Service to bring awareness to over 2,500 public servants on how they can support and promote Indigenous languages at work. This included participation by the musical group Twin Flames, who spoke about the importance of Indigenous languages, and a Q&A session with language keepers.

CCUNESCO supported Indigenous representation at the UNESCO World Higher Education Conference in Barcelona in May-June 2022, coordinating a special session on Indigenous perspectives on higher education. This initiative led to a publication on Indigenous knowledge, and an invitation to present on this topic at a global meeting of UNESCO Chairs.

In the lead-up to the MONDIACULT 2022 conference on cultural policies and sustainable development, CCUNESCO noted that little attention was being given to the perspectives of Indigenous peoples. To address this, CCUNESCO developed and distributed a booklet titled “Indigenous Peoples’ Voices and Shaping Cultural Policies.” It outlines ways to integrate Indigenous views and voices into international forums and the formulation of recommendations, policies and initiatives relating to cultural development.

PRIORITY 2

Promoting gender equity and justice

CCUNESCO has an ongoing partnership with Ingenium and Fisheries and Oceans Canada to mark the UN Decade of Ocean Science for Sustainable Development and celebrate women and those who identify as non-binary in ocean science and STEM (science, technology, engineering and mathematics).

In partnership with the Canada Council for the Arts, CCUNESCO supported the

Festival Afropolitain Nomade, an initiative by Canadian artist Vanessa Kanga that brings together Canadian artists of African descent to work with women cultural entrepreneurs in Africa. The festival, which took place in Cameroon in cooperation with Femme Aussi du Tchad and the Koura Gosso Festival, aligned with CCUNESCO's efforts to promote the International Decade for People of African Descent.

PRIORITY 3

Mainstreaming youth leadership

CCUNESCO continued to work closely with its Youth Advisory Group (YAG), hosting the group for its first post-pandemic meeting in Ottawa in November 2022.

YAG members participated in the Youth Bootcamp organized by the International Coalition of Inclusive and Sustainable Cities in July 2022. The goal was to guide youth through UNESCO/Coalition initiatives on issues of racism and discrimination to ensure

that local and global youth perspectives are brought back to their countries of origin.

YAG members also played leadership roles in preparations for the National Black Canadians Summit, held in Halifax. The Summit, held biannually since 2017, is the key gathering of Canadians of African Descent. YAG members also participated in the working group that developed the Halifax Declaration, a major Summit outcome.

PRIORITY 4

Fighting racism

CCUNESCO staff helped organize the Global Forum against Racism and Discrimination, which brought together policymakers, activists and government officials from around the world. The Forum, held in Mexico City in November 2022, addressed the post-pandemic recovery and the negative impacts of the pandemic on racialized populations.

Continuing its work to raise the profile of the International Decade for People of African Descent (2015–2024), CCUNESCO led the delegation of Black Canadian thinkers, writers, and activists who participated in the first meeting of the Permanent Forum of People of African Descent in December 2022. The Forum, convened by the Office of the UN High Commissioner of Human Rights, was established as “a consultative mechanism for people of African descent and other relevant

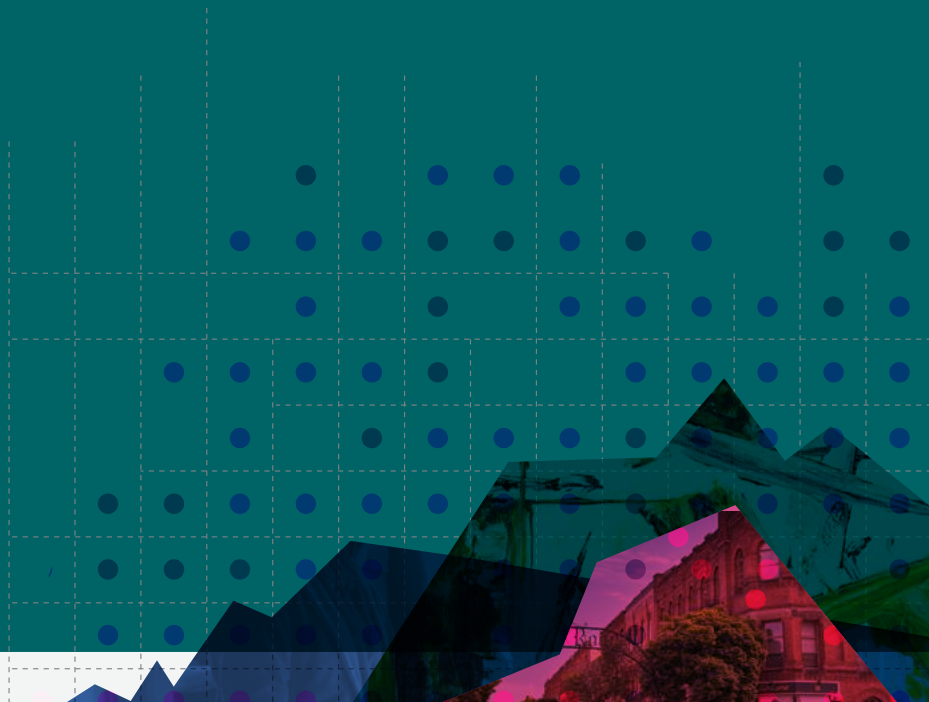
stakeholders [and] a platform for improving the safety and quality of life and livelihoods of people of African descent.”

In June 2022, CCUNESCO continued its work to advance priorities around UNESCO’s Routes of Enslaved Peoples project by hosting the International Scientific Committee Meeting for the project in Halifax, Nova Scotia. The meeting sought to strengthen Canada’s engagement with this project and highlight the history and heritage of Nova Scotians of African descent.

The CCUNESCO also continued work to advance priorities around UNESCO’s Routes of Enslaved Peoples project by hosting the International Scientific Committee Meeting for the project in Halifax, Nova Scotia, in June 2022. The meeting sought to build Canada’s engagement with this project and highlight the history and heritage of African Nova Scotians. A group of Burundian-Canadian drummers performed at the closing ceremony for the meeting.



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 2022–23, the Board held four meetings, during which it:

- welcomed three new Board members who brought a wide-range of significant experience, knowledge and expertise;
- approved extensions of core grants to arts organizations that are over \$500,000 in value annually;
- exercised oversight on the Council's budgets and various policies, including changes to the *Statement of Investment Policies and Goals*, the *Board Statement of Investment Beliefs*, as well as changes to the *Canadian Commission for UNESCO Constitution and By-laws*;

- approved appointments to the Audit and Finance Committee and to the Governance and Nominating Committee, as well as appointments and reappointments to the Investment Committee, which enhanced the overall effectiveness of the Board;
- continued to exercise its oversight role over the deployment of the 2021–26 strategic plan, 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 *2023–24 to 2025–26 Rolling Risk-Based Internal Audit Plan*; and
- held an Annual Public Meeting on January 24, 2023.

The June 2022 Board meeting was held in the Northwest Territories. This first in-person meeting since the beginning of the COVID-19 pandemic provided an opportunity to engage with the unique and varied cultural realities of the Northwest Territories as meetings and gatherings were held with the arts community in Yellowknife, Inuvik and Tuktoyaktuk.

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

Irfhan Rawji was appointed as a member of the Board for a four-year term effective April 29, 2022 to April 28, 2026.

Stephane Moraille was appointed as a member of the Board for a four-year term effective October 20, 2022 to October 19, 2026.

Charlie Wall-Andrews was appointed as a member of the Board for a four-year term effective October 30, 2022 to October 29, 2026.

These appointments 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, 2023, there were no vacancies on the Board.

In light of the end of term of Director and CEO Simon Brault on June 25, 2023, the Privy Council Office posted the notice of opportunity for the Council's director

and CEO position on the Governor in Council website from October 5, 2022, to November 9, 2022.

Michelle Chawla was appointed Director and CEO on June 26, 2023.

Onboarding program

New Board members received a comprehensive information package prior to their first meeting. They also attended the committee meetings as observers to learn about the Council's work. Orientation sessions were held with new Board members prior to any committee meetings to which they had been appointed.

Two Board members also attended the Crown Corporation Orientation Session offered by the Canada School of Public Service. Although not mandatory, this orientation assists new Governor in Council appointees in carrying out their roles and responsibilities and provides a better understanding of how the Government of Canada works.

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 January 24, 2023, the Council held its Annual Public Meeting (APM) in person and virtually to report on its recent activities and plans. For the first time in three years, the Council held the event at its offices in Ottawa, welcoming members of the public

to participate in person. The meeting was also livestreamed across the country in English, French and sign languages (ASL and LSQ), allowing for remote participation. 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 Canada 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.

Accessible Canada Act

The Canada Council published the *2023–25 Accessibility Plan* on December 14, 2023, in accordance with the *Accessible Canada Act*. The plan aims to eliminate barriers to accessibility and to prevent new ones from being created.

Canadian Multiculturalism Act

The Canada 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 Canada Council is responsible for implementing Parts IV, V, VI and VII of the *Official Languages Act*. The Canada Council 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 a non-voting member of the Executive Committee.

Membership: Jesse Wenté (Chair), Marie Pier Germain (Vice-Chair), Kim Spencer-Nairn (Chair of the Audit and Finance Committee until October 29, 2022), Ingrid Leong (Chair of the Audit and Finance Committee starting on October 30, 2022) 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: Kim Spencer-Nairn (Chair until October 29, 2022), Ingrid Leong (Chair starting on October 30, 2022), Karl Schwonik and Charlie Wall-Andrews (starting on January 24, 2023). Jesse Wenté served as a voting member of the Audit and Finance

Committee from October 30, 2022, to January 24, 2023, 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), Ben Nind, Gaëtane Verna, Irfhan Rawji (from June 23, 2022, to January 24, 2023), and Stephane Moraille (starting on January 24, 2023).

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: Kim Spencer-Nairn (until October 29, 2022), Karl Schwonik (until January 24, 2023), Ingrid Leong, Irfhan Rawji (starting on January 24, 2023) and external experts Michael White (Chair), Paul Robillard, Kim Shannon, Martha Tredgett (until January 21, 2023), Helen Kearns, Denis Larose, Jean-François Pépin (starting on

January 24, 2023), Lally Rementilla (starting on January 24, 2023), 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 2022-23, 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 2022-23, the total remuneration was:

Board: \$98,600

The range of salary for the Director and CEO was \$244,800 to \$287,900 (fixed by the Governor in Council), and the range of salary for the executive positions was \$121,550 to \$179,348.

Executive Management

At March 31, 2023, the Executive Management Committee consisted of Simon Brault, Director and CEO; Michelle Chawla, Director General, Strategy, Public Affairs and Arts Engagement; Eva Jacobs, Chief Financial Officer and Chief Security Officer (starting on March 20, 2023), Joanne Larocque-Poirier, Chief of Staff and Corporate Secretary; Ian Lovsin, Chief Information Officer; and Carolyn Warren, Director General, Arts Granting Programs.

Tania Kingsberry was Chief Financial Officer and Chief Security Officer until September 6, 2022.

Carole Boileau was Chief Financial Officer and Chief Security Officer from September 7, 2022, to March 17, 2023.



Simon Brault
Director and CEO



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



Eva Jacobs
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, 2023, the Board consisted of:



Jesse Wente
Chair
Toronto, Ont.



Marie Pier Germain
Vice-Chair
Montréal, Que.



Jennifer Dorner
Montréal, Que.



Cheryl Hickman
St. John's, N.L.



Ingrid Leong
Vancouver, B.C.



Stephane Moraille
Boucherville, Que.



Ben Nind
Yellowknife, N.W.T.



Irfhan Rawji
Calgary, Alta.



Karl Schwonik
Calgary, Alta.



Gaëtane Verna
Toronto, Ont. and
Columbus, Ohio, USA



Charlie Wall-Andrews
Toronto, Ont.

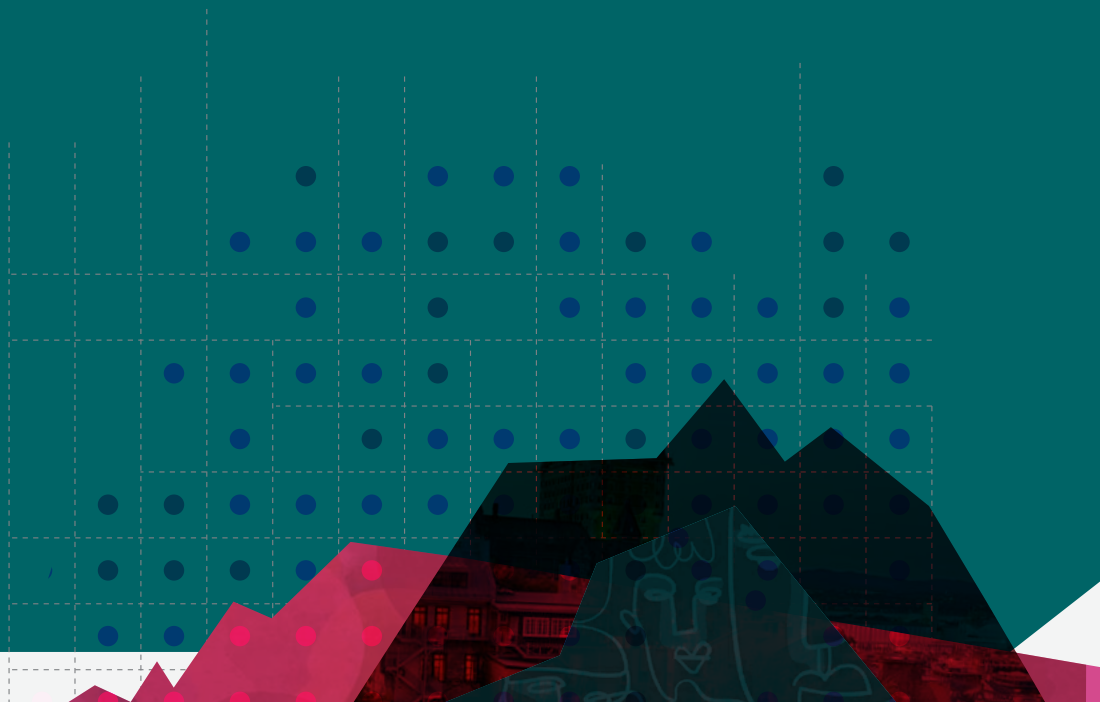
Board and Committee Meetings and Attendance (April 1, 2022, to March 31, 2023)

	Board Meetings	Executive Committee	Investment Committee	Audit and Finance Committee	Governance and Nominating Committee
Total Number of Meetings	4	0	4	6	4
Jesse Wentz	4/4	--	Ex officio	Ex officio	Ex officio
Marie Pier Germain	4/4	--	Ex officio	Ex officio	Ex officio
Jennifer Dorner	4/4	N/A	N/A	N/A	N/A
Cheryl Hickman	4/4	--	N/A	N/A	4/4
Ingrid Leong	4/4	--	4/4	6/6	N/A
Stephane Moraille	4/4	N/A	N/A	N/A	1/1
Ben Nind	2/2	N/A	N/A	N/A	4/4
Irfhan Rawji	4/4	N/A	N/A	N/A	2/2
Karl Schwonik	4/4	N/A	4/4	6/6	N/A
Kim Spencer-Nairn	2/2	--	2/3	3/3	N/A
Gaëtane Verna	4/4	N/A	N/A	N/A	4/4
Charlie Wall-Andrews	2/2	N/A	N/A	2/2	N/A

Note:

- Stephane Moraille became a member of the Governance and Nominating Committee on January 24, 2023.
- Irfhan Rawji was a member of the Governance and Nominating Committee from June 23, 2022 to January 24, 2023. He became a member of the Investment Committee on January 24, 2023.
- Karl Schwonik was a member of the Investment Committee until January 24, 2023.
- Kim Spencer-Nairn's term on the Board ended on October 29, 2022.
- Charlie Wall-Andrews became a member of the Audit and Finance Committee on January 24, 2023.

MANAGEMENT DISCUSSION AND ANALYSIS



HIGHLIGHTS

In 2022-23, the COVID-19 pandemic continued to have a negative impact on the arts sector. To support Canada's artists and performing arts organizations and workers, the federal government provided supplementary appropriations in the amount of \$50.0 million for the second year of funding for Arts, Culture, Heritage and Sport Sector Organizations through the Recovery Fund, and \$9.2 million of funding through the Canada Arts and Culture Recovery Program to compensate Canadian arts, culture, and heritage organizations for revenue losses due to public health restrictions and capacity limits. Those supplementary appropriations were distributed through existing programs. Another impact of the pandemic was the significant increase in the net realized investment income from the Council's portfolio. The net realized investment income of \$20.1 million exceeded the budgeted \$13.9 million by \$6.2 million, most of which is explained by interest, dividends and other distributed income received in excess of the amounts budgeted.

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.

For the year ended March 31, 2023, the Council is reporting a surplus from

(in thousands of dollars)	Budget 2023	Actual 2023	Actual 2022
Total revenue and Parliamentary appropriations	\$ 432,006	\$ 450,131	\$ 556,516
Total expenses	432,002	439,978	529,731
Surplus from operations	\$ 4	\$ 10,153	\$ 26,785

operations of \$10.2 million. The surplus is primarily attributable to a \$6.2 million positive variance in net realized investment income compared to budgeted investment income and a positive variance of \$2.2 million in grant cancellations reported.

Grants, author payments and prizes expenses amount to \$384.0 million for the

(in thousands of dollars)	Budget 2023	Actual 2023	Actual 2022
Grants and contributions	\$ 355,396	\$ 366,480	\$ 457,510
Public Lending Right program	14,688	14,805	15,033
Prizes and awards	1,699	2,689	2,288
	\$ 371,783	\$ 383,974	\$ 474,831

year ended March 31, 2023 and are above the approved budget due to the additional \$9.2 million received from the Government of Canada to compensate Canadian arts organizations for revenue losses due to public restrictions and capacity limits. The \$90.9 million variance compared to the previous year is directly related to various COVID support initiatives that discontinued in 2022-23.

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 \$2.7 million in prizes and awards that recognize excellence and innovation in Canada - an increase of \$0.4 million compared to last year. This increase is mainly due to the return of the Killam Research Fellowships program that was on-hold for two years while being redesigned. The National Killam Program is now being administered by the National Research Council of Canada through a partnership with the Council.

The costs of transfer program delivery, representing 5.9% of total expenses, totaled \$25.8 million for the year ended March 31, 2023. This was \$2.1 million below the budgeted amount, mostly due to savings of \$0.9 million in peer and advisory committee costs due to the postponement of some competitions, which resulted in decreased assessor fees, translation, and other charges. Other savings were found in prize presentation costs (\$0.4 million), professional and special services (\$0.3 million), and salaries and benefits (\$0.4 million). The overall increase of \$2.7 million in transfer program delivery costs compared to last year is mostly attributable to additional staffing required to continue on the delivery of the COVID-19 initiatives.

General administrative expenses, representing 5.7% of total expenses, totaled \$25.0 million for the year ended March 31, 2023. These expenses were higher than budgeted by \$2.5 million and below prior year by \$0.4 million. The \$2.5 million excess over budget related, in part, to \$1.5 million in professional and special services expenses that were expensed, rather than capitalized as budgeted, \$1.4 million in salaries and benefits, and to \$0.5 million in information management expenses due to increased use of software as a service. This increase in expenses was partially offset by \$0.9 million less in amortization than budgeted due to the impact of decapitalizing previously capitalized assets during the previous year as a result of the Council's change in accounting policy in 2021-22 related to the costs of cloud computing agreements. The Council continues to exercise fiscal restraint and seek efficiencies regarding general administration costs.

Summary Financial Position as at March 31

(in thousands of dollars)	Actual 2023	Actual 2022
Total financial assets	\$ 601,627	\$ 630,705
Total liabilities	230,815	261,312
Net financial assets	370,812	369,393
Non-financial assets	28,228	27,578
Accumulated surplus	\$ 399,040	\$ 396,971

In 2022-23, the Canada Council Endowment and Special Funds and the Killam Fund both generated a positive annual return of 1.7%, compared to positive annual returns of 5.3% and 5.4%, respectively, in 2021-22. In comparison to the prior year, the Portfolio investment has decreased by \$4.9 million with a fair value of \$490.1 million as at March 31, 2023.

The overall portfolio provided an excess of \$6.2 million of net realized investment income over the \$13.9 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, \$8.0 million was transferred from accumulated surplus from operations to the reserve for excess investment income.

In 2022-23, the Council updated its Corporate Risk Profile, presented to the Board in January 2023, 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)	2023	2022
Financial Assets		
Cash	\$ 108,169	\$ 124,935
Accounts receivable	3,327	10,758
Portfolio investments	490,131	495,012
Total financial assets	\$ 601,627	\$ 630,705

As at March 31, 2023, total financial assets were \$601.6 million, a decrease of \$29.1 million from the previous year. Financial assets include the portfolio investments as well as cash and accounts receivable.

The decrease of \$16.8 million in cash is explained mainly by the decrease in grants, author payments and prizes payable by \$27.5 million and by the reinvested distributed income of \$15.7 million reduced by the surplus from operations of \$10.2 million, the cash provided by investing activities of \$10.1 million and by the decrease in accounts receivable of \$7.4 million.

The \$7.4 million decrease in accounts receivable compared to the prior year figure is mostly due to \$4.8 million in parliamentary appropriations that were receivable on March 31, 2022 and received during the current fiscal year. There was also a decrease of \$2.5 million in accrued dividends income mostly related to the release of the holdback of \$2.2 million during 2022-23, from the sale of the alternative investment that took place during 2021-22.

The financial markets were volatile again in 2022-23 with a wide range of outcomes for the different asset classes: Canadian equity (-5.2%), global equity (+0.3%), fixed income (-2.0%), real estate (+0.9%), and infrastructure (+9.0%), yielding an overall positive portfolio return of 1.7%. Consequently, the fair value of the Council's investment portfolio decreased modestly because the annual return was not high enough to compensate for the annual 3.5% drawdown. As at March 31, 2023, the fair value of the Council's investments was \$490.1 million, a decrease of \$4.9 million from the prior year.

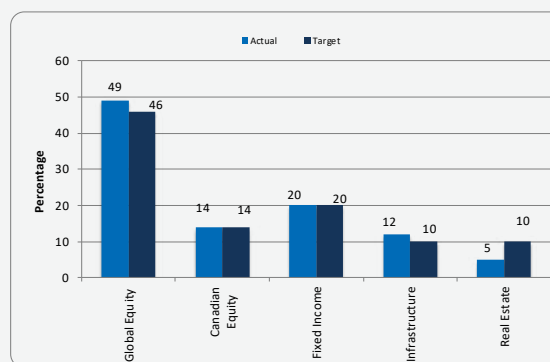
The Council invests in units of pooled funds that are managed by professional investment managers. The Council's investments are guided by a Statement of Investment Policies and Goals and the Board Statement of Investment Beliefs, which are both approved by the Board. The objective of the portfolio is to generate a real rate of return of at least 3.5% over a 10-year period to supplement the Council's funding received through 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, 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, 2023

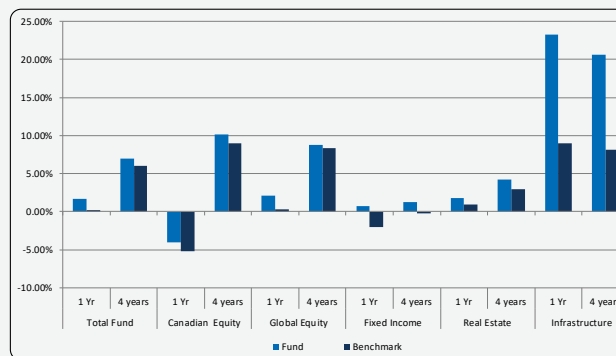


The Investment Committee and senior management closely monitor the level of risk within the portfolio. The 10-year standard deviation was at 7.6% as at March 31, 2023, compared to 6.6% for the benchmark.

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 Council is currently reviewing new investments to increase its allocation to Real Estate while being diligent in spreading the acquisitions over a few years to ensure the fair value for the real estate market has been corrected following the pandemic.

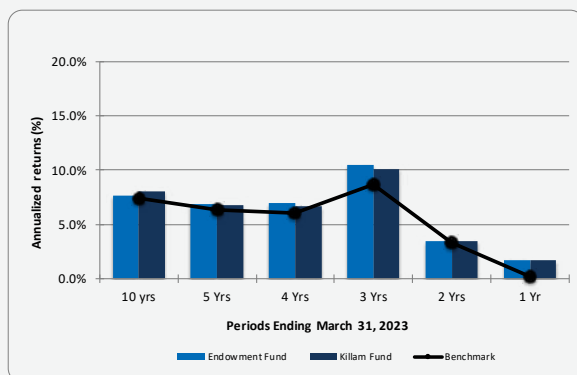
The following chart shows the returns for all the asset classes for the one- and four-year periods ending March 31, 2023.

Annual Returns by Asset Classes



The following chart shows the annualized portfolio returns for various periods for the Canada Council 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, 2023, total liabilities were \$230.8 million, a decrease of \$30.5 million from the previous year as shown in the table below:

(in thousands of dollars)	2023	2022
Liabilities		
Grants, author payments and prizes payable	\$ 137,292	\$ 164,831
Accounts payable and accrued liabilities	7,674	9,145
Deferred revenues	5,461	6,168
Employee future benefits	5,721	5,351
Deferred revenues - Externally restricted contributions	74,667	75,817
Total liabilities	\$ 230,815	\$ 261,312

The decrease in total liabilities is mainly due to the \$27.5 million decrease in Grants, author payments and prizes payable compared to 2021-22, which is directly related to the decrease in government funding relating to the pandemic.

The Deferred revenues from externally restricted contributions also decreased by \$1.2 million. This decrease is due to the decrease in market value of the portfolio investments for which a portion is externally restricted. This liability consists of externally restricted investment income and accumulated gains or losses which are 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 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 partnership payables and payroll liabilities incurred or accrued as at March 31, 2023
- deferred revenues which include the leasehold inducement at 150 Elgin, Ottawa, which is 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, which 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, and leasehold improvements. The net increase of \$0.3 million in comparison to the \$7.7 million as at March 31, 2022 is explained by the acquisitions of \$1.9 million offset by \$1.6 million in amortization expense.

The Council's Art Bank has the largest collection of contemporary Canadian art in the world, with 17,226 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 \$19.8 million on the Statement of Financial Position as at March 31, 2023. The total appraised value of the collection is estimated at \$73.2 million as at March 31, 2023.

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 \$1.0 thousand as a reasonable estimate of the future benefits associated with such assets cannot be made. As at March 31, 2023, the appraised and insured value of the musical instruments was US\$70.7 million.

Accumulated Surplus

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

(in thousands of dollars)	2023	2022
Accumulated surplus		
Endowment - Original contribution	\$ 50,000	\$ 50,000
Endowment principal - Externally restricted contributions	37,569	37,569
Reserve for excess investment income	261,445	253,445
Surplus	26,516	24,363
Total accumulated surplus from operations	\$ 375,530	\$ 365,377
Accumulated remeasurement gains (losses)	23,510	31,594
Accumulated surplus	\$ 399,040	\$ 396,971

The \$50.0 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 presented separately, are in effect being treated as if they had been revenues.

The reserve of \$261.4 million as at March 31, 2023 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

(in thousands of dollars)	Budget 2023	Actual 2023	Actual 2022
Parliamentary appropriations	\$ 414,189	\$ 423,423	\$ 510,389
Net realized investment income	13,909	20,119	38,204
Other revenues	3,908	6,589	7,923
Total Revenues	432,006	450,131	556,516
Transfer programs	406,613	412,494	501,555
Net Art Bank results	232	(37)	84
Canadian Commission for UNESCO	2,675	2,510	2,700
General administration	22,482	25,011	25,392
Total expenses	432,002	439,978	529,731
Surplus from operations	\$ 4	\$ 10,153	\$ 26,785

The Council's net financial results for the year are a surplus of \$10.2 million, compared to a balanced budget forecasting a surplus of \$4.0 thousand. The surplus is primarily attributable to positive variances in net realized investment income (\$6.2 million) and in other revenues (\$2.7 million) compared to budgeted amounts.

The decrease of \$1.3 million in other revenues compared to prior year is explained mainly by a decrease in grant cancellations of \$1.1 million.

The total expenses of \$440.0 million in 2022-23 are \$8.0 million more than budgeted. This variance is attributable to the additional \$9.2 million received from government as part of the Canada Arts and Culture Recovery Program.

Parliamentary Appropriations

The Council receives its funding mainly 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, 2023, the appropriations received by the Council through the Main Estimates and Supplementary estimates were \$423.4 million, a decrease of \$87.0 million from 2021-22. The decrease in funding relates to decreased emergency support received compared to amounts received 2021-22.

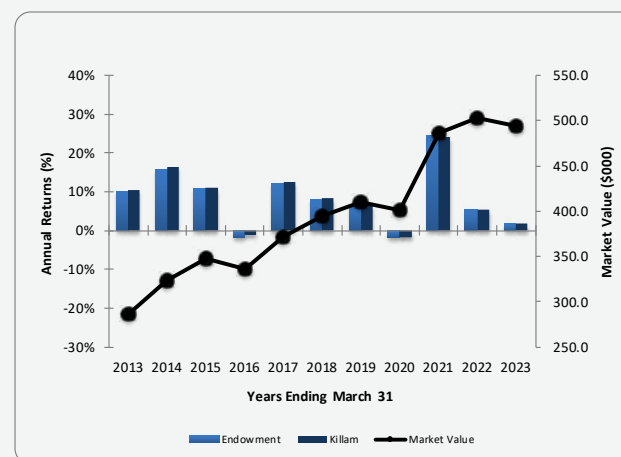
Investment Income

The financial markets in which the Council invests are diversified and, in 2022-23, both the Canada Council Endowment and Special Funds and the Killam Fund generated positive annual returns of 1.7%.

The Council's investment policy prescribes 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 Canada Council 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 2013 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 \$20.1 million exceeded the \$13.9 million budgeted, by \$6.2 million due to dividends and other distributed income exceeding expectations again this year.

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 \$5.2 million in unused grants, \$2.2 million more than the budgeted \$3.0 million and \$1.1 million less than the prior year. These grant cancellations are mostly the result of grants impacted by the COVID pandemic. In addition to the grant cancellations, other revenues include memberships, partnership income, donations and other miscellaneous revenues totaling \$1.4 million, a decrease of \$0.2 million compared to the previous year.

Program expenses

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

(in thousands of dollars)	Budget 2023	Actual 2023	Actual 2022
Grant, author payments and prizes	\$ 371,783	\$ 383,974	\$ 474,831
Transfer program delivery	27,841	25,761	23,109
Arts community services	6,989	2,759	3,615
Net Art Bank results	232	(37)	84
Canadian Commission for UNESCO	2,675	2,510	2,700
Total	\$ 409,520	\$ 414,967	\$ 504,339

In 2022-23, program expenses accounted for 94.3% of the Council's total expenses of \$440.0 million, a decrease of 0.9% compared to the previous year. Overall, program expenses are \$89.4 million less than the previous year.

The vast majority of the program expenses relate to Grants, author payments, and prizes of \$384.0 million, which exceeds the approved budget by \$12.2 million and is below the prior year by \$90.9 million. The significant decrease from the prior year is due to the decrease of \$87.0 million in COVID-19 relief funding received from the federal government.

In addition to the supplementary appropriations allocated to the granting budget, the Council reinvested a total of \$4.5 million, compared to \$10.0 million in the previous year, into grant expenses. This reinvestment was made possible due to the redistribution of funds related to canceled grants and intra-year savings as a result of delayed partnership projects due to COVID-19.

As part of its strategic commitment to increase direct support to artists, the Council distributed \$14.8 million in payments to authors via the Public Lending Right program. The Council also distributed \$2.7 million in prizes and awards that recognize excellence and innovation in Canada, an increase of \$0.4 million compared to last year.

Transfer program delivery costs represent the direct cost of operating the Council's grants, prizes and Public Lending Right programs. These include salaries, benefits, adjudication of programs, travel, professional services and prizes promotion. These costs were \$2.1 million below the budgeted amount, mostly due to savings of \$0.9 million in peer and advisory committee costs due to the postponement of some competitions, resulting in decreased assessor fees, translation, and other charges. Other savings were found in prize presentation costs (\$0.4 million), professional and special services (\$0.3 million), and salaries and benefits (\$0.4 million). The overall increase of \$2.7 million in transfer program delivery costs compared to last year is mostly attributable to an increase in salaries and employee benefits of \$1.6 million due to additional staffing required to continue on the delivery of the COVID-19 initiatives as well as an increase of \$0.7 million in professional and special services.

Arts community services 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 lower than the previous year by \$0.9 million and lower than the budget by \$4.2 million. The current year resulted in a decrease from prior year in partnerships and networking initiatives but an increase in research and consultation efforts. The savings from canceled or postponed partnerships and networking initiatives compared to the budget contributed to the reinvestment in grants.

Net Art Bank results were favorable at \$269 thousand under budget in 2022-23, leading to a surplus of \$37 thousand from the Art Bank. The Art

Bank was able to surpass its budgeted rental income by \$70 thousand, which is also \$121 thousand above the prior year. Servicing and installation fees revenues were \$30 thousand over budget, and \$66 thousand above prior year. Administrative expenses were \$166 thousand lower than budgeted due mostly to an underspend of \$91 thousand in salaries and benefits and of \$20 thousand in operating and maintenance costs for the leased office space.

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. The Canadian Commission for UNESCO (CCUNESCO) had net expenses of \$2.5 million in 2022-23, a decrease of \$190 thousand in comparison to last year, and slightly under budget by \$165 thousand. The decrease in actual expenses is mostly due to an exceptional contribution of \$200 thousand, received in the prior year, from the Department of Canadian Heritage through parliamentary appropriations to UNESCO to support the Ukrainian cultural heritage, through UNESCO's Heritage Emergency Fund. The decrease in expenses compared to budget is mostly due to an underspend of \$120 thousand in advisory committee fees, as more expenses than planned were covered by partner organizations.

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, accommodation, professional services, travel, amortization, and others. At \$25.0 million, the general administration expenses represented 5.7% of total expenses compared to 4.8% in 2021-22. These expenses were higher than budget by \$2.5 million and below prior year by \$0.4 million. The \$2.5 million excess over budget related, in part to \$1.5 million in professional and special services expenses that were expensed, rather than capitalized as budgeted, \$1.4 million in salaries and benefits, and \$0.5 million in information management expenses due to increased use of software as a service. This increase in expenses was partially offset by \$0.9 million less in amortization than budgeted due to the impact of decapitalizing previously capitalized assets during the previous year as a result of the Council's change in accounting policy in 2021-22 related to the costs of cloud computing agreements. 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, 2023 were \$23.5 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 Board Statement of Investment Beliefs and Statement of Investment Policies and Goals.</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

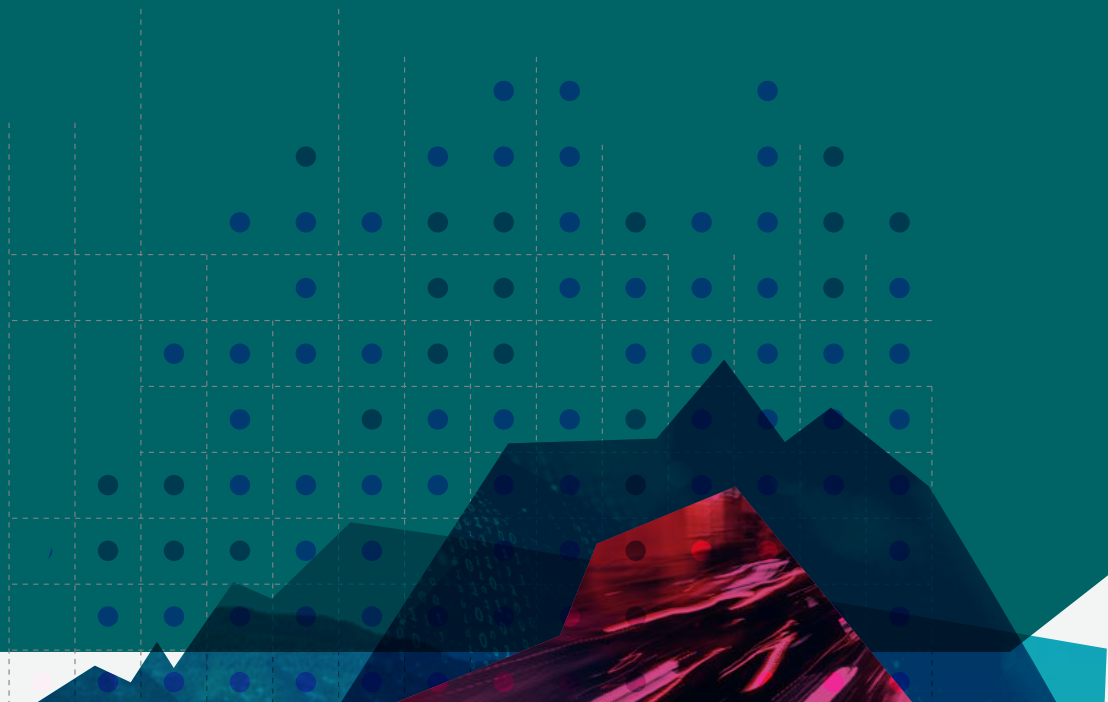
Using the Council's risk appetite as key context, a new risk management framework was created in the fall of 2018. Every year the Council reviews the identified risks which are ranked based on likelihood and potential impact on the Council's operations with a focus on potential operational, financial, and reputational dimensions. The corporate risk profile highlighting the top risks areas and their mitigation strategies were presented to the Board in January 2023.

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 30, 2023



Michelle Chawla
Director and Chief Executive Officer



Eva Jacobs, CPA, CGA
Chief Financial Officer



Office of the
Auditor General
of Canada

Bureau du
vérificateur général
du Canada

INDEPENDENT AUDITOR'S REPORT

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

Report on the 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 2023, 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 2023, 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 bylaws of the Canada Council for the Arts.

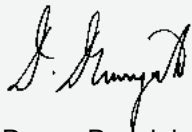
In our opinion, the transactions of the Canada Council for the Arts that came to our notice during the audit of the financial statements have complied, in all material respects, with the specified authorities referred to above. Further, as required by the *Financial Administration Act*, we report that, in our opinion, the accounting principles in Canadian public sector accounting standards have been applied 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
30 June 2023

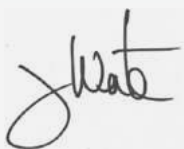
Statement of Financial Position

As at March 31 (in thousands of dollars)	2023	2022
FINANCIAL ASSETS		
Cash	\$ 108,169	\$ 124,935
Accounts receivable	3,327	10,758
Portfolio investments (Note 3)	490,131	495,012
Total financial assets	601,627	630,705
LIABILITIES		
Grants, author payments and prizes payable	137,292	164,831
Accounts payable and accrued liabilities	7,674	9,145
Deferred revenues	5,461	6,168
Employee future benefits (Note 5)	5,721	5,351
Deferred revenues - Externally restricted contributions (Note 6)	74,667	75,817
Total liabilities	230,815	261,312
NET FINANCIAL ASSETS	\$ 370,812	\$ 369,393
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 7)	8,016	7,738
Art Bank assets (Note 8)	19,849	19,363
Musical instruments (Note 9)	1	1
Prepaid expenses	362	476
Total non-financial assets	28,228	27,578
ACCUMULATED SURPLUS (Note 10)	\$ 399,040	\$ 396,971
Accumulated surplus is comprised of:		
Accumulated surplus from operations	375,530	365,377
Accumulated remeasurement gains	23,510	31,594
ACCUMULATED SURPLUS	\$ 399,040	\$ 396,971

Contractual obligations and commitments (Note 15)

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

APPROVED BY THE BOARD



Jesse Wenté
Chair



Marie Pier Germain
Vice Chair

Statement of Operations

	Budget	Actual	Actual
For the year ended March 31 (in thousands of dollars)	2023	2023	2022
Revenues			
Net realized investment income (Note 11)	\$ 13,909	20,119	\$ 38,204
Other revenues	3,908	6,589	7,923
Total revenues	17,817	26,708	46,127
Expenses			
Transfer Programs			
Grants, author payments and prizes (Schedule I)	371,783	383,974	474,831
Transfer program delivery (Schedule II)	27,841	25,761	23,109
Arts community services (Schedule III)	6,989	2,759	3,615
	406,613	412,494	501,555
Net Art Bank results (Note 12)	232	(37)	84
Canadian Commission for UNESCO (Note 13)	2,675	2,510	2,700
General administration (Schedule II)	22,482	25,011	25,392
Total expenses	432,002	439,978	529,731
Deficit from operations before Parliamentary appropriations	(414,185)	(413,270)	(483,604)
Parliamentary appropriations	414,189	423,423	510,389
SURPLUS FROM OPERATIONS	4	10,153	26,785
ACCUMULATED SURPLUS FROM OPERATIONS, BEGINNING OF YEAR	365,377	365,377	338,592
ACCUMULATED SURPLUS FROM OPERATIONS, END OF YEAR	\$ 365,381	\$ 375,530	\$ 365,377

Statement of Remeasurement Gains and Losses

	2023	2022
For the year ended March 31 (in thousands of dollars)		
ACCUMULATED REMEASUREMENT GAINS, BEGINNING OF YEAR	\$ 31,594	\$ 45,792
Unrealized gains (losses) attributable to:		
Portfolio investments	(8,455)	347
Amounts reclassified to the Statement of Operations:		
Portfolio investments	371	(14,545)
NET REMEASUREMENT LOSSES FOR THE YEAR	(8,084)	(14,198)
ACCUMULATED REMEASUREMENT GAINS, END OF YEAR	\$ 23,510	\$ 31,594

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

Statement of Changes in Net Financial Assets

	Budget	Actual	Actual
For the year ended March 31 (in thousands of dollars)	2023	2023	2022
ANNUAL SURPLUS FROM OPERATIONS	\$ 4	\$ 10,153	\$ 26,785
Acquisition of tangible capital assets (Note 7)	(8,801)	(1,904)	(884)
Write-down of tangible capital assets	-	7	34
Amortization of tangible capital assets (Note 7)	2,590	1,619	1,534
Acquisition of Art Bank assets (Note 8)	(600)	(542)	(37)
Disposals/donations of Art Bank assets (Note 8)	-	56	140
	(6,811)	(764)	787
Acquisition of prepaid expenses	-	(4,164)	(708)
Use of prepaid expenses	-	4,278	1,006
	-	114	298
Net remeasurement losses	-	(8,084)	(14,198)
INCREASE IN NET FINANCIAL ASSETS	(6,807)	1,419	13,672
NET FINANCIAL ASSETS, BEGINNING OF YEAR	369,393	369,393	355,721
NET FINANCIAL ASSETS, END OF YEAR	\$ 362,586	\$ 370,812	\$ 369,393

Statement of Cash Flows

	2023	2022
For the year ended March 31 (in thousands of dollars)		
Operating Transactions		
Surplus from operations	\$ 10,153	\$ 26,785
Gains from disposal of portfolio investments (Note 11)	(247)	(22,083)
Dividend and other distributed income - reinvested (Note 11)	(15,670)	(19,177)
Amortization of tangible capital assets (Note 7)	1,619	1,534
Write-down of tangible capital assets	7	34
Disposals/donations of Art Bank assets (Note 8)	56	140
Decrease in prepaid expenses	114	298
Increase in employee future benefits	370	196
Income transferred to Deferred revenues - Externally restricted contributions from investment income (Note 6)	1,318	10,077
Net change in other non-cash items (Note 14)	(22,592)	40,834
Cash (used) provided by operating activities	(24,872)	38,638
Capital Transactions		
Acquisition of tangible capital assets (Note 7)	(1,496)	(1,149)
Acquisition of Art Bank assets (Note 8)	(542)	(37)
Cash used by capital activities	(2,038)	(1,186)
Investing Transactions		
Acquisition of portfolio investments	(167,634)	(83,735)
Disposal of portfolio investments	177,778	89,216
Cash provided by investing activities	10,144	5,481
NET (DECREASE) INCREASE IN CASH	(16,766)	42,933
CASH, BEGINNING OF YEAR	124,935	82,002
CASH, END OF YEAR	108,169	124,935

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

Notes to the Financial Statements

March 31, 2023

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 His Majesty and is deemed to be a registered charity for the purposes of the Income Tax Act. In accordance with section 85(1.1) of the Financial Administration Act, the Council is exempt from Divisions I to IV of Part X of this Act, except for sections 89.8 to 89.92, of Division I, subsection 105(2) and sections 113.1 and 119 of Division II, sections 131 to 148 of Division III and section 154.01 of Division IV. The Council is a Crown corporation whose objectives are to foster and promote the study and enjoyment of, and the production of works in, the arts.

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

The Canadian Commission for UNESCO (CCUNESCO) was established by the 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 of 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, 2023

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 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 revenues 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 government transfers. 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 4. 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, 2023

Related party transactions

i) INTER-ENTITY TRANSACTIONS

Inter-entity transactions are transactions between commonly controlled entities. Inter-entity transactions are recorded on a gross basis and are measured at the exchange amount, except for the goods or services received without charge between commonly controlled entities, which are not recorded.

ii) OTHER RELATED PARTY TRANSACTIONS

Related party transactions are undertaken on terms and conditions similar to those adopted as if the parties were dealing at arms' length and are measured at the exchange amount.

Budget

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

3. PORTFOLIO INVESTMENTS

	2023					2022		
	Cost	Unrealized losses	Unrealized gains	Fair value		Cost	Fair value	
(in thousands of dollars)	\$	\$	\$	\$	%	\$	\$	%
Canada Council Endowment and Special Funds								
Pooled funds								
Canadian Equity	46,046	-	11,061	57,107	14	56,039	74,564	18
Global Equity	194,850	7,697	12,348	199,501	49	198,221	213,571	52
Fixed income	82,752	993	1,140	82,899	20	91,405	85,528	21
Real estate	17,449	606	1,556	18,399	5	7,074	8,709	2
Infrastructure	39,544	-	9,079	48,623	12	23,495	28,539	7
	380,641	9,296	35,184	406,529	100	376,234	410,911	100
Killam Fund								
Pooled funds								
Canadian Equity	11,393	-	1,481	12,874	15	12,312	15,145	18
Global Equity	40,118	1,589	2,254	40,783	49	41,970	44,908	53
Fixed income	17,001	218	234	17,017	20	18,409	17,253	21
Real estate	3,880	121	398	4,157	5	1,818	2,234	3
Infrastructure	7,152	-	1,619	8,771	11	3,772	4,561	5
	79,544	1,928	5,986	83,602	100	78,281	84,101	100
Total Portfolio investments	460,185	11,224	41,170	490,131		454,515	495,012	

Notes to the Financial Statements (continued)

March 31, 2023

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. For those investments where the adjusted cost is less than the fair market value as at March 31, 2023, the Council does not consider these investments to be other than temporarily impaired.

The Council manages two separate portfolios, the Canada Council Endowment and Special Funds, 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% (2022 - 8%) of that Fund with a total fair value of \$32,563,000 (2022 - \$32,914,000). The total fair value of the externally restricted investment including the Killam Fund is \$116,165,000 (2022 - \$117,015,000).

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, 2023 by the Special Funds is \$4,956,000 (2022 - \$3,966,000) and owed by the Killam Fund is \$1,265,000 (2022 - \$2,392,000).

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 four real estate funds and seven infrastructure funds. The permitted and prohibited investments, the asset mix as well as some maximum holding quantity restrictions are governed by a Board approved investment policy to mitigate risk. All of the investments are managed by professional investment

4. FAIR VALUE AND FINANCIAL RISKS

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 Portfolio 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.

managers.

The Council manages its portfolio to the following benchmarks as per the Statement of Investment Policies and Goals approved by the Board. The benchmarks allow asset class allocations to vary between a minimum and a maximum.

Asset Classes	Market Value	Minimum	Benchmark	Maximum
Canadian equities	14%	10%	14%	20%
Global equities	49%	40%	46%	55%
Fixed income	20%	10%	20%	45%
Real estate	5%	0%	10%	15%
Infrastructure	12%	0%	10%	15%
Money market/Cash	0%	0%	0%	10%

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

Investments in the equity pooled funds are comprised of units of six pooled funds, two Canadian funds and four funds that are invested in global equity markets. The Canadian equities are measured against the returns of the Standard and Poor's Toronto Stock Exchange (S&P/TSX) Index. The global equities are measured against the returns of the Morgan Stanley Capital International (MSCI) All Country World Index. Investments in the fixed income pooled funds are comprised of a mix of bonds, mortgages, emerging debt and other fixed income instruments. The Universe Bonds' portion of the fixed income funds is measured against the returns of the FTSE Canada Universe Bond Index and the Mortgages' portion is measured against the FTSE Canada Short-Term Overall Bond Index. The assets included in the real estate funds are commercial real estate properties in Canada, the United States and globally. These investments are measured against the returns of the Investment Property Databank. The infrastructure funds include portfolios of diversified infrastructure investments. These investments are measured against the Consumer Price Index (CPI) plus 4.5%.

- The Alternatives pooled fund investment sold in 2021-22 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)		2023	2022
	Measurement categories	Carrying amount and fair value (\$)	Carrying amount and fair value (\$)
Financial assets and liabilities			
Cash	Fair value	108,169	124,935
Accounts receivable	Amortized cost	3,327	10,758
Portfolio investments ¹	Fair value	490,131	495,012
Grants, author payments and prizes payable	Amortized cost	137,292	164,831
Accounts payable and accrued liabilities	Amortized cost	7,674	9,145

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

Notes to the Financial Statements (continued)

March 31, 2023

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)	2023				2022			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$	\$	\$	\$	\$
Cash	108,169	-	-	108,169	124,935	-	-	124,935
Portfolio investments								
Canada Council Endowment and Special Funds								
Pooled Funds								
Canadian Equity	-	57,107	-	57,107	-	74,564	-	74,564
Global Equity	-	199,501	-	199,501	-	213,571	-	213,571
Fixed Income	-	61,827	21,072	82,899	-	69,865	15,663	85,528
Real Estate	-	-	18,399	18,399	-	-	8,709	8,709
Infrastructure	-	-	48,623	48,623	-	-	28,539	28,539
Killam Fund								
Pooled Funds								
Canadian Equity	-	12,874	-	12,874	-	15,145	-	15,145
Global Equity	-	40,783	-	40,783	-	44,908	-	44,908
Fixed Income	-	12,700	4,317	17,017	-	13,647	3,606	17,253
Real Estate	-	-	4,157	4,157	-	-	2,234	2,234
Infrastructure	-	-	8,771	8,771	-	-	4,561	4,561
	-	384,792	105,339	490,131	-	431,700	63,312	495,012
Total	108,169	384,792	105,339	598,300	124,935	431,700	63,312	619,947

During the year, there were no significant transfers of amounts between Level 1 and 2.

Notes to the Financial Statements (continued)

March 31, 2023

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

(in thousands of dollars)	2023				2022				
	Fixed Income fund	Real estate funds	Infrastructure funds	Total	Fixed Income fund	Alternatives fund	Real estate funds	Infrastructure funds	Total
		\$	\$	\$		\$	\$	\$	\$
Canada Council Endowment and Special Funds									
Opening balance	15,663	8,709	28,539	52,911	13,201	33,986	8,640	26,943	82,770
Total gains (losses)									
Recognized in remeasurement statement	(496)	(630)	3,712	2,586	(591)	(12,286)	508	745	(11,624)
Recognized in externally restricted contributions	(43)	(55)	323	225	(52)	(1,070)	44	64	(1,014)
Purchases	5,948	10,648	16,943	33,539	3,105	-	-	2,227	5,332
Sales	-	(273)	(894)	(1,167)	-	(20,630)	(483)	(1,440)	(22,553)
Closing balance	21,072	18,399	48,623	88,094	15,663	-	8,709	28,539	52,911
Killam Fund									
Opening balance	3,606	2,234	4,561	10,401	3,300	8,720	2,213	4,716	18,949
Total gains (losses)									
Recognized in externally restricted contributions	(118)	(140)	830	572	(148)	(3,422)	142	(158)	(3,586)
Purchases	829	2,130	3,519	6,478	454	-	-	291	745
Sales	-	(67)	(139)	(206)	-	(5,298)	(121)	(288)	(5,707)
Closing balance	4,317	4,157	8,771	17,245	3,606	-	2,234	4,561	10,401

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 four real estate funds and seven infrastructure funds, the Council is indirectly exposed to the credit risk of the underlying investments of those funds. These risks are managed at the investment manager level. Their objectives are to invest in high quality financial instruments with creditworthy counterparties, by limiting the amount that can be invested in any one counterparty and by using other limits set out in the Council's investment policy.

The Council mitigates credit risk of accounts receivable through monitoring of the outstanding balances. As at March 31, 2023, 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, 2023

The Council has an investment policy that enables it to withdraw annual amounts from its investment portfolio valued up to 3.5% for the Canada Council Endowment and Special Funds, as well as for the Killam Fund (2022 - 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	2023 Total
	\$	\$	\$	\$
Financial Liabilities				
Grants, author payments and prizes payable	101,449	24,095	11,748	137,292
Accounts payable and accrued liabilities	7,033	641	-	7,674
	108,482	24,736	11,748	144,966

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 9.8% 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, 2023, a fluctuation of market prices of 9.8% (2022 - 8.2%), with all other variables held constant, would result in a change in remeasurement gains and losses and deferred revenues – externally restricted contributions of \$48,033,000 (2022 - \$40,591,000) 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 four real estate funds and seven infrastructure 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 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 Portfolio investment represents \$42,405,000 (2022 - \$26,416,000). Compared with the total financial assets of the Council of \$601,627,000 (2022 - \$630,705,000), currency risk is not considered significant.

5. 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 (2022 - 1.02) 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 (2022 - 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)	2023	2022
Employer's contributions	\$ 2,644	\$ 2,399
Employees' contributions	2,514	2,439

Notes to the Financial Statements (continued)

March 31, 2023

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 2012. 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)	2023	2022
Accrued benefit obligation, beginning of year	\$ 134	\$ 460
Current service cost	1	5
Benefits paid during the year	-	(331)
Accrued benefit obligation, end of year	\$ 135	\$ 134

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, 2023 was determined using an extrapolation of the valuation results based on membership data as at March 31, 2022 (the obligation as at March 31, 2022 was determined using a full actuarial valuation based on membership data as at March 31, 2022).

(in thousands of dollars)	2023	2022
Accrued net benefit obligation, beginning of year	\$ 5,033	\$ 6,089
Current service cost	274	308
Interest cost	121	113
Benefits paid	(128)	(107)
Actuarial gains	(456)	(1,370)
	4,844	5,033
Unamortized net actuarial gains	742	184
Accrued net benefit obligation, end of year	\$ 5,586	\$ 5,217

The net actuarial gains or losses arising from experience and 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:

	2023	2022
Discount rate for calculation of net benefit costs	2.4%	1.9%
Discount rate for calculation of accrued benefit obligation	3.0%	2.4%
Initial Health care cost trend rate increase - Prescription drugs	5.5%	5.6%
Ultimate health care cost trend rate	4.0%	4.0%
Year ultimate rate reached	2040	2040

6. 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 and is reported under Accumulated surplus from operations (see Note 10).

(in thousands of dollars)	2023	2022
Balance, beginning of year	\$ 75,817	\$ 71,273
Transferred from investment income (Note 11)		
Net Investment income	4,029	12,127
Use of funds	(2,711)	(2,050)
	1,318	10,077
Unrealized losses on portfolio investments	(2,625)	(123)
Reclassified to statement of operations - portfolio investments	157	(5,410)
Balance, end of year	\$ 74,667	\$ 75,817

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, 2023

7. TANGIBLE CAPITAL ASSETS

(in thousands of dollars)	Computer Software	Computer Equipment	Office Equipment	Leasehold improvements	Work in Progress	Total
Cost						
Opening balance at April 1, 2022	\$ 4,930	\$ 2,989	\$ 1,688	\$ 7,752	\$ 479	\$ 17,838
Acquisitions	-	509	347	55	993	1,904
Transfer from Work in Progress	1,472	-	-	-	(1,472)	-
Disposals	(124)	(541)	(79)	-	-	(744)
Closing balance at March 31, 2023	\$ 6,278	\$ 2,957	\$ 1,956	\$ 7,807	\$ -	\$ 18,998
Accumulated Amortization						
Opening balance at April 1, 2022	\$ 2,715	\$ 2,275	\$ 1,244	\$ 3,866	\$ -	\$ 10,100
Amortization expense	755	435	93	336	-	1,619
Disposals	(124)	(539)	(74)	-	-	(737)
Closing balance at March 31, 2023	\$ 3,346	\$ 2,171	\$ 1,263	\$ 4,202	\$ -	\$ 10,982
Net carrying amount at March 31, 2022	\$ 2,215	\$ 714	\$ 444	\$ 3,886	\$ 479	\$ 7,738
Net carrying amount at March 31, 2023	\$ 2,932	\$ 786	\$ 693	\$ 3,605	\$ -	\$ 8,016

8. ART BANK ASSETS

(in thousands of dollars)	2023	2022
Opening balance	\$ 19,363	\$ 19,466
Acquisitions	542	37
Disposals/donations	(56)	(140)
Closing Balance	\$ 19,849	\$ 19,363

The Council's Art Bank has the largest collection of contemporary Canadian art in Canada. It includes 17,226 (2022 - 17,163) paintings, sculptures, drawings, photographs and prints by 3,235 (2022 - 3,176) artists. The Art Bank rents its assets to interested parties and as at March 31, 2023 has 4,016 (2022 - 3,749) 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 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 \$73,219,000 as at March 31, 2023 (2022 - \$72,831,000).

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.

9. MUSICAL INSTRUMENTS

The Council created the Musical Instrument Bank in 1985 and it currently owns a fine cello bow and twelve prestigious musical instruments. In addition, the Council manages thirteen instruments on loan, seven 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 Instrument Bank as at March 31, 2023 is \$95,729,000 converted from a value of US\$70,735,000 using the March 31, 2023 US exchange rate of 1.35 (2022 - \$57,716,000, converted from a value of US\$46,208,000 using the March 31, 2022 US exchange rate of 1.25).

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

Notes to the Financial Statements (continued)
March 31, 2023

10. ACCUMULATED SURPLUS

<i>(in thousands of dollars)</i>	2023	2022
<i>Accumulated surplus from operations</i>		
Endowment - original contribution	\$ 50,000	\$ 50,000
Endowment principal – Externally restricted contributions	37,569	37,569
Reserve for excess investment income		
Balance, beginning of the year	253,445	229,445
Appropriated from the accumulated surplus during the year	8,000	24,000
Balance, end of the year	261,445	253,445
Surplus		
Balance, beginning of the year	24,363	21,578
Appropriated to the reserve for excess investment income during the year	(8,000)	(24,000)
Surplus for the year	10,153	26,785
Balance, end of the year	26,516	24,363
Total accumulated surplus from operations	375,530	365,377
<i>Accumulated remeasurement gains (losses)</i>		
Balance, beginning of the year	31,594	45,792
Change in fair value	(8,084)	(14,198)
Balance, end of the year	23,510	31,594
Balance of accumulated surplus, end of year	\$ 399,040	\$ 396,971

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.

11. NET REALIZED INVESTMENT INCOME

<i>(in thousands of dollars)</i>	2023	2022
Gains from disposal of portfolio investments	\$ 247	\$ 22,083
Income transferred to deferred revenues -		
Externally restricted contributions (Note 6)	(1,318)	(10,077)
Net gains (losses) on foreign exchange	40	(29)
Dividend and other distributed income - reinvested	15,670	19,177
Interest, dividend and other distributed income - cashed	7,402	8,891
Investment portfolio management costs	(1,922)	(1,841)
	\$ 20,119	\$ 38,204

12. NET ART BANK RESULTS

<i>(in thousands of dollars)</i>	2023	2022
Rental revenue	\$ (1,668)	\$ (1,575)
Other income	(218)	(152)
Administration expense	1,849	1,811
	\$ (37)	\$ 84

13. CANADIAN COMMISSION FOR UNESCO

<i>(in thousands of dollars)</i>	2023	2022
Program expenses	\$ 1,031	\$ 1,714
Program - contributions received	(154)	(405)
Administration expense	1,633	1,391
	\$ 2,510	\$ 2,700

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.

14. NET CHANGE IN OTHER NON CASH ITEMS

<i>(in thousands of dollars)</i>	2023	2022
Decrease (increase) in accounts receivable	\$ 7,431	\$ (7,833)
(Decrease) increase in grants, author payments and prizes payable	(27,539)	45,241
(Decrease) increase in accounts payable and accrued liabilities	(1,777)	3,764
Decrease in deferred revenues	(707)	(338)
Net change	\$ (22,592)	\$ 40,834

Notes to the Financial Statements (continued)

March 31, 2023

15. 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, 2023 amounted to \$404,133,000 (2022 – \$226,740,000). The future payments of grant commitments as of March 31, 2023 are as follows:

(in thousands of dollars)	
2024	\$ 153,940
2025	133,689
2026	99,411
2027	17,093

The commitments for future years for Grants, author payments and prizes include transactions with related parties totaling \$9,926,000 (2022 - \$10,480,000).

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, 2023 amounted to \$49,005,000 (2022 – \$61,116,000). The future payments of operating leases as at March 31, 2023 are as follows:

(in thousands of dollars)	
2024	\$ 4,326
2025	4,243
2026	4,319
2027	4,400
2028	4,478
2029-2034	27,239

c) Investment commitments

The Council has committed funds with 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 as at March 31, 2023 is \$17,876,000 (2022 – \$41,047,000). 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 at March 31, 2023 amounted to \$6,853,000 (2022 – \$8,123,000). Future annual payments as at March 31, 2023 are as follows:

(in thousands of dollars)	Less than 1 year	Less than 7 years	Total
Tangible capital assets	\$ 1,164	\$ -	\$ 1,164
General administration	2,746	1,862	4,608
Arts community services	716	250	966
Program delivery	104	-	104
Canadian Commission for UNESCO	10	-	10
Net Art Bank results	1	-	1

The other commitments for future years include transactions with related parties totaling \$485,000 (2022 - \$682,000), \$270,000 under Arts community services, \$151,000 under General administration and \$64,000 under Program delivery.

16. 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 has defined its key management personnel to be the members of the Executive Committee and the members of its Board. 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 \$5,574,000 (2022 – \$10,352,000) and recorded rental revenues for the Art Bank assets, contributions and other revenues totaling \$1,393,000 (2022 – \$2,459,000) with related parties. In addition, the Council received \$423,423,000 from the Government of Canada through parliamentary appropriations.

During the year, the Council received audit services without charge from the Office of the Auditor General. No costs are recorded in the financial statements for these services.

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

(in thousands of dollars)	2023	2022
Accounts receivable	\$ 1,076	\$ 5,840
Grants, author payments and prizes payable	3,322	1,953
Accounts payable and accrued liabilities	352	930
Deferred revenues	517	457
Prepaid expenses	84	-

Notes to the Financial Statements (continued)
March 31, 2023

Schedule I - Grants, Author Payments and Prizes by Section

(in thousands of dollars)	2023	2022
Arts Granting Programs		
Explore and Create	\$ 119,125	\$ 96,632
Engage and Sustain	80,449	82,054
Supporting Artistic Practice	39,107	40,452
Arts Across Canada	28,138	26,343
Arts Abroad	17,982	7,651
Creating, Knowing and Sharing: The Arts and Cultures of First Nations, Inuit and Métis Peoples	15,874	25,312
Digital Strategy Fund	550	553
Digital Now	-	27,204
Strategic Innovation Fund	4,831	2,337
Strategic Investments	2,970	3,472
COVID-19 Arts and Live Events Workers in response to the pandemic	-	120,500
COVID-19 Recovery and Reopening Fund for events and in-person experiences ⁽¹⁾	48,634	25,000
Canada Arts and Culture Recovery Program (CACRP)	8,820	-
Prizes	1,079	1,335
Public Lending Right	14,805	15,033
Killam Program		
Killam Research Fellowships	560	-
Killam Prizes	500	500
Other Prizes and Awards		
Molson Prizes	100	100
Vida Peene Award	124	-
Other prizes and awards < \$100,000	326	353
	\$ 383,974	\$ 474,831

⁽¹⁾ In 2022-23, the Recovery Fund for Arts, Culture, Heritage, and Sport Sectors supported the recovery of the arts sector and activities with in-person audiences by awarding grants to successful applications assessed through the Explore and Create, Creating Knowing and Sharing: The Arts and Cultures of First Nations, Inuit and Métis Peoples, Arts Across Canada Programs and the Strategic Innovation Fund.

Notes to the Financial Statements (continued)
March 31, 2023

Schedule II - Other Expenses

(in thousands of dollars)	2023			2022
	Transfer Program Delivery	General Administration	Total	Total
Salaries and employee benefits	\$ 20,516	\$ 11,452	\$ 31,968	\$ 30,618
Peers and advisory committees	2,328	-	2,328	2,343
Office accommodation	-	4,106	4,106	3,790
Professional and special services	1,369	5,452	6,821	7,502
Amortization	747	872	1,619	1,534
Information management	86	2,168	2,254	1,717
Staff travel	157	95	252	25
Prizes presentation	489	-	489	367
Printing, publications and duplicating	11	302	313	270
Communications	-	235	235	206
Office expenses and equipment	33	130	163	25
Meeting expenses including members' honoraria	25	182	207	80
Miscellaneous	-	17	17	24
	\$ 25,761	\$ 25,011	\$ 50,772	\$ 48,501

Schedule III - Arts Community Services

(in thousands of dollars)	2023	2022
Partnership and networking	\$ 1,185	\$ 2,748
Research and consultation	1,449	789
Event costs	125	78
	\$ 2,759	\$ 3,615