



Canada Council
for the Arts

Conseil des arts
du Canada

Quarterly

Financial Report

Unaudited

Period ended December 31, 2023
Published February 29, 2024



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Management Discussion and Analysis

Quarterly Report

Period ended December 31, 2023
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INTRODUCTION

This narrative discussion relates to the financial results of the Canada Council for the Arts (the Council) for the third quarter and the nine-month period ended December 31, 2023 as set out in the accompanying unaudited quarterly financial statements. These statements are disclosed in accordance with the requirements of section 131.1 of the Financial Administration Act and are prepared in accordance with Canadian Public Sector Accounting Standards (PSAS) as promulgated by the Chartered Professional Accountants (CPA) of Canada.

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

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

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

HIGHLIGHTS

Co-delivery partnerships with the North

- The Council has launched a new collaboration model through co-delivery partnerships to better serve the North. These partnerships grow out of a shared desire to develop more responsive ways of supporting northern Indigenous arts and culture organizations. On October 3, 2023, the Council announced a co-delivery partnership with the [Government of the Northwest Territories](#) to support the growth and sustainability of the arts and culture in the Northwest Territories through capacity-building and sector development. Through this partnership, the Council will contribute \$750,000 over three years. On October 7, 2023, the Council also extended its partnership with the [Government of Yukon](#) for an additional two years bringing the total Council funding to \$750,000.

Canada-Korea Co-creation Fund

- In the context of the 60th anniversary of diplomatic relations between Canada and Korea, the Council has partnered with Arts Council Korea and Global Affairs Canada to boost creative connections between Canada and Korea by supporting projects focused on artistic co-creation between the two countries. The [Canada-Korea Co-creation Fund](#) advances shared priorities of environmental sustainability and equity while supporting increased opportunities for international engagement and post-COVID renewal of the arts sector. Applications for the funding opened in November 2023. Arts Council Korea provides a parallel fund for projects initiated by Korean artists and arts organizations in cooperation with Canadian counterparts.

2023 Governor General's Literary Awards (GGBooks) winners

- On November 8, 2023, the Council announced the [2023 Governor General's Literary Awards \(GGBooks\) winners](#). These prestigious awards celebrate remarkable literary works published in Canada, in both official languages, across seven categories, and include books for readers of all ages. The 14 winning books were chosen by peer assessment committees that followed a rigorous process in their deliberation and selection of the winners from among the range of nominated books published in Canada in 2022-23.

Outcomes for Prizes and the Art Bank

- In November 2023, the Council published the [results of a research project](#) on the outcomes and impacts of Council prizes on recipients (e.g., artists, writers, translators) and on artists whose work was purchased by the Art Bank. The results of the research show that prizes have a positive impact on artists and arts professionals' visibility and profile, and artists are positively impacted after having their work purchased by the Art Bank.

Accessibility Progress Report

- On December 6, 2023, the Council published its [Accessibility Progress Report](#), which highlights the progress made against the actions identified in the [2023-25 Accessibility Plan](#) launched at the end of 2022 in compliance with the Accessible Canada Act.

Operational changes

Collective agreement

- The Council's 2022-26 collective agreement was ratified on November 29, 2023.

Leadership and Governance changes

New Chief Information Officer

- Eric Sauvé has been appointed to the position of Chief Information Officer following an extensive competitive recruitment and selection process. He assumed his new role on October 10, 2023. He brings over 20 years of senior digital leadership experience in both the public and private sectors, most recently with the Natural Sciences and Engineering Research Council.

Overview of the Third Quarter Net Results

(in thousands of dollars)	Three months ended December 31			Nine months ended December 31		
	2023	2022	Variance	2023	2022	Variance
Revenue	13,334	11,116	2,218	26,022	13,128	12,894
Expenses	(22,812)	(23,297)	485	(274,697)	(309,806)	35,109
Government funding	91,875	84,200	7,675	307,875	334,200	(26,325)
Surplus for the period	82,397	72,019	10,378	59,200	37,522	21,678

The surplus for the quarter was \$82.4M compared to \$72M for the same period last year.

This positive variance of \$10.4M arises principally from increased incoming funds of \$7.7M from Parliamentary appropriations and \$2.2M from Net realized investment income.

Notable for Council's expenses, the decrease in Grants, author payments and prizes expenses of \$3.7M was largely offset by an increase in Transfer program delivery and General administration expenses of \$3.3M. This increase in both Programs and Administration expenses is due to retroactive salary expenses and economic increases coming into effect in the third quarter with the ratification of a new Collective agreement with the Public Sector Alliance of Canada.

The surplus for the year-to-date was \$59.2M compared to \$37.5M for the same period last year.

This positive variance of \$21.7M is mostly explained by an increase of \$13.8M in Net realized investment income, a decrease of \$38.5M in Grants, author payments and prizes expenses offset by a \$3.0M increase in salaries and employee benefits and a \$26.3M decrease in Parliamentary appropriations

The Council will continue to monitor its financial results with the aim of achieving balanced year-end results.

Revenues

(in thousands of dollars)	Three months ended December 31			Nine months ended December 31		
	2023	2022	Increase/ (Decrease)	2023	2022	Increase/ (Decrease)
Net realized investment income	12,285	10,041	2,244	22,870	9,071	13,799
Other revenue	1,049	1,075	(26)	3,152	4,057	(905)
Total	13,334	11,116	2,218	26,022	13,128	12,894

Net realized investment income

Net realized investment income for the quarter and nine months ended are higher than the same periods last year mainly due to the realized losses on the sale of two fixed income investments last year and an increase in distributed income in the current year.

Expenses

(in thousands of dollars)	Three months ended December 31			Nine months ended December 31		
	2023	2022	Increase/ (Decrease)	2023	2022	Increase/ (Decrease)
Grants, author payments and prizes	7,849	11,590	(3,741)	232,683	271,222	(38,539)
Transfer program delivery	7,810	5,084	2,726	20,681	17,981	2,700
Arts community services	188	502	(314)	1,569	1,269	300
Net Art Bank results	140	23	117	131	113	18
Canadian Commission for UNESCO	685	596	89	1,997	1,839	158
General administration	6,140	5,502	638	17,636	17,382	254
Total	22,812	23,297	(485)	274,697	309,806	(35,109)

Grants, author payments and prizes

The decrease in the year-to-date of \$38.5M compared to the same period last year is principally explained by the Council having received extra parliamentary appropriations in 2022-23 of \$50M for the Recovery Fund for Arts, Culture, Heritage, and Sport. These additional funds will not be received this year, decreasing the grants budget by the same amount.

Assets

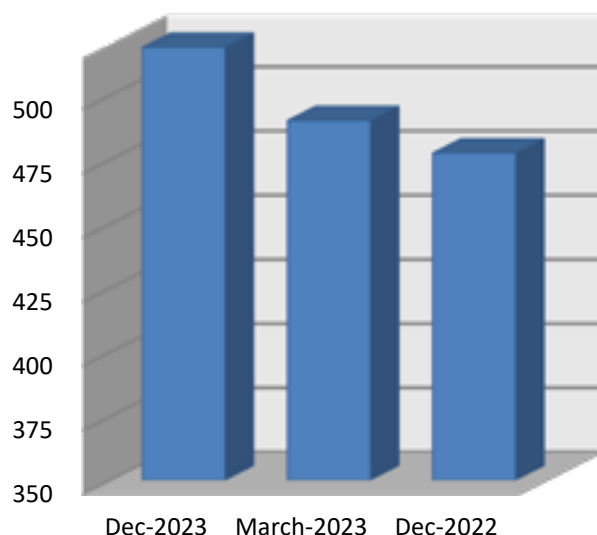
Financial Assets

(in thousands of dollars)	December 31	March 31	Increase/ (Decrease)
	2023	2023	
Cash	105,153	108,169	(3,016)
Accounts receivable	3,049	3,327	(278)
Portfolio investments	518,602	490,131	28,471
Total	626,804	601,627	25,177

Portfolio Investments

The total market value of the portfolio as at December 31, 2023 was \$518.6M, of which \$121.9M was externally restricted. This amount represents an increase of \$28.5M in market value since March 31, 2023, and an increase of \$41.1M since December 31, 2022.

(in millions of dollars)



The total fund generated a positive return of 6.2% for the quarter, underperforming the benchmark return by 0.1%. All asset classes underperformed the benchmark except for Fixed Income that surpassed the benchmark by 0.2%. The total fund one-year return was 12.0% for December 2023, underperforming the benchmark by 0.5%. All asset classes generated positive one year returns, except for real estate generating a negative return of 7.7% and underperforming the benchmark by 7.7%.

Liabilities

(in thousands of dollars)	December 31 2023	March 31 2023	Increase/ (Decrease)
Grants, author payments and prizes payable	98,669	137,292	(38,623)
Accounts payable and accrued liabilities	6,379	7,674	(1,295)
Deferred revenues	4,808	5,461	(653)
Employee future benefits	5,965	5,721	244
Externally restricted contributions	80,575	74,667	5,908
Total	196,396	230,815	(34,419)

Grants, author payments, and prizes payable

The decrease of \$38.6M compared to the value as at March 31, 2023 is explained by the \$38.5M decrease in the current year to date grants, author payments and prizes expenses due to the end of pandemic funding.

Accounts payable and accrued liabilities

The decrease of \$1.3M compared to the value as at March 31, 2023 is explained by a decrease of \$2.7M in commercial invoices offset by an increase of \$1.4M in payroll related liabilities.

Non-Financial Assets

(in thousands of dollars)	December 31 2023	March 31 2023	Increase/ (Decrease)
Tangible capital assets	7,210	8,016	(806)
Art Bank assets	19,873	19,849	24
Musical instruments	1	1	-
Prepaid expenses	2,976	362	2,614
Total	30,060	28,228	1,832

Art Bank assets

The Council owns over 17,200 works of contemporary Canadian art within its Art Bank collection. The Art Bank assets are carried at a cost of \$19.9M. The appraised value of the Art Bank assets at December 31, 2023 was approximately \$73.2M.

Musical instruments

The Council operates a Musical Instrument Bank and it currently owns a fine cello bow and twelve prestigious musical instruments. In addition, the Council manages twelve instruments on loan. The appraised value of its musical instruments as at December 31, 2023 was US \$70.9M. These are included on the Statement of Financial Position at a nominal value.

Prepaid expenses

The increase of \$2.6M in comparison to the value as at March 31, 2023 is explained by a transfer of \$2.6M to the National Research Council for the delivery of the 2023-24 Killam program.

RISK MANAGEMENT

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

The Council’s existing risk management framework consists of four key elements:

- risk governance;
- risk appetite;
- risk profile, assessment and mitigation; and,
- financial risk mitigation.

Risk Governance

The Council's risk management governance begins with oversight by its Board, either directly or through its committees, to ensure that decision-making is aligned with strategies and risk appetite. The Board receives regular updates on the Council's key risks regarding its risk profile and related mitigation, financial performance and performance of the investment portfolio. The Council's executive management is responsible for risk management under the direct oversight of the Board.

Risk Appetite

The Council follows a prudent risk-taking approach in managing its activities. It defines prudent risks as those seen to contribute to the organization's capacity to better deliver its mandate within a range of consequences that are well understood and appropriately mitigated. It manages risk within the constraints of its mandate, values, organizational culture, and both its public and internal commitments. The Council's full Risk Appetite Statement is disclosed in the 2023 Annual Financial Statements.

Risk Profile

Using the Council's risk appetite as key context, the risk profile is reviewed and updated on an annual basis. All identified risks are ranked based on likelihood and potential impact on the Council's operations with a focus on potential operational, financial, and reputational dimensions. The corporate risk profile highlighting the top risk areas and their mitigation strategies was presented to the Board in January 2023.

The risk mitigation strategies and related activities are monitored on an ongoing basis by assigned members of the executive management to reduce the risk exposure. Regular updates on these risks are provided to the Audit and Finance Committee to ensure continuous oversight and the effectiveness of the mitigation strategies that have been put in place.

Financial Risk

The Council is exposed to a variety of financial risks as a result of its activities. These include credit risk, liquidity risk and market risk. Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Council. A significant portion of the Council's receivables are normally deposited within 30-60 days after quarter-end and as such the related credit risk is very low. Liquidity risk is the risk that Council will not be able to meet its financial obligations as they fall due. The Council currently receives most of its revenues by way of Parliamentary appropriations drawn down monthly. That revenue is invested in a preferred rate account at a financial institution until it is required. The Council's investment activities are primarily exposed to price risk, interest rate risk and currency risk. The directive to the Council's investment managers is to manage the Council's market risks on a daily basis in accordance with the Council's policies. Overall market positions are monitored quarterly by the Investment Committee and the Board.

USE OF PARLIAMENTARY APPROPRIATION

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

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

The Parliamentary appropriations approved and received by the Council for the nine months ended December 31 were as follows:

	December 31	
	2023	2022
<i>(in thousands of dollars)</i>		
Approved annual operating funding		
Vote 1 - Operating costs	364,239	414,189
Supplementary Estimates	58	9,200
Compensation adjustment	53	-
Refocusing government spending	(125)	-
	364,225	423,389
Parliamentary appropriations for operating expenses recorded in the Statement of Operations for the nine-month period	(307,875)	(334,200)
Balance of operating funding to be received	56,350	89,189



Canada Council
for the Arts

Conseil des arts
du Canada

Quarterly

Financial Statements

Unaudited


These financial statements for the quarter ended December 31, 2023
have not been audited or reviewed by our Auditor

Management's Responsibility for Financial Reporting

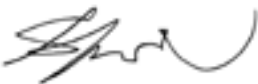
Management is responsible for the preparation and fair presentation of these quarterly financial statements in accordance with the Treasury Board of Canada Standard on Quarterly Financial Reports for Crown Corporations and for such internal controls as management determines is necessary to enable the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

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

February 29, 2024



Michelle Chawla
Director and Chief Executive Officer



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

Statement of Financial Position

(Unaudited)	December 31	March 31
(in thousands of dollars)	2023	2023
FINANCIAL ASSETS		
Cash	\$ 105,153	\$ 108,169
Accounts receivable	3,049	3,327
Portfolio investments (Note 3)	518,602	490,131
Total financial assets	626,804	601,627
LIABILITIES		
Grants, author payments and prizes payable	98,669	137,292
Accounts payable and accrued liabilities	6,379	7,674
Deferred revenues	4,808	5,461
Employee future benefits	5,965	5,721
Deferred revenues - Externally restricted contributions (Note 5)	80,575	74,667
Total liabilities	196,396	230,815
NET FINANCIAL ASSETS	430,408	370,812
NON-FINANCIAL ASSETS		
Tangible capital assets	7,210	8,016
Art Bank assets	19,873	19,849
Musical instruments	1	1
Prepaid expenses	2,976	362
Total non-financial assets	30,060	28,228
ACCUMULATED SURPLUS (Note 6)	\$ 460,468	\$ 399,040
Accumulated surplus is comprised of:		
Accumulated surplus from operations	434,730	375,530
Accumulated remeasurement gains	25,738	23,510
ACCUMULATED SURPLUS	\$ 460,468	\$ 399,040

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

Statement of Operations

(Unaudited) (in thousands of dollars)	Yearly Budget	Three months ended December 31		Nine months ended December 31	
	2023-2024	2023	2022	2023	2022
Revenue					
Net realized investment income (Note 7)	\$ 16,176	\$ 12,285	\$ 10,041	\$ 22,870	\$ 9,071
Other revenue	4,417	1,049	1,075	3,152	4,057
Total revenues	20,593	13,334	11,116	26,022	13,128
Expenses					
Transfer Programs					
Grants, author payments and prizes	321,256	7,849	11,590	232,683	271,222
Transfer program delivery	30,501	7,810	5,084	20,681	17,981
Arts community services	4,649	188	502	1,569	1,269
	356,406	15,847	17,176	254,933	290,472
Net Art Bank results (Note 8)	254	140	23	131	113
Canadian Commission for UNESCO (Note 9)	2,868	685	596	1,997	1,839
General administration	25,310	6,140	5,502	17,636	17,382
Total expenses	384,838	22,812	23,297	274,697	309,806
Deficit from operations before Parliamentary appropriations for the period	(364,245)	(9,478)	(12,181)	(248,675)	(296,678)
Parliamentary appropriations	364,239	91,875	84,200	307,875	334,200
SURPLUS (DEFICIT) FROM OPERATIONS FOR THE PERIOD	(6)	82,397	72,019	59,200	37,522
ACCUMULATED SURPLUS FROM OPERATIONS, BEGINNING OF PERIOD	375,530	352,333	330,880	375,530	365,377
ACCUMULATED SURPLUS FROM OPERATIONS, END OF PERIOD	\$ 375,524	\$ 434,730	\$ 402,899	\$ 434,730	\$ 402,899

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

Statement of Remeasurement Gains and Losses

(Unaudited) (in thousands of dollars)	Three months ended December 31		Nine months ended December 31	
	2023	2022	2023	2022
ACCUMULATED REMEASUREMENT GAINS (LOSSES), BEGINNING OF PERIOD	\$ 13,916	\$ (2,973)	\$ 23,510	\$ 31,594
Unrealized gains (losses) attributable to:				
Portfolio investments	11,912	12,455	2,623	(29,591)
Amounts reclassified to the Statement of Operations:				
Portfolio investments	(90)	(462)	(395)	7,017
NET REMEASUREMENT GAINS (LOSSES) FOR THE PERIOD	11,822	11,993	2,228	(22,574)
ACCUMULATED REMEASUREMENT GAINS, END OF PERIOD	\$ 25,738	\$ 9,020	\$ 25,738	\$ 9,020

Statement of Change in Net Financial Assets

(Unaudited) (in thousands of dollars)	Three months ended December 31		Nine months ended December 31	
	2023	2022	2023	2022
SURPLUS FROM OPERATIONS FOR THE PERIOD	\$ 82,397	\$ 72,019	\$ 59,200	\$ 37,522
Acquisition of tangible capital assets	(340)	(360)	(415)	(932)
Amortization of tangible capital assets	382	413	1,221	1,239
Acquisition of Art Bank assets	(1)	-	(24)	(3)
	41	53	782	304
Acquisition of prepaid expenses	(190)	(321)	(3,749)	(2,959)
Use of prepaid expenses	323	229	1,135	899
	133	(92)	(2,614)	(2,060)
Net remeasurement gains (losses)	11,822	11,993	2,228	(22,574)
INCREASE (DECREASE) IN NET FINANCIAL ASSETS	94,393	83,973	59,596	13,192
NET FINANCIAL ASSETS, BEGINNING OF PERIOD	336,015	298,612	370,812	369,393
NET FINANCIAL ASSETS, END OF PERIOD	\$ 430,408	\$ 382,585	\$ 430,408	\$ 382,585

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

Statement of Cash Flows

(Unaudited) (in thousands of dollars)	Three months ended December 31		Nine months ended December 31	
	2023	2022	2023	2022
Operating Transactions				
Surplus from operations for the period	\$ 82,397	\$ 72,019	\$ 59,200	\$ 37,522
Losses (gains) from disposal of portfolio investments (Note 7)	(178)	(1,784)	(640)	7,684
Dividend and other distributed income - reinvested (Note 7)	(13,887)	(8,608)	(21,681)	(14,261)
Amortization of tangible capital assets	383	413	1,222	1,239
Decrease (increase) in prepaid expenses	133	(92)	(2,614)	(2,060)
Increase in employee future benefits	107	124	244	373
Income transferred to Deferred revenues - Externally restricted contributions from investment income (Note 5)	3,539	2,497	5,647	1,486
Net change in other non-cash items (Note 10)	(62,189)	(100,113)	(40,293)	(25,753)
Cash gains (losses) by operating activities	10,305	(35,544)	1,085	6,230
Capital Transactions				
Acquisition of tangible capital assets	(340)	(360)	(415)	(932)
Acquisition of Art Bank assets	(1)	-	(24)	(3)
Cash used by capital activities	(341)	(360)	(439)	(935)
Investing Transactions				
Acquisition of portfolio investments	(3,150)	(32,530)	(12,751)	(110,052)
Disposal of portfolio investments	2,111	23,582	9,089	104,495
Cash used by investing activities	(1,039)	(8,948)	(3,662)	(5,557)
NET INCREASE (DECREASE) IN CASH	8,925	(44,852)	(3,016)	(262)
CASH, BEGINNING OF PERIOD	96,228	169,525	108,169	124,935
CASH, END OF PERIOD	\$ 105,153	\$ 124,673	\$ 105,153	\$ 124,673

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

Notes to the Financial Statements
For the period ended December 31, 2023
(Unaudited)

1. AUTHORITY, MANDATE AND ACTIVITIES

The Canada Council for the Arts (the “Council”), established by the Canada Council Act in 1957 and subsequently amended in 2001 by Bill C-40 to the Canada Council for the Arts Act, is not an agent of His Majesty and is deemed to be a registered charity for the purposes of the Income Tax Act. In accordance with section 85(1.1) of the Financial Administration Act, the Council is exempt from Divisions I to IV of Part X of this Act, except for sections 89.8 to 89.92, of Division I, subsection 105(2) and sections 113.1 and 119 of Division II, sections 131 to 148 of Division III and section 154.01 of Division IV. The Council is a Crown corporation whose objectives are to foster and promote the study and enjoyment of, and the production of works in, the arts.

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

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

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

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

Basis of preparation

These interim financial statements are intended to provide an update on the latest complete set of audited annual financial statements for the year ended March 31, 2023. Accordingly, they should be read in conjunction with the audited annual financial statements. The interim financial statements are unaudited for all periods presented. The accounting policies used in the preparation of these interim condensed financial statements are consistent with those disclosed in the Council's last audited annual financial statements.

Measurement uncertainty

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

Budgeted figures

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

3. PORTFOLIO INVESTMENTS

	Year-to-date December 31, 2023					Year-end March 31, 2023		
	Cost	Unrealized losses	Unrealized gains	Fair value		Cost	Fair value	
(in thousands of dollars)	\$	\$	\$	\$	%	\$	\$	%

Canada Council Endowment and Special Funds

Pooled funds								
Canadian Equity	48,943	236	9,766	58,473	14	46,046	57,107	14
Global Equity	202,006	8,522	18,646	212,130	49	194,850	199,501	49
Fixed income	85,083	710	2,063	86,436	20	82,752	82,899	20
Real estate	22,726	2,641	895	20,980	5	17,449	18,399	5
Infrastructure	44,131	62	9,110	53,179	12	39,544	48,623	12
	402,889	12,171	40,480	431,198	100	380,641	406,529	100

Killam Fund

Pooled funds								
Canadian Equity	10,791	143	1,066	11,714	13	11,393	12,874	15
Global Equity	41,568	1,818	3,579	43,329	50	40,118	40,783	49
Fixed income	17,480	160	424	17,744	20	17,001	17,017	20
Real estate	4,935	532	230	4,633	5	3,880	4,157	5
Infrastructure	8,506	19	1,497	9,984	12	7,152	8,771	11
	83,280	2,672	6,796	87,404	100	79,544	83,602	100
Total investments	486,169	14,843	47,276	518,602		460,185	490,131	

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

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

The Council manages two separate portfolios, the Canada Council Endowment and Special Funds and the Killam Fund. The Killam will requested that their donation be invested separately. Apart from the Killam Fund, all other externally restricted contributions are consolidated into the Canada Council Endowment and Special Funds and represent 8% (March 31, 2023 - 8%) of that Fund with a total fair value of \$34,539,000 (March 31, 2023 - \$32,563,000). The total fair value of the externally restricted investment including the Killam Fund is \$121,943,000 (March 31, 2023 - \$116,165,000).

The long-term objectives of the Canada Council Endowment and Special Funds and the Killam Fund are to generate long-term real returns to supplement the costs of administering the various programs, while maintaining the purchasing power of the endowed capital.

The Council invests in units of equity, fixed income and in limited partnership units of five real estate funds and seven infrastructure funds. The permitted and prohibited investments, the asset mix as well as some maximum holding quantity restrictions are governed by a Board approved investment policy to mitigate risk. All of the investments are managed by professional investment managers.

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

Asset Classes	Market Value	Minimum	Benchmark	Maximum
Canadian Equities	14%	10%	14%	20%
Global Equities	49%	40%	46%	55%
Fixed Income	20%	15%	20%	30%
Real Estate	5%	0%	10%	15%
Infrastructure	12%	0%	10%	15%
Money Market / Cash	0%	0%	0%	10%

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

There are a total of six equity pooled funds: two Canadian funds and four funds that are invested in the global equity markets. The Canadian equities are measured against the returns of the Standard and Poor's Toronto Stock Exchange Index (S&P/TSX). 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 fund 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%.

4. FINANCIAL RISKS AND FAIR VALUE

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

(in thousands of dollars)		Year-to-date December 31, 2023	Year-end March 31, 2023
Financial assets and liabilities and classifications	Measurement categories	Carrying amount and fair value (\$)	Carrying amount and fair value (\$)
Cash	Fair value	105,153	108,169
Accounts receivable	Amortized cost	3,049	3,327
Portfolio Investments ¹	Fair value	518,602	490,131
Grants, author payments and prizes payable	Amortized cost	98,669	137,292
Accounts payable and accrued liabilities	Amortized cost	6,379	7,674

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

a) Establishing fair value

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

The fair values of the investments are determined as follows:

- Canadian Equity, Global Equity, Fixed Income and Money Market pooled fund investments are valued at the unit values supplied by the pooled fund external managers, which represent the Council's proportionate share of the underlying net assets at fair values, determined using closing market prices.
- Real estate and Infrastructure investment values are supplied by the external fund managers using internally determined appraisals based on valuation models with unobservable inputs.

b) Fair value hierarchy

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

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs)

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

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

Financial assets at fair value

	Year-to-date December 31, 2023				Year-end March 31, 2023			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
(in thousands of dollars)	\$	\$	\$	\$	\$	\$	\$	\$
Cash								
Cash	105,153	-	-	105,153	108,169	-	-	108,169
Portfolio Investments								
Canada Council Endowment and Special Funds								
Pooled Funds								
Canadian Equity	-	58,473	-	58,473	-	57,107	-	57,107
Global Equity	-	212,130	-	212,130	-	199,501	-	199,501
Fixed Income	-	64,464	21,972	86,436	-	61,827	21,072	82,899
Real Estate	-	-	20,980	20,980	-	-	18,399	18,399
Infrastructure	-	-	53,179	53,179	-	-	48,623	48,623
Killam Fund								
Pooled Funds								
Canadian Equity	-	11,714	-	11,714	-	12,874	-	12,874
Global Equity	-	43,329	-	43,329	-	40,783	-	40,783
Fixed Income	-	13,243	4,501	17,744	-	12,700	4,317	17,017
Real Estate	-	-	4,633	4,633	-	-	4,157	4,157
Infrastructure	-	-	9,984	9,984	-	-	8,771	8,771
	-	403,353	115,249	518,602	-	384,792	105,339	490,131
Total	105,153	403,353	115,249	623,755	108,169	384,792	105,339	598,300

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

5. DEFERRED REVENUES - EXTERNALLY RESTRICTED CONTRIBUTIONS

The deferred revenues from externally restricted contributions consist of accumulated income received which has been deferred until the resources have been used for the purpose or purposes specified by the endowment. The restricted endowment principal of \$37,569,000 is required to be maintained intact and is reported under accumulated surplus from operations (see Note 6).

<i>(in thousands of dollars)</i>	Year-to-date December 31, 2023	Year-end March 31, 2023
Balance, beginning of period	\$ 74,667	\$ 75,817
Transferred from net investment income (Note 7)		
Net Investment income	5,972	4,029
Use of funds	(325)	(2,711)
	5,647	1,318
Unrealized gains (losses) on portfolio investments	464	(2,625)
Reclassified to statement of operations - portfolio investments	(203)	157
Balance at end of period	\$ 80,575	\$ 74,667

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

6. ACCUMULATED SURPLUS

(in thousands of dollars)	Year-to-date December 31, 2023	Year-end March 31, 2023
Accumulated surplus from operations		
Endowment - Original contribution	\$ 50,000	\$ 50,000
Endowment principal – Externally restricted contributions	37,569	37,569
Reserve for excess investment income		
Balance at beginning of period	261,445	253,445
Appropriated from the accumulated surplus during the period	-	8,000
Balance at end of period	261,445	261,445
Surplus		
Balance at beginning of period	26,516	24,363
Appropriated to the reserve for excess investment income during the period	-	(8,000)
Surplus for the period	59,200	10,153
Balance at end of period	85,716	26,516
Total accumulated surplus from operations	434,730	375,530
Accumulated rereasurement gains (losses)		
Balance at beginning of period	23,510	31,594
Change in fair value	2,228	(8,084)
Balance at end of period	25,738	23,510
Balance of accumulated surplus at end of period	\$ 460,468	\$ 399,040

7. NET REALIZED INVESTMENT INCOME

(in thousands of dollars)	Three months ended December 31		Nine months ended December 31	
	2023	2022	2023	2022
Gains (losses) from disposal of portfolio investments	\$ 178	\$ 1,784	\$ 640	\$ (7,684)
Transfer to deferred revenues -				
Externally restricted contributions (Note 5)	(3,539)	(2,497)	(5,647)	(1,486)
Net gains (losses) on foreign exchange	18	32	26	43
Dividend and other distributed income - reinvested	13,887	8,608	21,681	14,261
Interest, dividend and other distributed income - cashed	2,042	2,750	7,464	5,436
Investment portfolio management costs	(301)	(636)	(1,294)	(1,499)
	\$ 12 285	\$ 10,041	\$ 22 870	\$ 9,071

8. NET ART BANK RESULTS

(in thousands of dollars)	Three months ended December 31		Nine months ended December 31	
	2023	2022	2023	2022
Rental revenue	\$ (428)	\$ (447)	\$ (1,286)	\$ (1,235)
Other income	(50)	(57)	(131)	(144)
Administration expense	617	526	1,546	1,489
Amortization of tangible capital assets	1	1	2	3
	\$ 140	\$ 23	\$ 131	\$ 113

9. CANADIAN COMMISSION FOR UNESCO

(in thousands of dollars)	Three months ended December 31		Nine months ended December 31	
	2023	2022	2023	2022
Program expenses	\$ 162	\$ 115	\$ 685	\$ 723
Program - contributions received	(25)	71	(25)	(154)
Administration expense	548	410	1,337	1,270
	\$ 685	\$ 596	\$ 1,997	\$ 1,839

10. NET CHANGE IN OTHER NON CASH ITEMS

(in thousands of dollars)	Three months ended December 31		Nine months ended December 31	
	2023	2022	2023	2022
Decrease (Increase) in accounts receivable	\$ (349)	\$ (9,783)	\$ 278	\$ (1,259)
Decrease in grants, author payments and prizes payable	(62,707)	(89,647)	(38,623)	(20,080)
Increase (Decrease) in accounts payable and accrued liabilities	1,109	(645)	(1,295)	(3,903)
Decrease in deferred revenues	(242)	(38)	(653)	(511)
Net change	\$ (62,189)	\$ (100,113)	\$ (40,293)	\$ (25,753)

11. RELATED PARTY TRANSACTIONS

The Council is related in terms of common ownership to all Government of Canada departments, agencies and Crown corporations. Other related parties of the Council are key management personnel, close family members of key management personnel and entities that are controlled, significantly influenced by, or for which significant voting power is held by key management personnel or their close family members. The Council enters into transactions with related parties in the normal course of business on normal trade terms applicable to all individuals and enterprises, and these transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.