



Canada Council
for the Arts

Conseil des arts
du Canada

Quarterly

Financial Report

Unaudited

Period ended December 31, 2024
have not been audited or reviewed by our Auditor



Canada Council
for the Arts

Conseil des arts
du Canada

Management Discussion and Analysis

Quarterly Report

Period ended December 31, 2024
Published February 28, 2025

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, 2024 as set out in the accompanying unaudited quarterly financial statements. These statements are disclosed in accordance with the requirements of section 131.1 of the Financial Administration Act and are prepared in accordance with Canadian Public Sector Accounting Standards (PSAS) as promulgated by the Chartered Professional Accountants (CPA) of Canada.

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

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

HIGHLIGHTS

Arts Community Pulse Survey

- In December 2024, the Council published the [outcomes of the Arts Community Pulse Survey](#), a research project to better understand the challenges and needs of the arts sector. The survey provides an accurate and up-to-date picture of the current state of the sector nationally. It was completed by over 7,000 artists, arts groups and organizations from all artistic disciplines and all provinces and territories.
- The findings from the survey signal that the arts sector is still grappling with major challenges, including financial, operational, workforce and mental health issues, affecting individual artists and arts organizations. Respondents emphasized the importance of public funding in addressing these challenges and that additional funding is needed for sectoral transformation.

Peer Assessment Process Research

- In December 2024, the Council [published the results of a research project on its peer assessment process](#). This project aimed to better understand the effectiveness of the Council's current peer assessment practices and explore ways to improve the process from the perspectives of peer assessors and staff. Given that granting is the Council's primary mechanism of support to the sector, this evaluation was a critical undertaking to understand the effectiveness of the organization's peer assessment process, which is a foundational part of the way Council's grants are awarded. The Council is integrating the findings and recommendations from this research to guide improvements to its assessment processes.

Arts Service Organizations (ASOs) Engagement Sessions

- From November 20 to 21, the Council hosted Confluence. The gathering brought together Arts Service Organizations (ASOs) with territorial, provincial, and municipal arts funders and philanthropic foundations at the Council's offices in Ottawa and online. The convening was an effort to broaden an exchange amongst ASOs, discuss pressing issues in concert with funders, and create an intentional and well-supported space to think through possible ways forward.
- The gathering was the first of its kind to bring together ASOs and funders from different levels of government to discuss topical issues impacting the arts sector, ranging from the current state of the sector to arts sector transformation.

2024 Governor General's Literary Awards (GGBooks)

- On November 13, the Council announced the 2024 winners of the [Governor General's Literary Awards \(GGBooks\)](#). These 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, across seven categories in English and French, were chosen by the same 14 peer assessment committees that selected the 35 English-language and 35 French-language finalists. Peer assessment committees followed a rigorous process in their deliberations and selection of the winners from among the 1,529 nominated books (978 in English and 551 in French) published in Canada in 2023–24.

Accessibility Progress Report

- On November 27, 2024, the Council published its [2024 Accessibility Progress Report](#), which highlights the progress made against the actions identified in the [2023-2025 Accessibility Plan](#) launched at the end of 2022 in compliance with the Accessible Canada Act.

Operational changes

No changes.

Leadership and Governance changes

- On November 5, Lise Ann Johnson, previously acting, was officially appointed as the Director General of Arts Granting Programs.

Overview of the Third Quarter Net Results

(in thousands of dollars)	Three months ended December 31			Nine months ended December 31		
	2024	2023	Variance	2024	2023	Variance
Revenue	12,589	13,334	(745)	22,938	26,022	(3,084)
Expenses	(56,338)	(22,812)	(33,526)	(300,781)	(274,697)	(26,084)
Government funding	94,000	91,875	2,125	297,939	307,875	(9,936)
Surplus (deficit) for the period	50,251	82,397	(32,146)	20,096	59,200	(39,104)

The surplus for the quarter was \$50.3M compared to \$82.4M for the same period last year. The negative variance of \$32.1M, is mainly due to increased grants, author payments and prizes awarded during the quarter.

The surplus for the year to date was \$20.1M, compared to \$59.2M for the same period last year. This negative variance of \$39.1M is largely driven by an increase in \$21.8M in Grants, author payments and prizes awarded in the year. In addition, Parliamentary Appropriations compared to year to date last year are \$9.9M lower, as a greater portion of its funding is required in the later part of the fiscal year.

Revenues

(in thousands of dollars)	Three months ended December 31			Nine months ended December 31		
	2024	2023	Increase / (Decrease)	2024	2023	Increase / (Decrease)
Net realized investment income	12,081	12,285	(204)	20,566	22,870	(2,304)
Other revenue	508	1,049	(541)	2,372	3,152	(780)
Total	12,589	13,334	(745)	22,938	26,022	(3,084)

Net realized investment income

Net realized investment income for the year to date is lower than the same period last year due to decrease in market returns.

Expenses

(in thousands of dollars)	Three months ended December 31			Nine months ended December 31		
	2024	2023	Increase / (Decrease)	2024	2023	Increase / (Decrease)
Grants, author payments and prizes	40,341	7,849	32,492	254,484	232,683	21,801
Transfer program delivery	8,951	7,810	1,141	24,314	20,681	3,633
Arts community services	1,089	188	901	1,714	1,569	145
Net Art Bank results	(14)	140	(154)	22	131	(109)
Canadian Commission for UNESCO	564	685	(121)	2,613	1,997	616
General administration	5,407	6,140	(733)	17,634	17,636	(2)
Total	56,338	22,812	33,526	300,781	274,697	26,084

Grants, author payments and prizes

The increase in grants, author payments and prizes of \$32.5M during Q3 is due to the timing of grant competitions this year that are less heavily weighted to the last quarter of the year. In particular, Explore and Create has had 3 out of 4 deadlines this year compared to 1 of 2 deadlines in prior years.

Transfer program delivery

The increase in year to date transfer program delivery expenses of \$3.6M is largely due to the change in accounting treatment of costs associated with the development of the updated user portal of \$3.5M of which are now being allocated to transfer program delivery. Previously, all technology solution expenses were reported under administration expenses. However, upon review, it was decided that expenses strictly for improving the granting systems should be reported under transfer program delivery.

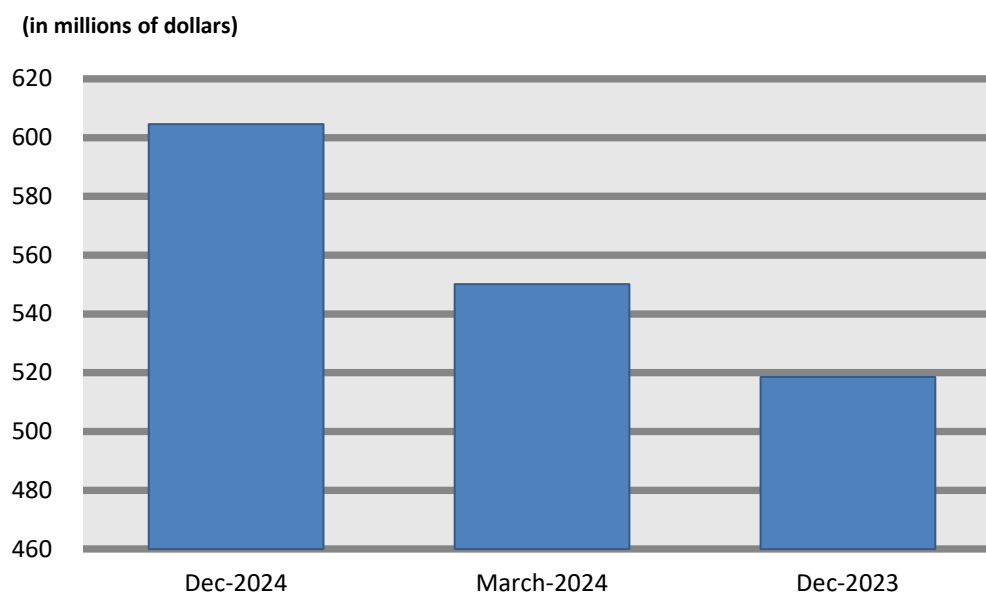
Assets

Financial Assets

(in thousands of dollars)	December 31 2024	March 31 2024	Increase / (Decrease)
Cash	61,571	48,519	13,052
Accounts receivable	4,103	4,492	(389)
Portfolio investments	604,603	550,098	54,505
Total	670,277	603,109	67,168

Portfolio Investments

The total market value of the portfolio as at December 31, 2024 was \$604.6M. This amount represents an increase of \$67.2M in market value since March 31, 2024 and an increase of \$86.0M since December 31, 2023. This increase over the past 12 months is attributed to general market growth.



The total fund generated a positive return of 3.2% for the quarter, performing slightly below the benchmark of 3.6%. Fixed Income and Infrastructure surpassed their benchmark by 0.1% and 1.9% respectively. Real Estate performed the same as its benchmark. Canadian Equity and Global Equities underperformed compared to their benchmark by 1.9% and 0.8% respectively.

The total fund one-year return was 16.8% for December 2024, underperforming the benchmark by 0.7%. All asset classes generated positive one-year returns.

Liabilities

(in thousands of dollars)	December 31 2024	March 31 2024	Increase / (Decrease)
Grants, author payments and prizes payable	95,345	86,965	8,380
Accounts payable and accrued liabilities	5,710	7,206	(1,496)
Deferred revenues	7,252	5,049	2,203
Employee future benefits	6,284	5,955	329
Externally restricted contributions	99,759	86,389	13,370
Total	214,350	191,564	22,786

Grants, author payments, and prizes payable

The increase of \$8.4M since March 31, 2024 is due to funding of grants to certain organizations becoming payable in the new financial year. Since September 30, 2024 the outstanding Grants, author payments and prizes payable has decreased by \$33.7M from \$129.0M.

Accounts payable and accrued liabilities

The decrease of \$1.5M compared to the value as at March 31, 2024 is largely explained by a decrease in accrued payroll of \$1.0M.

Deferred revenues

The increase of \$2.2M compared to the value as at March 31, 2024 is explained by a \$1.2M return of unused funds from the National Research Council for the 2023-24 Killam Prize, to be held in deferred revenue until disbursed, or to be reinvested upon approval by the Killam trustees. In addition, Council received \$1.3M of restricted bequests.

Externally restricted contributions

The increase of \$13.4M compared to the value at March 31, 2024 is due to positive market returns, detailed in Note 6 of the Financial Statements.

Non-Financial Assets

(in thousands of dollars)	December 31 2024	March 31 2024	Increase / (Decrease)
Tangible capital assets	5,892	6,806	(914)
Art Bank assets	19,964	19,924	40
Musical instruments	1	1	-
Prepaid expenses	3,590	1,490	2,100
Total	29,447	28,221	1,226

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 \$20.0M. The appraised value of the Art Bank assets at December 31, 2024 was approximately \$73.2M.

Musical instruments

The Council operates a Musical Instrument Bank and it currently owns a fine cello bow and twelve prestigious musical instruments. In addition, the Council manages thirteen instruments and a fine violin bow on loan. The appraised value of its musical instruments as at December 31, 2024 was US \$72.9M. These are included on the Statement of Financial Position at a nominal value.

Prepaid expenses

The increase of \$2.1M in comparison to the value as at March 31, 2024 is explained by a transfer of \$2.7M to the National Research Council for the delivery of the 2024-25 Killam program, offset by the recognition of prepaid annual insurance plan expenses and software licenses amounting to \$0.5M.

RISK MANAGEMENT

Effective risk management is fundamental to the success of the Council in fulfilling its mandate. The Council continues to develop a strong 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 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 and related mitigation, financial performance and performance of the investment portfolio. The Council's executive management is responsible for risk management under the direct oversight of the Board.

Risk Appetite

The Council follows a prudent risk-taking approach in managing its activities. It defines prudent risks as those seen to contribute to the organization's capacity to better deliver its mandate within a range of consequences that are well understood and appropriately mitigated. It manages risk within the constraints of its mandate, values, organizational culture, and both its public and internal commitments. The Council's full Risk Appetite Statement is disclosed in the 2024 Annual Financial Statements.

Risk Profile

Using the Council's risk appetite, 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 business with a focus on potential operational, financial, and reputational dimensions. The corporate risk profile highlighting the top risk areas and their mitigation strategies was presented to the Board in January 2024.

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

Financial Risk

The Council is exposed to a variety of financial risks as a result of its activities. These include credit risk, liquidity risk and market risk. Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Council. A significant portion of the Council's receivables are deposited within 30-60 days after quarter-end and as such the related credit risk is very low. Liquidity risk is the risk that Council will not be able to meet its financial obligations as they fall due.

The Council currently receives most of its revenues by way of Parliamentary appropriations drawn down monthly. That revenue is invested in a preferred rate account at a financial institution until it is required. The Council's investment activities are primarily exposed to price risk, interest rate risk and currency risk. The directive to the Council's investment managers is to manage the Council's market risks on a daily basis in accordance with the Council's policies. Overall market positions are monitored quarterly by the Investment Committee and the Board.

USE OF PARLIAMENTARY APPROPRIATION

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

The Council receives its main funding through an appropriation 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 analysis of its cash flow needs to the Department of Canadian Heritage to support its monthly drawdown of 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:

(in thousands of dollars)	December 31	
	2024	2023
Approved annual operating funding		
Vote 1 - Operating costs	363,531	364,239
Parliamentary appropriations for operating expenses recorded in the Statement of Operations for the nine-month period	(297,939)	(307,875)
Balance of operating funding to be received	65,592	56,364



Canada Council
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Quarterly

Financial Statements

Unaudited

These financial statements for the quarter ended December 31, 2024
have not been audited or reviewed by our Auditor

Management's Responsibility for Financial Reporting

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

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

February 28, 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)	2024	2024
FINANCIAL ASSETS		
Cash	61,571	48,519
Accounts receivable	4,103	4,492
Portfolio investments (Note 4)	604,603	550,098
Total financial assets	670,277	603,109
LIABILITIES		
Grants, author payments and prizes payable	95,345	86,965
Accounts payable and accrued liabilities	5,710	7,206
Deferred revenues	7,252	5,049
Employee future benefits	6,284	5,955
Deferred revenues - Externally restricted contributions (Note 6)	99,759	86,389
Total liabilities	214,350	191,564
NET FINANCIAL ASSETS	455,927	411,545
NON-FINANCIAL ASSETS		
Tangible capital assets	5,892	6,806
Art Bank assets	19,964	19,924
Musical instruments	1	1
Prepaid expenses	3,590	1,490
Total non-financial assets	29,447	28,221
ACCUMULATED SURPLUS (Note 7)	485,374	439,766
Accumulated surplus is comprised of:		
Accumulated surplus from operations	406,908	386,812
Accumulated remeasurement gains	78,466	52,954
ACCUMULATED SURPLUS	485,374	439,766

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

Statement of Operations

(Unaudited)	Yearly Budget	Three months ended December 31		Nine months ended December 31	
	2024- 2025	2024	2023	2024	2023
<i>(in thousands of dollars)</i>					
Revenue					
Net realized investment income (Note 8)	20,119	12,081	12,285	20,566	22,870
Other revenue	3,542	508	1,049	2,372	3,152
Total revenues	23,661	12,589	13,334	22,938	26,022
Expenses					
Transfer Programs					
Grants, author payments and prizes	316,687	40,341	7,849	254,484	232,683
Transfer program delivery	35,115	8,951	7,810	24,314	20,681
Arts community services	3,802	1,089	188	1,714	1,569
	355,604	50,381	15,847	280,512	254,933
Net Art Bank results (Note 9)	62	(14)	140	22	131
Canadian Commission for UNESCO (Note 10)	2,544	564	685	2,613	1,997
General administration	28,976	5,407	6,140	17,634	17,636
Total expenses	387,186	56,338	22,812	300,781	274,697
Deficit from operations before Parliamentary appropriations for the period	(363,525)	(43,749)	(9,478)	(277,843)	(248,675)
Parliamentary appropriations	363,531	94,000	91,875	297,939	307,875
SURPLUS (DEFICIT) FROM OPERATIONS FOR THE PERIOD	6	50,251	82,397	20,096	59,200
ACCUMULATED SURPLUS FROM OPERATIONS, BEGINNING OF PERIOD	386,812	356,657	352,333	386,812	375,530
ACCUMULATED SURPLUS FROM OPERATIONS, END OF PERIOD	386,818	406,908	434,730	406,908	434,730

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	
	2024	2023	2024	2023
ACCUMULATED REMEASUREMENT GAINS (LOSSES), BEGINNING OF PERIOD	74,262	13,916	52,954	23,510
Unrealized gains attributable to:				
Portfolio investments	4,404	11,912	25,995	2,623
Amounts reclassified to the Statement of Operations:				
Portfolio investments	(200)	(90)	(483)	(395)
NET REMEASUREMENT GAINS (LOSSES) FOR THE PERIOD	4,204	11,822	25,512	2,228
ACCUMULATED REMEASUREMENT GAINS (LOSSES), END OF PERIOD	78,466	25,738	78,466	25,738

Statement of Change in Net Financial Assets

(Unaudited) (in thousands of dollars)	Three months ended December 31		Nine months ended December 31	
	2024	2023	2024	2023
SURPLUS (DEFICIT) FROM OPERATIONS FOR THE PERIOD	50,251	82,397	20,096	59,200
Acquisition of tangible capital assets	(8)	(340)	(20)	(415)
Amortization of tangible capital assets	309	382	934	1,221
Acquisition of Art Bank assets	(39)	(1)	(40)	(24)
	262	41	874	782
Acquisition of prepaid expenses	(1,113)	(190)	(5,324)	(3,749)
Use of prepaid expenses	358	323	3,224	1,135
	(755)	133	(2,100)	(2,614)
Net remeasurement gains (losses)	4,204	11,822	25,512	2,228
INCREASE (DECREASE) IN NET FINANCIAL ASSETS	53,962	94,393	44,382	59,596
NET FINANCIAL ASSETS, BEGINNING OF PERIOD	401,965	336,015	411,545	370,812
NET FINANCIAL ASSETS, END OF PERIOD	455,927	430,408	455,927	430,408

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	
	2024	2023	2024	2023
Operating Transactions				
Surplus (deficit) from operations for the period	50,251	82,397	20,096	59,200
Losses (gains) from disposal of portfolio investments (Note 8)	(450)	(178)	(1,499)	(640)
Dividend and other distributed income - reinvested (Note 8)	(13,663)	(13,887)	(21,341)	(21,681)
Amortization of tangible capital assets	309	383	934	1,222
Decrease (increase) in prepaid expenses	(755)	133	(2,100)	(2,614)
Increase in employee future benefits	110	107	329	244
Income transferred (from) to Deferred revenues - Externally restricted contributions from (to) investment income (Note 6)	3,465	3,539	5,378	5,647
Net change in other non-cash items (Note 11)	(32,436)	(62,189)	9,476	(40,293)
Cash gains (losses) by operating activities	6,831	10,305	11,273	1,085
Capital Transactions				
Acquisition of tangible capital assets	(8)	(340)	(20)	(415)
Acquisition of Arts Bank assets	(40)	(1)	(41)	(24)
Cash used by capital activities	(48)	(341)	(61)	(439)
Investing Transactions				
Acquisition of portfolio investments	276	(3,150)	(456)	(12,751)
Disposal of portfolio investments	572	2,111	2,296	9,089
Cash provided by (used by) investing activities	848	(1,039)	1,840	(3,662)
NET INCREASE IN CASH	7,631	8,925	13,052	(3,016)
CASH, BEGINNING OF PERIOD	53,940	96,228	48,519	108,169
CASH, END OF PERIOD	61,571	105,153	61,571	105,153

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

Notes to the Financial Statements

For the period ended December 31, 2024

(Unaudited)

1. AUTHORITY, MANDATE AND ACTIVITIES

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

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

Basis of preparation

These interim financial statements are intended to provide an update on the latest complete set of audited annual financial statements for the year ended March 31, 2024. Accordingly, they should be read in conjunction with the audited annual financial statements. The interim financial statements are unaudited for all periods presented. The accounting policies used in the preparation of these interim condensed financial statements are consistent with those disclosed in the Council’s last audited annual financial statements.

Measurement uncertainty

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

Notes to the Financial Statements (continued)
For the period ended December 31, 2024
(Unaudited)

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, 2024					Year-end March 31, 2024		
	Cost	Unrealized losses	Unrealized gains	Fair value		Cost	Fair value	
(in thousands of dollars)	\$	\$	\$	\$	%	\$	\$	%

Canada Council Endowment and Special Funds

Pooled funds								
Canadian Equity	52,823	-	16,168	68,991	14%	48,860	62,945	14
Global Equity	208,584	(1,916)	57,570	264,239	53%	197,610	234,125	51
Fixed income	88,463	(226)	2,899	91,135	18%	85,927	86,007	19
Real estate	23,084	(2,494)	645	21,235	4%	22,811	20,909	5
Infrastructure	43,034		12,984	56,018	11%	43,391	52,508	11
	415,988	(4,636)	90,266	501,618	100%	398,599	456,494	100

Killam Fund

Pooled funds								
Canadian Equity	11,557	-	2,297	13,853	14%	10,776	12,602	13
Global Equity	42,904	(453)	11,486	53,936	52%	40,660	47,815	51
Fixed income	18,173	(61)	595	18,708	18%	17,653	17,655	19
Real estate	5,007	(519)	164	4,652	5%	4,952	4,610	5
Infrastructure	9,508		2,328	11,836	11%	9,497	10,922	12
	87,149	(1,033)	16,870	102,985	100%	83,538	93,604	100
Total investments	503,137	(5,669)	107,136	604,603		482,137	550,098	

Notes to the Financial Statements (continued)

For the period ended December 31 2024

(Unaudited)

Unrealized gains/losses on investments are primarily due to the timing of the market prices, foreign exchange movements.

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

The Council manages two separate portfolios, the Canada Council Endowment and Special Funds and the Killam Fund. The Killam will requested that their donation be invested separately. Apart from the Killam Fund, all other externally restricted contributions are consolidated into the Canada Council Endowment and Special Funds and represent 8% (March 31, 2024 - 8%) of that Fund with a total fair value of \$40,180,000 (March 31, 2024 - \$36,565,000). The total fair value of the externally restricted investment including the Killam Fund is \$143,165,000 (March 31, 2024 - \$130,169,000).

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

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

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

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

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

Investments in the equity pooled funds are comprised of units of six pooled funds, two Canadian funds and four funds that are invested in global equity markets. The Canadian equities are measured against the returns of the Standard and Poor's Toronto Stock Exchange (S&P/TSX) Index.

Notes to the Financial Statements (continued)
 For the period ended December 31, 2024
 (Unaudited)

The global equities are measured against the returns of the Morgan Stanley Capital International (MSCI) All Country World Index. Investments in the fixed income pooled funds are comprised of a mix of bonds, mortgages, emerging debt and other fixed income instruments.

The Universe Bonds' portion of the fixed income funds is measured against the returns of the FTSE Canada Universe Bond Index and the Mortgages' portion is measured against the FTSE Canada Short-Term Overall Bond Index.

The assets included in the real estate funds are commercial real estate properties in Canada, the United States and globally. These investments are measured against 50% the NFI ODCE Index and 50% the MSCI/REALPAC Canada Quarterly Property Fund Index.

The infrastructure funds include portfolios of diversified infrastructure investments. These investments are measured against the Consumer Price Index (CPI) plus 4.5%.

4. FINANCIAL RISKS AND FAIR VALUE

The measurement categories of the 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, 2024	Year-end March 31, 2024
Financial assets and liabilities and classifications	Measurement categories	Carrying amount and fair value (\$)	Carrying amount and fair value (\$)
Cash	Fair value	61,571	48,519
Accounts receivable	Amortized cost	4,103	4,492
Portfolio Investments ¹	Fair value	604,603	550,098
Grants, author payments and prizes payable	Amortized cost	95,345	86,965
Accounts payable and accrued liabilities	Amortized cost	5,710	7,206

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

Notes to the Financial Statements (continued)

For the period ended December 31, 2024

(Unaudited)

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:

Notes to the Financial Statements (continued)
For the period ended December 31, 2024
(Unaudited)

Financial assets at fair value

	Year-to-date December 31, 2024				Year-end March 31, 2024			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
(in thousands of dollars)	\$	\$	\$	\$	\$	\$	\$	\$
Cash	61,571	-	-	61,571	48,519	-	-	48,519

Portfolio Investments

Canada Council Endowment and Special Funds

Pooled Funds								
Canadian Equity	68,991		68,991		-	62,945	-	62,945
Global Equity	264,239		264,239		-	234,126	-	234,126
Fixed Income	67,760	23,375	91,135		-	63,893	22,114	86,007
Real Estate		21,235	21,235		-	-	20,908	20,908
Infrastructure		56,018	56,018		-	-	52,508	52,508

Killam Fund

Pooled Funds								
Canadian Equity	13,853		13,853		-	12,601	-	12,601
Global Equity	53,936		53,936		-	47,815	-	47,815
Fixed Income	13,919	4,789	13,708		-	13,126	4,530	17,656
Real Estate		4,652	4,652		-	-	4,610	4,610
Infrastructure		11,836	11,836		-	-	10,922	10,922
	-	482,698	121,905	599,603	-	434,506	115,592	550,098
Total	61,571	482,698	121,905	661,174	48,519	434,506	115,592	598,617

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

Notes to the Financial Statements (continued)
For the period ended December 31, 2024
(Unaudited)

5. DEFERRED REVENUES - EXTERNALLY RESTRICTED CONTRIBUTIONS

The deferred revenues from externally restricted contributions consist of accumulated income received which has been deferred until the resources have been used for the purpose or purposes specified by the endowment. The original contribution endowment of \$50,000,000 and the restricted endowment principal of \$37,569,000 are required to be maintained intact and are reported under accumulated surplus from operations (see Note 6)

<i>(in thousands of dollars)</i>	Year-to-date December 31, 2024	Year-end March 31, 2024
Balance, beginning of period	86,389	74,667
Transferred from net investment income (Note 8)		
Net Investment income	5,716	5,203
Use of funds	(338)	(2,054)
	5,378	3,149
Unrealized losses on portfolio investments	8,142	8,781
Reclassified to statement of operations - portfolio investments	(150)	(208)
Balance at end of period	99,759	86,389

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

Notes to the Financial Statements (continued)
For the period ended December 31, 2024
(Unaudited)

6. ACCUMULATED SURPLUS

<u>(in thousands of dollars)</u>	Year-to-date December 31, 2024	Year-end March 31, 2024
Accumulated surplus from operations		
Endowment - Original contribution	50,000	50,000
Endowment principal – Externally restricted contributions	37,569	37,569
Reserve for excess investment income		
Balance at beginning of period	271,445	261,445
Appropriated from the accumulated surplus during the period	-	10,000
Balance at end of period	271,445	271,445
Surplus		
Balance at beginning of period	27,798	26,516
Appropriated to the reserve for excess investment income during the period	-	(10,000)
Surplus (deficit) for the period	20,096	11,282
Balance at end of period	47,894	27,798
Total accumulated surplus from operations	406,908	386,812
Accumulated remeasurement gains (losses)		
Balance at beginning of period	52,954	23,510
Change in fair value	25,512	29,444
Balance at end of period	78,466	52,954
Balance of accumulated surplus at end of period	485,374	439,766

Notes to the Financial Statements (continued)
For the period ended December 31, 2024
(Unaudited)

7. NET REALIZED INVESTMENT INCOME

(in thousands of dollars)	Three months ended December 31		Nine months ended December 31	
	2024	2023	2024	2023
Gains (losses) from disposal of portfolio investments	450	178	1,499	640
Transfer from (to) deferred revenues -				
Externally restricted contributions (Note 6)	(3,465)	(3,539)	(5,378)	(5,647)
Net gains (losses) on foreign exchange	38	18	78	26
Dividend and other distributed income - reinvested	13,663	13,887	21,341	21,681
Interest, dividend and other distributed income - cashed	2,205	2,042	4,281	7,464
Investment portfolio management costs	(810)	(301)	(1,255)	(1,294)
	12,081	12,285	20,566	22,870

8. NET ART BANK RESULTS

(in thousands of dollars)	Three months ended December 31		Nine months ended December 31	
	2024	2023	2024	2023
Rental revenue	(445)	(428)	(1,336)	(1,286)
Other income	(100)	(50)	(197)	(131)
Administration expense	531	617	1,555	1,546
Amortization of other capital assets	-	1	-	2
	(14)	140	22	131

9. CANADIAN COMMISSION FOR UNESCO

(in thousands of dollars)	Three months ended December 31		Nine months ended December 31	
	2024	2023	2024	2023
Program expenses	175	162	1,481	685
Program - contributions received	-	(25)	(40)	(25)
Administration expense	389	548	1,172	1,337
	564	685	2,613	1,997

Notes to the Financial Statements (continued)
For the period ended December 31, 2024
(Unaudited)

10. NET CHANGE IN OTHER NON CASH ITEMS

(in thousands of dollars)	Three months ended December 31		Nine months ended December 31	
	2024	2023	2024	2023
(Increase) decrease in accounts receivable	309	3,700	389	627
(Increase) decrease in grants, author payments and prizes payable	(33,659)	11,391	8,380	24,084
Decrease in accounts payable and accrued liabilities	911	(1,182)	(1,496)	(2,404)
Increase (Decrease) in deferred revenues	3	(956)	2,203	(411)
Net change	(32,436)	12,953	9,476	21,896

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.