



Canada Council  
for the Arts

Conseil des arts  
du Canada



Annual Report  
2013-14

# Bringing the arts to life



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for the Arts

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du Canada

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Canada

Cover: *Où tu vas quand tu dors en marchant...?*, 2013,  
production of Carrefour international de théâtre,  
Québec. The Canada Council supports the Carrefour  
through its Theatre International Program.  
Photo: Francis Gagnon

Cover photo: Canada Council for the Arts / Francis Gagnon  
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The 57<sup>th</sup> Annual Report of the Canada Council for the Arts  
and supplementary information on grants, services and  
awards are available on the Council's website.

## Mandate

For close to 60 years, the Canada Council for the Arts, Canada's national arts funder, has been contributing to a vibrant arts scene that enriches the lives of all Canadians.

The Canada Council offers a broad range of grants, services and prizes to professional Canadian artists and arts organizations. As a result, Canadians across the country have access to the arts in their communities. The Council's grant decisions are based on the recommendations of peer assessment committees, made up of artists and arts professionals from all parts of Canada.

The Council raises public awareness and appreciation of the arts through its communications, research and arts promotion activities. Its prizes and fellowships celebrate creativity by recognizing exceptional Canadians in the arts, humanities and sciences.

The Canadian Commission for UNESCO operates within the Council.

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

As a federal Crown corporation, the Council reports to Parliament through the Minister of Canadian Heritage and Official Languages. Its annual budget allocation from Parliament is supplemented by endowment income, donations and bequests.





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“The arts hold a promise to help solve, through creativity, the big challenges of the day – and of the future.”

Joseph L. Rotman, Chair  
Remarks to CORIM, *Investing in Creativity: A National Priority*



## Message from the Chair

Over the course of my career as a businessman and Board member of several innovative arts and health sciences organizations, I've become convinced of the importance of creativity, particularly in our digital age. Creativity is what we, as humans, bring to our relationship with technology. Often found at the intersection of the arts and the sciences, it inspires us to discover new ways of expressing and understanding the world around us. It leads us to innovate. Now, in the sixth year of my mandate as Chair, I believe more than ever that the Canada Council, by funding artists and arts organizations across the country, creates the optimal conditions for creativity and innovation to thrive in our society. That's why we are working to be a leading national voice for the importance of the arts in our daily lives.

The Council has earned this leadership role by forging strong connections with its stakeholders. In the past year it deepened and expanded a national conversation on public engagement throughout its work with the arts community, and made it top of the agenda in meetings with National Arts Service Organizations (NASOs), Canadian Public Arts Funders (CPAF) and tri-level networks across Canada. Our leadership in engaging stakeholders was formally recognized in 2013 with an inaugural Excellence in Governance Award from the Canadian Society of Corporate Secretaries (CSCS). As Chair, I am proud to acknowledge the superb performance of our staff in attaining this recognition.

The Board of the Canada Council is increasingly active in amplifying the dialogue on the value of the arts. This past year, my colleagues spoke at several events across the country, including the Kelowna Cultural Summit, the Atlantic Provinces Art Galleries Association, the Annual General Meeting of the Canadian Commission for UNESCO, and the National Forum on the Literary Arts. Last fall I shared – with over 200 members of Montréal's business community (CORIM) – reflections on my career experiences and how they led to my deep conviction that the arts are vital to our development as individuals, as communities, as a country.

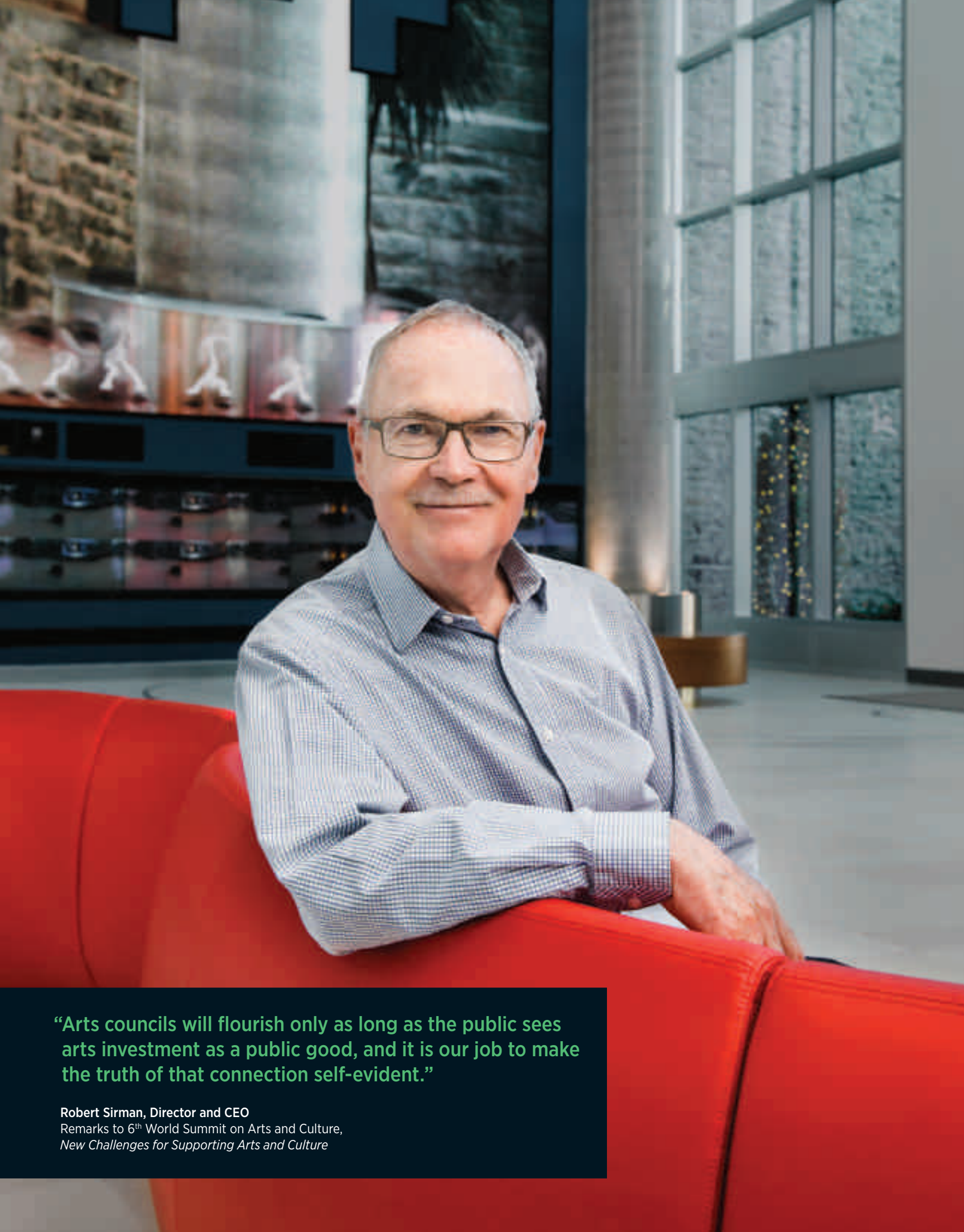
The Council's Annual Public Meeting was another occasion to exchange with a full-house audience, in person and online (through live broadcasting). The presence at the APM reception of the Honourable Shelly Glover, Minister of Canadian Heritage and Official Languages, underlined the importance of the Council's work for artists and Canadians, as did the Federal Budget which maintained the Council's funding and recommended making permanent an existing \$25-million appropriation that would otherwise sunset in 2015. The Board takes this vote of confidence seriously and will continue to be vigilant in optimizing this investment for the people of Canada.

It was a year of change and transition for the Board and senior management. We welcomed several new appointments, including Isabelle Hudon, Nathalie Bondil and Beverley K. Foy. We also bid farewell to Board members Susan Mary (Dyer) Knight and Rosemary L. Vodrey, and gratefully acknowledge their dedication to the Council and their ongoing commitment to the arts. On behalf of the Board, I would like to thank Robert Sirman for his stellar contribution as he completes two mandates (eight years) as Director and CEO. Bob guided the Council through two strategic planning exercises, crystallized a vision for the organization and strengthened the Council's capacity to respond to an ever-changing arts ecology – all this during a difficult economic era that put pressure on all aspects of society, but especially the arts. We are truly fortunate to have had Bob serving as Director and CEO during this challenging period.

Amid this change, we have continuity in the leadership of Simon Brault. After two terms as Vice-Chair, Simon is succeeding Bob as Director and CEO on June 26. Simon played an extraordinary role as Vice-Chair for a full decade and I look forward to working with him in his new role as we prepare for the Council's next strategic planning cycle and continue to be a strong voice for the benefits of public funding for the arts in Canada.

Finally, the Council is looking forward to celebrating its 60<sup>th</sup> anniversary and the 150<sup>th</sup> anniversary of Confederation in 2017. Good leaders celebrate success, and the achievements of our artists and the flourishing of a diverse Canadian culture and national identity is one of the great stories of our recent history – one that has been shaped by the Canada Council. We look forward to sharing this story with all Canadians.

**Joseph L. Rotman, Chair**



**“Arts councils will flourish only as long as the public sees arts investment as a public good, and it is our job to make the truth of that connection self-evident.”**

**Robert Sirman, Director and CEO**  
Remarks to 6<sup>th</sup> World Summit on Arts and Culture,  
*New Challenges for Supporting Arts and Culture*

## Message from the Director and CEO

As I file my eighth and final report as Director and CEO of the Canada Council for the Arts I cannot resist highlighting the Council's long history of contributing to the richness and vibrancy of what it means to be Canadian.

In 1957, the year the Canada Council was born, the Canadian cultural sector – though rich in raw talent – was in many ways undeveloped and unrealized. Today, Canada has a vibrant and diverse community of professional artists, strong arts institutions and burgeoning arts districts. Our artists are recognized locally, nationally and internationally. Canadians win Oscars, Grammys, and – this year – the Nobel Prize for Literature. Aboriginal artists are steadily gaining renown and influence, reflecting a renewed cultural vitality, and more Canadian voices than ever are being heard. From many perspectives, the arts in Canada are thriving.

For the last eight years, the Council has aimed to strengthen connections with and between artists, arts organizations, partners and the public. As a public funder, we have adopted responsive and responsible strategic directions to encourage creativity and innovation, to position the arts as vital to society, and to support the arts sector to ensure all Canadians have access to arts experiences.

In December the Council moved to a new home at 150 Elgin Street in downtown Ottawa. The new offices better reflect our institutional values: open, transparent, collaborative, accessible and green. From the moment visitors enter the building, they can interact with the arts via a large-scale interactive video wall and our new ground-floor exhibition hall, *Âjagemô*. The building's street presence and environmental efficiencies have increased our civic and social footprints while significantly decreasing our carbon footprint, and all of this has been achieved at a lower cost than our previous accommodation.

The past year has seen continued progress on a number of ongoing program reviews in consultation with the arts community. We introduced a market access framework to strengthen the capacity of Canadian artists to succeed and prosper within and outside Canada. Our Leadership for Change program and its resources support arts organizations to manage change more effectively. We held a National Forum on the Literary Arts to better understand the ecology and unique challenges of the milieu and to allow the extended community to exchange on best practices and ways forward. The

Council advanced the concept of public engagement with its report and series of blog posts by guest writers. Our newly redesigned website – winner of an international Silver W3 Award – and our strengthened social media presence are helping to expand our conversational reach further still.

Our Strategic Plans have increased our organizational capacity to foresee and adapt to change in an increasingly complex world. They were created using a collaborative and consultative approach, and reflect our ongoing efforts to listen, learn and innovate while maintaining a leadership role in Canada's creative sector.

My first year as CEO was the 50<sup>th</sup> anniversary of the Canada Council. Now, as we approach our 60<sup>th</sup>, I take pride in what has been accomplished. Last year's achievements in particular give me confidence that our organization has both the capacity and the drive to successfully adapt in the years ahead, and that the arts sector is well positioned to play an even stronger leadership role in the future.

I would like to thank the amazing staff and management team at the Canada Council, the dedicated board members, and past Chair Karen Kain and current Chair Joseph Rotman for their support during my time as Director and CEO. I would also like to thank former Vice-Chair Simon Brault, our incoming CEO, to whom I am both indebted and honored to hand over an organization that truly brings the arts to life for all Canadians.

My final words go to the practicing artists of Canada. You are the ones who feed our imaginations, shape our dreams, and inspire us to build better futures. Your capacity to improve the lives of others is what justifies public investment in the arts and the existence of the Canada Council itself. You and your vital work are what has made it such a privilege for me to lead this fine organization, and I thank you.

**Robert Sirman, Director and CEO**



## Management's Discussion and Analysis

## At a glance

**1,947**

communities across Canada in which grants,  
prizes and payments were awarded

**2,185**

arts organizations  
receiving grants

**18,668**

authors receiving Public  
Lending Right payments

**1,903**

artists receiving  
grants

**\$182.0 million**

total parliamentary appropriation

**\$153.6 million**

allocated to grants, prizes and payments

**949**

first-time grant recipients (artists and arts  
organizations, representing 23% of all recipients)

**605**

peer assessors

# Our goal: a vital and diverse arts sector that enriches the lives of Canadians.

## Management's Discussion and Analysis

The Canada Council for the Arts works to strengthen arts practice and connect the public to the arts. Its Strategic and Corporate Plan, *Strengthening Connections: 2011-16*, highlights five strategic results that together support its ultimate goal: a vital and diverse arts sector that enriches the lives of Canadians.

The 2013-14 Management Discussion and Analysis is the second year of the Council's renewed approach to performance measurement. The Council is continuing to refine its measures.

In interpreting these measures, however, it is important to recognize that the Council's investment is part of a larger system of support and influence, including public and private funders as well as earned revenues. The Council contributes to results in varying degrees and measures can be affected by factors outside of its control.

1

The Council has reinforced its commitment to individual artists, working alone or collaboratively, as the core of artistic practice.

2

Arts organizations have strengthened capacity to underpin artistic practices and enrich their presence in all parts of the country and abroad.

3

The Council has demonstrated its leadership role in promoting equity as a critical priority of Canada's artistic aspirations.

4

The Council has extended its reach across the country and abroad, and leveraged additional resources and a greater societal investment in the arts through partnerships.

5

The Council has enhanced its capacity to support the arts and implement change by strengthening its structure, staffing and services.

The themes of **public engagement in the arts**, **new technologies** and **synergy** are interwoven throughout these results and all of the Council's work.



# Highlights

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## The arts marketplace

Artists and arts organizations are increasing their reach into international markets and developing their capacity to access new markets. International touring and travel grants in music have nearly tripled since 2011-12 while support to international activities for the performing arts (dance, music and theatre) has increased 49% from 2011-12 to 2013-14. Support to borderless initiatives, like a common media arts online distribution platform and innovative strategies for publishers, take advantage of virtual opportunities to engage new markets.

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## Review of support to organizations

This comprehensive, multi-year review has allowed the Council to respond to changes in the arts ecosystem, adapt its decision processes to facilitate greater funding flexibility and respond to emerging and diverse artistic voices and models. The review and resulting program modifications will continue until 2017. The new Leadership for Change program has provided support to 72 projects to develop new management practices, explore alternative organizational structures or seize valuable opportunities in this rapidly changing environment. The new program advances synergy by encouraging collaborative approaches to sectoral issues.

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## Public engagement in the arts

The Canada Council continues to encourage dialogue on public engagement in the arts. Whether the discussion addresses the importance of the professional arts sector to community vitality, the role of the arts in sustainability, cultural citizenship – the creation of personal and collective identity – or the power of the arts to effect social change, the Council has brought the perspective of a national arts agency and has positioned the professional arts sector as a key player. Activities such as the Dance Mapping project's *Yes I Dance/Oui je danse* survey have helped to understand the role of the arts in people's lives.

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## Operating environment

The 2014 Federal Budget announced that \$25 million of the Canada Council's funding, which was on a renewal basis, be made permanent. Similarly, other federal arts and culture programs at the Department of Canadian Heritage and Official Languages were made permanent, giving the arts and culture sector an increased level of certainty. In the general federal context, however, there is ongoing fiscal austerity as the government works to balance the budget by 2015. Arts agencies in Canada and around the world are tackling a variety of issues around measurement and evidence of the impact of the arts in order to demonstrate relevance and value, particularly as demands for accountability and efficiency increase.

There have been many legislative changes that affect the arts sector, including the new *Copyright Modernization Act*, the introduction of anti-spam legislation and changes within the non-profit and charitable sector. Currently the federal government is preparing for Canada's sesquicentennial in 2017, which also happens to be the 60<sup>th</sup> anniversary of the Canada Council for the Arts.

Digital technology continues to change rapidly with significant issues for the protection of private information coming to light over the past year. The rise of mobile technology is diversifying content distribution and consumption and having an accelerated impact on the production and dissemination of art. Interdisciplinarity is on the rise and new models of practice and organizational structure are being explored.

Data from the National Household Survey (which replaced the mandatory long-form census) on the arts sector has not been fully tested, meaning that the sector has little reliable data on the arts labour force, particularly in smaller regions or for particular demographic segments. The Cultural Satellite Account, of which the Canada Council is a partner agency, is beginning to produce data on the economic impact of the arts.

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# 71%

of Canadians use the internet to engage with the arts and culture<sup>i</sup>

## ULTIMATE OUTCOME AND STRATEGIC IMPACT

# A vital and diverse arts sector that enriches the lives of Canadians

Canadians across the country engage in the arts in many ways and value the role that the arts play in their lives and communities. The Canada Council contributes to this engagement by supporting the creation, production and dissemination of a wide variety of artistic experiences. It also contributes to the economic impacts of the sector through the leveraging effect of its grants and services. The Council's support is part of a larger system of public and private funding for the arts sector, and in particular, for arts organizations.

# \$49.9 B

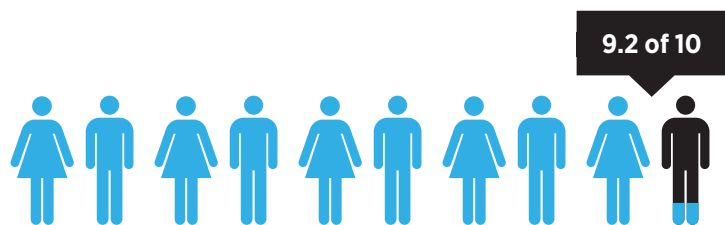
culture gross domestic product  
or 3.4% of Canada's total GDP, 2009<sup>ii</sup>

The cultural sector as a whole  
employs

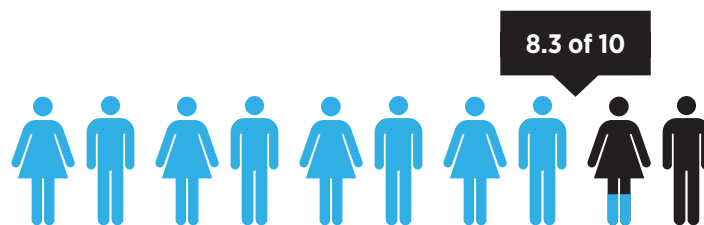
# 734,300

cultural workers, including  
155,500 artists<sup>iii</sup>

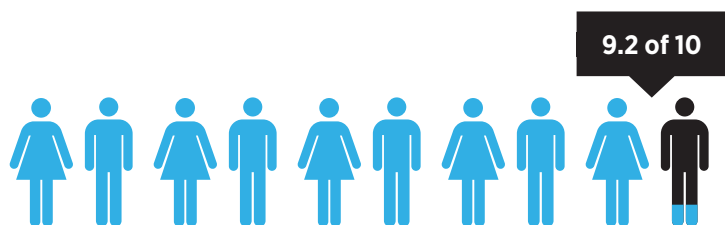
### Quality of life and public participation in the arts<sup>i</sup>



Canadians believe that the arts and culture make communities a better place to live.



Canadians attended at least one type of live performance or arts event last year.



Canadians believe arts experiences are a valuable way of bringing people together from different languages and cultural traditions.



Canadians believe that Canada's actors, musicians, writers and other artists are among the best in the world.

# Results

## Individual Artists

Reinforce the Council's commitment to individual artists, working alone or collaboratively, as the core of artistic practice in Canada.

Through grants, payments, prizes and services, the Council advances artists' careers, supports risk-taking and recognizes exceptional artistic achievements.

The Council's promotion of prize and fellowship winners via social media:

# 11.5 million

views on Twitter and over 300 million views in traditional and online news sources.

The Council supported

# 20,797

artists for a wide range of activities, including research, creation, professional development, travel, market development and payments for the presence of books in public libraries.

The Public Lending Right program registered

# 5,137

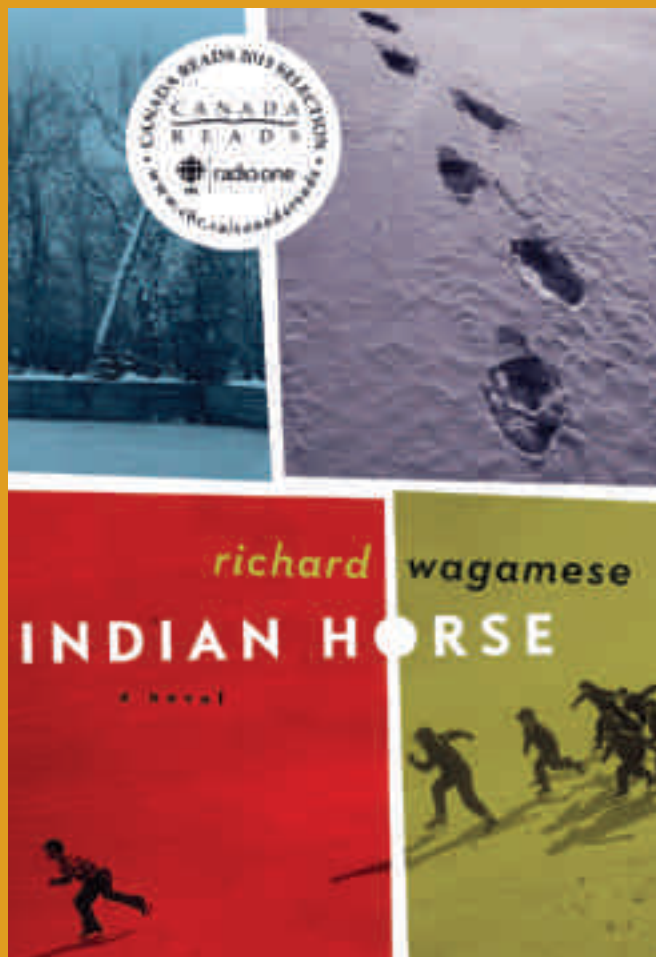
new titles. Overall, the average annual growth in eligible titles over the last three years is 3.95%.

## Support that spans careers

Artists benefit from support at different stages of their careers. That's why the Canada Council offers a wide range of grants and prizes.

This year 12 emerging artists – National Ballet School and National Theatre School students – received Peter Dwyer Scholarships. Mid-career artists in seven disciplines received the annual Victor Martyn-Lynch Staunton Award, including Alain Veilleux, founding president of La Centaurée, an equestrian circus in Notre-Dame-du-Rosaire, Quebec. Veilleux is known worldwide for his work for Cirque du Soleil, among others.

Often the Council's funding can span an artist's career. Ojibway author Richard Wagamese, for example, received his first grant in 1995. Fast forward to 2013: His novel *Indian Horse* won the inaugural Burt Award for First Nations, Métis and Inuit Literature, offered by CODE (a Canadian NGO that supports literacy internationally) in partnership with the Council. That year Wagamese also won the prestigious Canada Council Molson Prize for his outstanding lifetime achievements in the arts.



Cover of Richard Wagamese's *Indian Horse* (Douglas & McIntyre).



## The Canada Council's direct support to artists

### Number of recipients

	2013	2014
Total grants to individual artists	1,925	1,903
<b>Total support to individual artists*</b>	<b>20,335</b>	<b>20,797</b>

### Total funding

(in thousands of dollars)	2013	2014
Total grants to individual artists	\$ 20,345	\$ 20,673
<b>Total support to individual artists*</b>	<b>\$ 32,875</b>	<b>\$ 33,289</b>

\*includes Public Lending Right program and prizes

### Trend

The number of recipients and the total dollar support to individuals have increased slightly over the period.

## Organizational support to individual artists

In addition to direct granting support, individual artists are employed and paid professional fees by organizations receiving Canada Council operating funding, which provide an infrastructure for creation, production and dissemination.

## The Canada Council's indirect support of artists

2012	2013	
Total number of artists paid artists' fees		
37,541	39,101	+4.2%
	4-year average 36,760	
Total number of artists employed		
2,135	2,046	-4.2%
	4-year average 1,957	

### Trends

The number of independent artists receiving fees for their artistic work increased over the past two years, as reported by a standard sample of organizations receiving Canada Council operating funding.<sup>iv</sup> The year-to-year comparison shows a decline in the number of artists employed by arts organizations, though the 4-year average indicates an increasing trend over the longer term.

## Support to organizations, artists... and the community

The Canada Council for the Arts' support to arts organizations has many benefits. Arts organizations play a major role in developing artists and strengthening communities, contributing to both Canada's national identity and its international influence.

In the summer of 2013, north of Igloolik, Inuit youth took part in the second edition of a camp started by Unikaatuait elders and Isuma. Youth attending the camp learned traditional Inuit art techniques from elders Madeline Ivalu and David Irngault. They also deepened their media arts skills with renowned filmmaker Zacharias Kunuk. The videos created at the camp, demonstrating traditional techniques – from hunting to sewing to the creation of seal skin works – will be broadcast on IsumaTV and on the Nunavut Independent Television Network. Other follow-up camps are being planned for the region in the near future.

Further south, in Montréal, the Théâtre aux Écuries, an incubator for bold theatre practices, offers services to help young artists and companies to produce and disseminate their work. For instance, each year for the past decade its innovative subscription package, Carte Premières, has promoted some 40 shows by a wide range of emerging companies to an appreciative audience of theatre-goers, using the internet, social media and brochures. Every season, this diverse programming – which takes place in a variety of venues – ends with the festive and popular Cochons d'or prizes. With the help of the Council's new Leadership for Change program, this theatre company, which thrives on innovation, is reviewing its winning formula to further benefit young creators and their audiences.



Still from video created at summer camp hosted by the Unikaatuait Elders Group, at the Siarajuk campgrounds, 100 km north of Igloolik.

# Results

## Arts Organizations

Arts organizations have strengthened capacity to underpin artistic practices and enrich their presence in all parts of the country and abroad.

Arts organizations play a central role in Canada's cultural and artistic life. They engage with the public through programming, outreach, education, community arts, civic partnerships and promotional activities, etc. They support and employ individual artists and other cultural workers.

In this year's report, the Council is taking an in-depth look at the situation of arts organizations from equity-seeking communities: Aboriginal, culturally diverse, Deaf and disability arts, and Official Language Minority communities.

# \$92 million

or 65% of the Council's annual granting budget goes to annual and multi-year operating funding<sup>v</sup> for approximately 1,000 arts organizations, located in 156 communities.

# 1,633

arts organizations received \$28M in project funding or 20% of Council's total granting budget. This amount has remained stable over the period of the strategic plan.

# 5.7%

of funds in operating grant programs (\$2.9 million) were redistributed in response to new policies and priorities, rewarding excellence and recognizing the importance of sustaining arts ecologies, including emerging and diverse artistic voices.

## Appreciating excellence: a collective commitment

The Canada Council for the Arts is focusing on public engagement in the arts to encourage more people to participate in and appreciate the arts. One way it does this is by supporting organizations to bring the arts to communities across the country.

In 2013, the Council's support helped bring opera to cities and towns across Alberta. The Calgary Opera launched its first outdoor summer festival, Opera in the Village. The festival was an overwhelming success and all of its performances of *The Pirates of Penzance* – staged within an enormous 900-seat tent – were sold out. Then, in early 2014, the Calgary Opera's troupe of emerging artists set out across Alberta's highways and byways, introducing 10,000 young people to opera.

It also brought art exhibitions to venues across the country. For example, curator Adèle Werner organized a travelling exhibition on the work of Canadian architect Ronald James Thom. Organized by the West Vancouver Museum, in cooperation with Trent University and Massey College, *Ron Thom and the Allied Arts* sparked great interest in the general public for the internationally-renowned architect's holistic and poetic approach. The exhibition began its tour at the Gardiner Museum where it broke attendance records. Other destinations include Trent University and the Beaverbrook Art Gallery. This exhibition promises to be a must-see arts outing for many Canadians.



Colin Ainsworth in *The Pirates of Penzance*.  
Photo: courtesy of Calgary Opera

## Presence and engagement

### Arts activities and attendance: trending up

Canadians are involved with the arts through performances, exhibitions, festivals, readings and screenings. This engagement is deepened by educational outreach, backstage tours, artist talks, participatory and co-creation events, etc.

A standard sample of 547 organizations receiving Canada Council operating funding reported: <sup>iv</sup>		
2012	2013	
Total attendance / participation		
19.9 M	19.4 M	-2.4%
	4-year average 19.1 million	
Number of public arts activities		
61,377	70,445	+14.8%
	4-year average 55,231	

#### Trend

The number of arts activities increased, while the total attendance / participation has decreased slightly during the period. The 4-year average indicates growth in both areas over the longer term.

A standard sample of 66 organizations from equity-seeking communities receiving Canada Council operating funding reported: <sup>iv</sup>		
2012	2013	
Total attendance / participation		
811,715	769,485	-5.2%
	4-year average 756,788	
Number of public arts activities		
6,620	8,588	+29.7%
	4-year average 6,171	

#### Trend

This trend parallels that of all organizations with the number of arts activities increasing and the total attendance / participation decreasing slightly during the period, while the 4-year average indicates growth in both areas.

## 2013





Touring Canadian artistic works extends the life of the work and shares it with populations throughout Canada and abroad.

# 2.5 million

Canadian audiences and 1.7 M international audiences benefited from over 13,000 touring performances, exhibitions and media screenings provided by organizations receiving operating support.

### Volunteers: Canadians care about and give to arts organizations supported by the Council

Volunteers are a key measure of the level of community support of non-profit arts organizations. They are also an important source of labour through which arts organizations increase their capacity. Volunteer boards are a critical component of the arts ecosystem, providing expertise and leadership to help organizations fulfill their mandates.

A standard sample of organizations receiving Canada Council operating funding reported: <sup>iv</sup>		
2012	2013	
Total number of volunteers (including board members)		
49,809		52,990  +6.4%
	4-year average 48,948	
Total estimated hours worked by all volunteers		
1,340,120		1,357,630  +1.3%
	4-year average 1,373,591	

#### Trend

There continues to be solid growth in the number of volunteers for Council-funded organizations, though the increase in volunteer hours is less strong.

## 2013

# 2.1 million

young people participated in 27,000 programs and initiatives specially designed for and directed at children and youth, presented by organizations receiving operating support.<sup>iv</sup>



## Strengthened arts organization capacity

Canadian arts organizations need to have the capacity to understand and respond to their environment. In order to measure this, two areas are analyzed: employment and financial health.

### Employment: consistency

The Canadian cultural sector as a whole employs 734,300 cultural workers, including 155,500 artists<sup>iii</sup>. The organizations supported by the Canada Council are primarily not-for-profit<sup>vi</sup> and range in size from large companies with hundreds of employees to small organizations with few full-time equivalents (FTEs).

A standard sample of organizations receiving Canada Council operating funding reported: <sup>iv</sup>			
2012		2013	
Artistic, exhibition, production, programming and technical			
Salaries	\$178.1 M	\$178.5 M	+0.2%
		4-year average \$173.6 M	
FTEs	3,507	3,605	+2.8%
		4-year average 3,453	
Administrative, facility, marketing, communications and fundraising			
Salaries	\$151.9 M	\$159.9 M	+5.3%
		4-year average \$151.4 M	
FTEs	2,989	3,195	+ 6.9%
		4-year average 2,994	

#### Trends

Organizations are continuing a 4-year trend of strengthening infrastructures with increased investment in non-artistic salaries and positions. While the number of artistic positions has increased slightly, the total salaries remain about the same.

## Responding to change

The world of literature and publishing is not immune to the upheavals of our digital age: the way we read, create and publish is evolving. To address our shifting literary landscape, the Canada Council worked with the literary community to create an unprecedented opportunity for a multisectoral and Canada-wide conversation about these changes: a National Forum on Literary Arts. In February 2014, some 250 people representing various sectors of the industry gathered in Montréal to develop a roadmap to respond to changes in the sector, identify future paths for sustainability and provide tools to adapt to new emerging models. A report on this major gathering will be published in the fall of 2014.

### A standard sample of 66 organizations from equity-seeking communities receiving Canada Council operating funding reported:<sup>iv</sup>

2012	2013		
Artistic, exhibition, production, programming and technical			
Salaries	\$5.9 M	\$5.8 M	-2.7%
		4-year average \$5.8 M	
FTEs	189	177	-6.5%
		4-year average 182	
Administrative, facility, marketing, communications and fundraising			
Salaries	\$7.2 M	\$7.5 M	+4.7%
		4-year average \$7.2 M	
FTEs	197	193	-2.3%
		4-year average 184	

#### Trends

The year-to-year comparison shows a decline in both artistic and administrative infrastructures, though the 4-year average indicates some growth over the longer term. Similar to the trend of all organizations, more investment is directed toward non-artistic salaries and positions.

### Financial health of organizations: stability

The Council examined two areas of financial performance of the standard sample of organizations receiving operating funding<sup>iv</sup>: revenues and expenses trends, and debt to assets ratio.

#### Revenues and expenses

(in millions of dollars)	2012	2013	% Change	4-year average
Proportion of self-generated revenue	65.1%	65.7%	0.6%	64.7%
Proportion of public revenue	34.9%	34.3%	-0.6%	35.3%
Total revenues	\$913.2	\$931.5	2.0%	\$907.7
Total expenses	\$907.5	\$913.9	0.7%	\$892.6

#### Debt to assets ratio<sup>vii</sup>

Average debt to assets ratios	0.87	0.87	-0.1%	0.92
Total assets	\$1,239.4	\$1,246.9	0.6%	\$1,206.2
Total liabilities	\$939.3	\$918.0	-2.3%	\$899.4

#### Trends

Revenues and expenses: organizations are continuing a 4-year trend to increase the proportion of their revenues from self-generated sources (i.e. earned and private). Overall revenues have grown slightly over the reporting period, exceeding the rate of growth in overall expenses.

Debt to assets: the long-term solvency of organizations, as indicated by the debt to assets ratio, is within an acceptable range and has remained stable over the reporting period.

# Results

## Equity

The Canada Council has demonstrated its leadership role in promoting equity as a critical priority in fulfilling Canada's artistic aspirations.

Equity is an integral element of the Canadian arts ecology. The Council is committed to addressing barriers to accessing public arts support, with a particular focus on Aboriginal, culturally diverse, Deaf and disabled artists and arts organizations, as well as those from Official Language Minority Communities (OLMC). The Council also supports and promotes dialogue about equity.

### Support to artists and arts organizations from equity-seeking communities

It is important to note that comparative analysis between equity-seeking groups can present unique challenges: the barriers and issues vary, and the challenges of data gathering differ, particularly around identification.

2013

228 of 605

peer assessors came from one of the equity-seeking communities.

- The new Market Access Strategy for Official Language Minority Artists was launched in 2013-14, as a component of the government-wide *Roadmap for Canada's Official Languages 2013-2018: Education, Immigration, Communities*. This 5-year, \$2.75 million initiative will assist Anglophone and Francophone minority artists and arts organizations to develop new markets and audiences.
- The Aboriginal Arts Program Evaluation will look at all dedicated programs over 2013-15 in order to learn from the 20-year history of the programs and enable the Council to respond to the changing realities of Aboriginal art practice.
- The *Expanding the Arts: Deaf and Disability Arts Strategy* is being implemented with new and revised policies being developed that support the access of Deaf artists and those with disabilities to Canada Council programs and activities and facilitate their participation on peer assessment committees.
- As part of the review and transition of equity-focused programs, an Equity Sounding was conducted with 27 arts professionals from culturally diverse, Deaf and disability, Aboriginal and Official Language Minority arts communities to inform equity priorities and directions of the Council.

Community (in thousands of dollars)	2013		2014	
	Recipients (Ind/Org)	\$	Recipients (Ind/Org)	\$
Aboriginal	270	\$5,875	258	\$5,953
Culturally diverse	478	\$9,228	485	\$8,671
Deaf and disability arts	72	\$1,107	59	\$1,277
Anglophone Official Language Minority	349	\$6,115	331	\$5,831
Francophone Official Language Minority	125	\$3,325	141	\$3,685

## Access for all Canadians

The Canada Council for the Arts supports initiatives that fuel a diverse and inclusive arts scene. When the barriers to financial support often faced by artists from various cultural, Deaf or disability arts and linguistic minority communities are removed, the public can experience their excellent and innovative practices.

This year, in cooperation with Vancouver's urban ink productions, Montréal's Black Theatre Workshop presented, in Montréal and in Vancouver, Omari Newton's *Sal Capone: The Lamentable Tragedy of*, an encounter between hip-hop and theatre. Inspired by the death of the young Freddy Villanueva, this complex portrait of our society presents difficult realities: social inequality, sexism, racism, homophobia and police brutality. The critics are already calling it a classic.

In Gatineau, the unique arts organization Spill (Propagation in French) received Council support for a five-day forum hosted by internationally-renowned artist Jolanta Lapiak. The forum's objective: identify and construct a new art practice from the perspective of Deaf people. Spill also received support from the Council's Leadership for Change program to do research to strengthen its organizational model.



Kim Villagante, Tristan D. Lalla and Jordan Waunch in *Sal Capone: The Lamentable Tragedy of* by Omari Newton. Photo: Andrée Lanthier

# Results

## Partnership

The Canada Council has extended its reach across the country and abroad and leveraged additional resources and a greater societal investment in the arts.

The Council improves service delivery to artists and arts organizations through timely investments in innovative partnerships. It advances its priority themes of public engagement, synergy and new technologies through collaborative work.

- The 3-year \$225,000 Nunavut Travel Grants partnership with the Government of Nunavut supports increased travel opportunities for artists. The first year of the partnership saw modest increases in travel as artists learnt about the availability of the funds and began to develop new career and professional development projects.
- A 3-year \$150,000 partnership with Arts Nova Scotia, the Nova Scotia Equity partnership is designed to help emerging and established professional artists from Aboriginal, culturally-diverse and the Deaf and disability arts communities. Developed through a rigorous consultation process which opened up networking and sharing opportunities, this partnership has provided new funds for the creation and dissemination of work.
- The Council is a partner in a consortium of federal, provincial/territorial and municipal funders led by the Department of Canadian Heritage to complete work on the Canadian Cultural Satellite Account (CSA) in conjunction with Statistics Canada. The CSA provides for the first time the means to report economic data on the culture sector and its component parts in an integrated fashion. It will provide annual figures on culture and the arts on a consistent basis at the national and provincial/territorial level.
- CADAC – Canadian Arts Data/Données sur les arts au Canada – is the Council's largest partnership with 15 member agencies. CADAC is now in its 6<sup>th</sup> year of operations with 2,000 registered organizations. It is increasingly a valuable source of data on the arts sector.
- The Canadian Commission for UNESCO recently partnered with TakingIT-Global to develop *Explore150*, a free mobile app that invites young Canadians to use mobile technology to share stories based on their experiences in natural, cultural and historic sites across the country. The Commission identified and supported young bloggers to visit World Heritage sites to share what the sites meant to them, what they learned and what they would like others to know about particular sites. In only 4 months, *Explore150* reached over 15,000 Canadians!

## Together we're stronger

This year, the Canada Council for the Arts once again worked with partner organizations to leverage its investments and reach strategic objectives. These targeted interventions helped strengthen the resilience of the art and culture sector.

Access was at the heart of the Council's initiatives in the Atlantic Provinces. Its partnership with Arts Nova Scotia focuses on ensuring fair access to public funding for professional artists from the province's diverse cultural, Aboriginal and Deaf and disability arts communities. The first competition was held in September 2013. The Council's support of the Atlantic Moves project, in partnership with the Department of Canadian Heritage, has already had a tangible impact: presenters from RADARTS and the Atlantic Presenters Association have presented, some for the first time, Canadian dance artists, leading to greater attendance at these artists' performances.

On the other side of the Atlantic, Team Canada's cultural delegation gave brilliant performances at the Jeux de la Francophonie (Francophone Games) in Nice. Stéphane Guertin (storyteller) and Guillaume Corbeil (literature/short stories) won gold medals; maribé – sors de ce corps (dance) won silver; and Francis Théberge alias TiND (digital creation) won bronze. The Council and Canadian Heritage teamed up for the 2013 edition of the Games. The Council contributed its expertise to administer the competition and select the contestants, and used the opportunity to develop, with Canadian Heritage, its networks among young artists. As a result, exceptional young artists were given incredible access to the international market.



Storyteller Stéphane Guertin, gold medalist, Jeux de la Francophonie 2013. Photo: Department of Canadian Heritage

# Results

## Organizational Capacity

Enhance the Council's capacity to support the arts and implement change by strengthening structure, staffing and services.

The Canada Council is committed to ensuring that its own practices and policies are relevant and appropriate to its role as a national arts funder through a number of large-scale transformative changes in its work culture.

2013

3.2 million

page views on the Canada Council's award-winning redesigned website.

## Improved connections with the public

- In January 2014, the Canada Council moved into a new LEED (Leadership in Energy and Environmental Design) Gold-Standard building located on a prominent downtown Ottawa boulevard (Elgin Street). The new building provides the Council with increased visibility and presence in the community.
- The Council's 2014 annual public meeting was held in the new building in late January. Some 150 people – a record audience for an annual meeting – were greeted by board members and senior staff against the backdrop of a 30-foot-high video wall in the building foyer showing the interactive works *The Year's Midnight* and *Close-up – Shadow Box 3* of Montréal artist Rafael Lozano-Hemmer. The video wall provides the Council with an unparalleled opportunity to showcase the interactive video work of Canadian artists to thousands of passersby over the course of a given year.
- Just beyond the video wall is a 280m<sup>2</sup> publicly-accessible exhibition space called *Âjagemô* (the Algonquin word for “crossroads”) that will feature works by contemporary artists. The first exhibition, *Land Reform(ed)*, was comprised of works from the collection of the Canada Council Art Bank and opened in spring 2014.
- Other changes are also underway that will transform how the Council interacts with Canadians, including artists and arts organizations in all regions of the country. The new grants and contact management system in development, *Boréal*, will be more client-focused and allow for better tracking and reporting the Council's granting programs, improved user experience, and enhanced performance measurement.
- In June 2013, the Council launched an award-winning redesigned website with improved navigation, accessibility and interactivity. It has also expanded its social media presence through Facebook and Twitter.

## Priorities that bring the arts to life

One of the Canada Council's goals in moving to its new location at 150 Elgin St. was to strengthen its public presence in the community. Several weeks after the move, the goal was already being realized. On April 30, 2014, some 200 people gathered in the lobby to enjoy a lunch-time jazz concert hosted by the Canadian Commission for UNESCO (which operates as part of the Canada Council) and the Canada Council's Music Section. The event, featuring the Ottawa-based Roddy Ellias Trio, celebrated UNESCO's International Jazz Day and the role of jazz in uniting people around the world.

For the Canadian Commission, it was a year of developing a new strategic plan for 2014-21. Based on consultations with its members and partners, it identified three overarching priorities – fostering peace, encouraging sustainable futures and striving for equity. The new plan ensures that the work of the Commission is aligned with the Council's priorities and that Canada's participation in UNESCO continues to benefit all Canadians.



The Roddy Ellias Trio, performing at the Canada Council's new headquarters. Photo: Canada Council for the Arts / Jimmy Ung

## A note on the Management's Discussion and Analysis section

For comparative purposes, the Canada Council's figures are based upon information as at May 1, or the next business day, of each fiscal year except in some cases where figures rely on data from final reports of the grants. As a result of changes in methodology, these figures are not necessarily comparable to figures in previous years' presentations.

- i. The Department of Canadian Heritage's *Arts and Heritage in Canada: Access and Availability Survey 2012* reports on findings from a telephone survey about public opinion as well as participation during the previous 12 months. The survey was administered to 1,001 Canadian residents, 18 years of age or older.
- ii. Government of Canada. Federal-provincial-territorial ministers focus on cooperation to promote culture and heritage. [www.pch.gc.ca/eng/1376510778523](http://www.pch.gc.ca/eng/1376510778523).
- iii. Findings reported in Hill Strategies' *A Statistical Profile of Artists and Cultural Workers in Canada: Based on the 2011 National Household Survey and the Labour Force Survey*.
- iv. The Canadian Arts Data/Données sur les arts au Canada (CADAC) is a web-based application dedicated to the collection, dissemination and analysis of financial and statistical information about Canadian arts organizations, excluding book and magazine publishers. Notably, financial figures from CADAC are reconciled, while statistical data represent what is reported by organizations and may include double counting. The CADAC data reported here reflect a standardized sample based on CADAC figures as of May 1, 2014, as reported by 547 organizations receiving Canada Council operating funding. While these organizations are all recipients of Council funding, it should be noted that the results include other earned private and public revenue and are not solely attributable to Canada Council funding. A subset of this sample includes 66 organizations from equity-seeking communities.
- v. Operating grants are awarded to arts organizations to help pay costs of administration, equipment and production facilities, residency programs, professional development, research and analysis, audience development, publication activities, marketing and promotion and artistic expenses. Funding that covers more than one year is called "multi-year operating assistance."
- vi. The primary exception is in Writing and Publishing; many publishers and magazines are for-profit enterprises. The Council provides financial assistance to Canadian publishers to offset the costs of publishing Canadian trade books that make a significant contribution to the development of Canadian literature.
- vii. Debt to assets ratio: A measure of total liabilities relative to total assets. A ratio of less than 1.0 is considered healthy. A high or increasing value may indicate future problems with solvency.



## Financial Overview

### HIGHLIGHTS

The Council's deficit for the year ended March 31, 2014 is \$27 thousand which is slightly below the original budget balance for the year. The current deficit is mainly attributable to a negative variance of \$2.2 million in net investment income which has been largely offset by a reduction in administration and services expenses.

The negative variance in Investment income is mainly due to the fact that a significant portion of the \$37.9 million appreciation in the portfolio investment remained unrealized as at March 31, 2014. The unrealized gains on the Canada Council Endowment funds are presented under the Statement of Remeasurement Gains and Losses (\$27.7 million) and the unrealized gains on the Special Funds/Killam Funds are presented in the Statement of Financial position under Deferred revenues-Externally restricted contributions (\$10.1 million).

Actual grant program expenses of \$153.6 million for the year ended March 31, 2014 are slightly over the approved budget and the prior year related expenses. The Council continues to review its programs, their means of delivery and its supporting activities to ensure that they remain relevant to Canadians. Future savings realized will continue to be reinvested into the arts sector.

2013-14 was the third year of the Council's five year Strategic Plan 2011-16. The Council continued to deliver against the strategic directions and themes identified in the plan. During the year, net expenses other than grants and prizes continued to be subject to the government's requirement to exercise fiscal restraint and do not exceed those of 2010-11. These net expenses in 2013-14 were \$37.4 million in comparison to \$38.4 million for 2010-11. In constant dollars, this would represent a decrease of \$2.7 million.

The Council receives an annual appropriation from Parliament which, for the year ended March 31, 2014, was \$182.0 million (\$181.2 million in 2012-13).

In 2013-14, the Endowment and Special Funds and the Killam Fund had strong annual returns of 15.9% (10.1% in 2012-13) and 16.4% (10.3% in 2012-13) respectively. In comparison to the prior year, the investment portfolio has grown by \$37.9 million with a fair value of \$323.1 million as at March 31, 2014. The annual results are attributable to favorable market conditions and diligent management of the portfolio in line with the Council's Statement of Investment Policies and Goals. The Council continues to closely monitor its portfolio's performance and risks. To generate long term real returns and maintain purchasing power, the Council has revised downwards its Expenditure Policy for the Killam Fund from 3.75% to 3.5% for 2014-15 and the same approach over two years is being used for the Endowment and Special Funds (3.75% for 2014-15 and 3.5% for 2015-16).

During the year, the Council further reviewed and analyzed the accounting treatment of gains related to investment in Infrastructure Pooled Funds. Between November 2006 and March 31, 2013, the Council had misinterpreted the investment reports which resulted in an overstatement of the net investment income and an understatement of the accumulated remeasurement gains and therefore financial statements have been restated to correct this situation. Internal controls have been implemented to prevent similar errors in the future.

The impact on the prior year investment income is a reduction of \$1.6 million to the net investment income which resulted in a restated annual surplus from operations of \$4.4 million. Because the Investment portfolio's assets are recorded at fair market value on the Statement of Financial Position, the asset was properly reflected in previous years and no adjustment is required.

In December 2013, the Council moved to the new LEED Gold certified building located at 150 Elgin Street in Ottawa. The net effect of the use of new technology, modern construction techniques, joint-fit-up collaboration with the landlord and a reduced environmental footprint is a cost saving to the Council such that for the first five years of the new lease, accommodation costs will be below the 2012-13 accommodation costs. The Council also has significant

changes underway to its suite of information systems. The implementation was originally planned over two years but the Council has extended the implementation period by a year to April 2016. The revised approach to define scope, manage the project and to have users lead the harmonization and implementation will transform the Council's manner of operations. While reducing administrative costs, we foresee the impact of the changes will be to increase effectiveness and efficiency of the current processes.

In 2013-14, the Council updated its risk assessment profile. The statement reconfirms the Council's low appetite for risks that could negatively impact the rigor and transparency of its granting processes, given that this is foundational to the legitimacy of the Council's mandate. Similarly, the Council has acknowledged the risk that the extent of internal simultaneous changes, if not properly mitigated, could adversely affect the productivity of employees. That notwithstanding, the Council reiterated its high appetite for artistic risk including support of artistic aspirations, creativity and innovation.

#### Summary Financial Position as at March 31

(in thousands of dollars)	2014	Restated 2013
Total financial assets	\$ 327,448	\$ 288,831
Total liabilities	82,091	63,941
Net financial assets	245,357	224,890
Non-financial assets	28,620	22,002
<b>Accumulated surplus</b>	<b>\$ 273,977</b>	<b>\$ 246,892</b>

#### Summary Statement of Operations for the Years Ended March 31

(in thousands of dollars)	Budget 2014	Actual 2014	Restated Actual 2013
Total revenue and Parliamentary appropriations	\$ 191,807	\$ 190,992	\$ 193,614
Total expenses	191,786	191,019	189,219
<b>Annual surplus (deficit) from operations</b>	<b>\$ 21</b>	<b>\$ (27)</b>	<b>\$ 4,395</b>

## FINANCIAL POSITION

### Financial Assets

As at March 31, 2014, total financial assets were \$327 million, an increase of \$38.6 million over the previous year. Financial assets include the portfolio investments as well as those assets that are expected to be converted into cash or expensed within the next year. The Council's liability for bank indebtedness as at March 31, 2014 was \$0.5 million (\$1.3 million as at March 31, 2013).

As at March 31, 2014, the fair value of the Council's investments was \$323.1 million, an increase of \$37.9 million over the prior year.

The Council invests in units of pooled funds that are managed by professional money managers. The Council's investments are guided by a Statement of Investment Policies and Goals, which is approved by the Board. The objectives of the portfolio are to generate long-term real returns to supplement the parliamentary appropriation 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 from non-owners 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 also sit on the Investment Committee. 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. At each meeting during the year, the Investment Committee assessed the effect of implementation of the policy on the portfolio through regular updates from investment managers and review of the portfolio's performance. The table below shows the actual comparative asset mix as well as the asset mix targets for the portfolio.

Investment	Asset mix 2013-14		Asset mix 2012-13	
	Actual	Target	Actual	Target
Canadian equities	10%	10%	10%	10%
Global equities	44%	40%	39%	35%
Fixed income	24%	25%	32%	35%
Alternatives	10%	10%	6%	10%
Money market	6%	0%	6%	0%
Real estate	4%	7.5%	4%	5%
Infrastructure	2%	7.5%	3%	5%

The Investment Committee and senior management monitors closely the level of risk within the portfolio. At the beginning of the year, the Investment Committee undertook a thorough review of its asset allocation strategies and the desired levels of risk and made recommendation to the Board of Directors. The recommendation was approved and the new asset class allocation strategy was implemented during the year. For the four years ending March 31, 2014, total fund return was 8.3% in comparison to a benchmark return for a portfolio of similar mix of 8.9%.

During the year, the Council realized net gains from disposal of portfolio investments of \$0.9 million along with \$7.7 million in interest/dividend income. At \$7.3 million, the current year net investment income has decreased by \$3.4 million in comparison to the prior year. The main factor contributing to this decrease is the reduced performance of the fixed income asset class which resulted in a decrease of \$3.2 million with respect to the interest/dividend income distribution for this specific asset class. The performance of this asset class is consistent with the benchmark, the DEX Universe Bond Index, which generated an annual negative return of 1.2% for the year ended December 31, 2013 versus a positive return of 3.6% for the same period in 2012.

The Council is encouraged by the strong performance of the Global and Canadian equities and infrastructure asset classes but nevertheless, market conditions remain volatile. An important outcome is that the Council has adjusted its Expenditure Policy for the Killam Fund to reduce spending to 3.5% of the average of the market value of the fund over the last three years effective in 2014-15. The Council has also reduced the spending rate for the Endowment and Special Funds to 3.5% over two years (3.75% in 2014-15 and 3.5% in 2015-16).

## Liabilities

As at March 31, 2014, total liabilities were \$82.1 million, an increase of \$18.1 million over the previous year. Three factors significantly contribute to this increase:

- An increase of \$9.4 million in the Deferred revenues from externally restricted contributions is due to the increase in the unrealized gains on portfolio investment. This liability consists of externally restricted investment income and accumulated gains which are being deferred until the resources are used for the specified purposes. The original externally restricted endowment principal of \$37.6 million is required to be maintained intact and is reported under accumulated surplus.
- The increase of \$5.7 million in the deferred revenues is mostly related to the new leasehold inducement which will be amortized over the lease period of 20 years.
- An increase of \$3.9 million in the grants payable represents outstanding payment as at March 31, 2014.

Liabilities also include employee future benefits, which represent the severance entitlements of the Council's employees and post-retirement benefits covering employees and retirees. The Council provided severance benefits to its employees based upon years of service and final salary. In accordance with the collective agreement signed in February 2012, these benefits ceased to accrue in 2012-13. The employees had various options regarding the timing of their payout with respect to the Council's obligation. The accrued benefit obligation for severance represents \$0.7 million at year-end in comparison to \$1.1 million as at March 31, 2013. The Council also has defined post-retirement benefit plans providing extended health and dental benefits to retired employees. In 2013-14, the Council reviewed the actuarial assumptions adopted during the actuarial valuation performed in the previous year and determined the appropriate assumptions for 2013-14. The accrued post-retirement benefit obligation balance at March 31, 2014 is \$1.8 million (\$1.5 million as at March 31, 2013). The increase is mainly due to the amortization of the actuarial loss over the expected average remaining service period of the employee group (14 years), which started in 2013-14.

## Non-Financial Assets

Tangible capital assets include office equipment, leasehold improvements and work in progress related to the development of the new information management system. The increase of this asset category of \$6.6 million in comparison to the prior year is mainly attributable to the \$5.8 million investment in the fit-up of the new premises and \$0.6 million for investment in the development of the new information management system.

The Council's Art Bank has the largest collection of contemporary Canadian art in Canada, with over 17,500 works, and rents the working collection to interested public and private sector organizations. The Art Bank collection is presented under Art Bank assets which is carried at cost \$19.4 million on the Statement of Financial Position as at March 31, 2014. The total appraised value of the collection is estimated at \$71 million as at March 31, 2014.

The Council's Musical Instrument Bank owns or manages 21 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 \$1,000 as a reasonable estimate of the future benefits associated with such assets cannot be made.

At March 31, 2014, the appraised and insured value of its musical instruments was \$37.3 million.

## Accumulated Surplus

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

(in thousands of dollars)	2014	Restated 2013
Accumulated surplus		
Endowment - Original contribution	\$ 50,000	\$ 50,000
Endowment principal - Externally restricted contributions	37,569	37,569
Reserve for excess investment income	122,445	123,445
Surplus	24,926	23,953
Total accumulated surplus from operations	234,940	234,967
Accumulated remeasurement gains	39,037	11,925
<b>Accumulated surplus balance</b>	<b>\$ 273,977</b>	<b>\$ 246,892</b>

The \$50 million Endowment - Original contribution represents the original government transfer in 1957 of endowments to enable the Council to be established. 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 held separate, are in effect being treated as if they had been revenues.

The total reserve of \$122.4 million at March 31, 2014 represents the sum of excess investment income relating to the original endowment principal since the establishment of the Council.

## OPERATIONS

Summary Statement of Operations for the Years Ended March 31

(in thousands of dollars)	Budget 2014	Actual 2014	Restated Actual 2013
Parliamentary appropriations	\$ 180,661	\$ 181,974	\$ 181,180
Net investment income	9,560	7,347	10,700
Other revenue	1,586	1,671	1,734
<b>Total revenue</b>	<b>191,807</b>	<b>190,992</b>	<b>193,614</b>
Programs	173,550	173,135	171,599
Net Art Bank loss	244	165	127
Canadian Commission for UNESCO	2,346	2,132	1,866
General administration	15,646	15,587	15,627
<b>Total expenses</b>	<b>191,786</b>	<b>191,019</b>	<b>189,219</b>
<b>Annual surplus (deficit) from operations</b>	<b>\$ 21</b>	<b>\$ (27)</b>	<b>\$ 4,395</b>

The Council's net financial result for the year is a deficit of \$27 thousand in comparison to a balanced budget forecasting a surplus of \$21 thousand and a surplus of \$4.4 million for 2012-13. The current deficit is mainly attributable to a negative variance of \$2.2 million in net investment income which has been largely offset by a reduction of \$0.7 million in program administration spending, a reduction of \$1.0 million in services spending, a reduction of \$0.2 million in Canadian Commission for UNESCO spending and a decrease of \$0.1 million in general administration expenses.

The negative variance in Investment income is mainly due to the fact that a significant portion of the \$37.9 million appreciation in the portfolio investment was not sold or disposed of as at March 31, 2014. The unrealized gains on the Canada Council Endowment funds are presented under the Statement of Remeasurement Gains and Losses (\$27.7 million) while the unrealized gains on the Special Funds and the Killam Fund are presented in the Statement of Financial position under Deferred revenues-Externally restricted contributions (\$10.1 million).

### Parliamentary Appropriations

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

The monthly drawdown is invested in a short term pooled fund managed by a professional investment manager from which the Council draws its daily cash requirements.

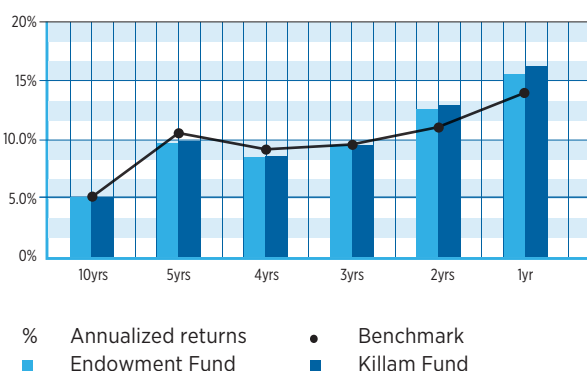
For the year ended March 31, 2014, the appropriation received by the Council was \$182.0 million, \$0.8 million more than in 2012-13. A significant portion of this increase relates to funding received to deliver the Market Access Strategy initiative under the Roadmap for Canada's Official Languages.

## Investment Income

The financial markets in which the Council invests are diversified and, in 2013-14, the Endowment and Special Funds and the Killam Fund had strong annual returns of 15.9% (10.1% in 2012-13) and 16.4% (10.3% in 2012-13) respectively. The annual returns on investment for the Endowment and Special Funds and the Killam Fund are, respectively, 2.3% and 2.8% above the benchmark of 13.6%. These results are encouraging indicating that the Council is well positioned to achieve the long term investment objective.

The following chart shows the annualized portfolio returns for various periods of the Endowment and Special Funds and the Killam Fund against the benchmark return. It shows the impact of the 2008 economic downturn and the subsequent recovery. Although there is a sense that the world-wide financial crisis is under control, risks remain and volatility is still present.

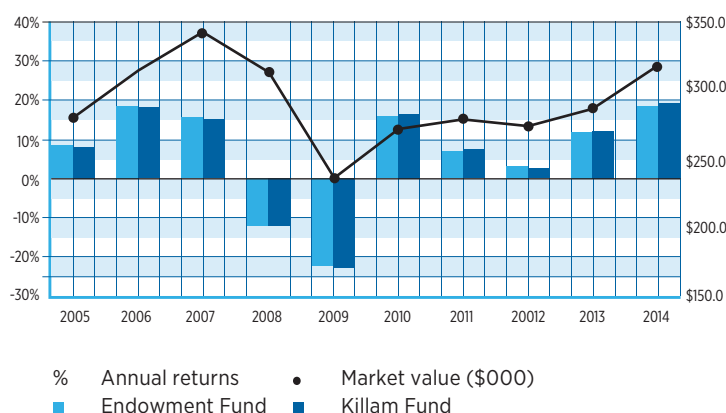
### Annualized Portfolio Returns (periods ending March 31)



The Council's investment policy prescribes for 2013-14 that cash can be withdrawn from the portfolio at a rate of up to 4% of the previous three-year average market value for the Endowment and Special Funds and up to 3.75% for the Killam Fund. Consistent with the Killam fund expenditure policy, the Council's Board approved during the year a reduction of the Expenditure Policy rate for the Endowment and Special Funds from 4.0% to 3.75%, effective in 2014-15 (3.5% starting in 2015-16). This approach recognizes the need to balance return with the long-term preservation of capital.

The following chart shows the annual portfolio returns for the Council in each year since 2005 and the corresponding effect that those returns have had on the year-end market value. The chart also demonstrates how the investment market returns can fluctuate year over year. The Council reinvests excess investment income above the budgeted amount in order to ensure the continued growth of the fund. This reinvestment is also intended to bring the value of the portfolio closer to what the original endowment amount from 1957 would be if expressed in today's dollars. This proactive approach is intended to bring additional stability and long-term growth for the Council.

### Annual Portfolio Returns (years ending March 31)



## Other Revenue

Other revenue includes the cancellation of grants awarded in previous years, the cancellation of deferred revenue from previous years, boardroom rental fees, donations, tax rebates, hosting fees and others sources of revenues.

## Program Expenses

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

(in thousands of dollars)	Budget 2014	Actual 2014	Actual 2013
Grants	\$ 152,360	\$ 153,640	\$ 153,397
Administration	14,635	13,948	12,898
Services	6,555	5,547	5,304
	<b>\$ 173,550</b>	<b>\$ 173,135</b>	<b>\$ 171,599</b>

In 2013-14, program expenses accounted for 91% of Council's total expenses of \$191 million. This percentage is consistent with 2012-13. Program expenses are \$1.5 million more than the previous year and \$0.4 million less than budget. Grants to artists and arts organizations represented about 89% of the total program expenses and slightly increased in comparison to both prior year and budget.

Services include other types of support provided to the arts community, such as partnerships, advisory committees, research, workshop expenses, adjudication of programs, and program evaluation. These costs were higher than the previous year by \$0.2 million and lower than budget by \$1.0 million.

Program administration costs represent the direct cost of operating the Council's programs. These include salaries, benefits, travel and professional services, and they increased by \$1.0 million in comparison to prior year. Program administration costs remained however below budget demonstrating the Council's constant efforts to exercise fiscal restraint and seek economies regarding these costs. The Council will continue to review programs and processes over the next two fiscal years.

## Net Art Bank loss

Net Art Bank loss was \$165 thousand for the current year in comparison to a loss of \$127 thousand last year. The loss reflects the challenges of a declining level of rental of its working collection by the federal government. The Art Bank is aggressively seeking new sources of rental revenue in the private sector while continuing to ensure that its activities remain aligned to the mandate of the Council. The Art Bank has also further contained costs resulting in final results being favorable in comparison to original budget.

## The Canadian Commission for UNESCO

The Canadian Commission for UNESCO (CCU) was established by the Canada Council pursuant to a 1957 Order in Council. The CCU had net expenses of \$2.1 million in 2013-14, a decrease of \$0.2 million in comparison to budget. The CCU coordinates UNESCO program activities in Canada; encourages Canadian participation in UNESCO activities abroad, including the provision of expert advice and assistance from both governmental and non-governmental organizations; and provides advice about future UNESCO programs and budgets to the Department of Foreign Affairs, Trade and Development Canada. The CCU also initiates activities in Canada to advance and obtain visibility for UNESCO's program objectives.

## 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 Service). Items include salaries, benefits, travel, professional services, amortization, accommodation and others. These costs were slightly lower than those reported in 2012-13 and the original budget. The Council will continue to exercise fiscal restraint and seek economies regarding general administration costs in the next fiscal years.

## REMEASUREMENT GAINS AND LOSSES

The accumulated remeasurement gains from portfolio investments as at March 31, 2014 were \$39 million. These are the accumulated unrealized gains, net of reclassification to Statement of Operations, upon realization for changes in fair value of the Council's non-restricted portfolio investments.

## CASH FLOW

### Operating Transactions

Cash provided by operating activities was \$8.8 million. This represents a \$8.9 million increase in comparison to prior year which is mainly attributable to the net change in other non-cash items.

### Capital Transactions

Cash used to acquire tangible assets was \$7.8 million in comparison to \$1.4 million the previous year. This variance is largely explained by the Council fit-up of its new premises at 150 Elgin, Ottawa.

### Investing Transactions

Net cash used by investing activities was \$0.2 million compared to \$1.9 million provided by investing activities in the previous year. However, the value of underlying transactions incurred in the course of rebalancing the Council's portfolio was significantly higher during 2013-14 than in 2012-13.

## RISK MANAGEMENT

Effective risk management is fundamental to the success of the Council in fulfilling its mandate. The Council is developing a strong risk management culture where risk management is a responsibility shared by all of its employees. The primary goals of enterprise risk management are 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 appetite. The Board receives regular updates on the Council's key risks including regarding its risk profile and related mitigation, financial performance and performance of the investment portfolio. The Council's executive management are responsible for risk management under the direct oversight of the Board.

In 2013-14, the Council updated its Corporate Risk Profile taking into consideration changes in the Council's risk environment. This included re-assessment of the risks and updates to the Council's significant potential risks as well as mitigation strategies. The 2013-14 risk universe is illustrated below:

Corporate Risks			
Strategic	Program Delivery	Enabling Activities	Compliance
<b>Risk related to the strategic management of the Council and relationships with its shareholders and stakeholders</b> <ul style="list-style-type: none"> <li>• Revenue uncertainty</li> <li>• Change overload</li> <li>• Strategy execution</li> <li>• Demonstration of results</li> <li>• Stakeholder communications</li> <li>• Resumption of business following a disaster</li> <li>• Governance</li> <li>• Clarity of decision making authorities / process</li> <li>• Reactions to potentially adverse events</li> </ul>	<b>Risk related to the Council's core granting processes</b> <ul style="list-style-type: none"> <li>• Funding controversies</li> <li>• Funding gaps / non-strategic duplication of funding</li> <li>• Suite of programs / levels of funding</li> <li>• Peer assessment process</li> <li>• Rigor and transparency of the granting process</li> <li>• Arts Services Unit Support</li> <li>• Research support</li> <li>• Implementation of partnerships</li> </ul>	<b>Risks related to the Council's support and operational processes</b> <ul style="list-style-type: none"> <li>• Information technology</li> <li>• Breach of data privacy / security</li> <li>• Human resource capacity / competency / succession planning</li> <li>• Budget management</li> <li>• Knowledge and records management</li> <li>• Communication support</li> </ul>	<b>Risk related with external/internal requirements</b> <ul style="list-style-type: none"> <li>• Compliance with external requirements / obligations</li> <li>• Compliance with internal financial policies and procedures</li> <li>• Compliance with internal HR policies and procedures</li> <li>• Compliance with internal granting policies and procedures</li> </ul>
CCA mandate – "to foster and promote the study and enjoyment of, and the production of works in, the arts"			

### Risk Appetite

The Council's risk appetite statement, as approved by the Board, remains as follows:

"The Canada Council for the Arts follows a prudent risk-taking approach in managing the organization. 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.

The Council has low appetite for risks that could negatively impact the rigor and transparency of our granting processes, given that this is foundational to the legitimacy of the Council's mandate. Similarly, the Council has a low appetite to undertake financial risks that would negatively impact our cost-effectiveness and investment performance, given the critical importance of appropriately managing financial resources to our ability to provide funding and support to the arts community.



With regards to our suite of funding programs and support to the arts community, we have a low appetite for risks that would hinder our ability to be flexible and responsive to changes in the arts ecology and economic conditions and a low appetite for risks that would adversely affect support of the arts infrastructure in Canada. That notwithstanding, the Council has a high appetite for artistic risk. Notably, we maintain a high appetite for risks related to the Council's support of artistic aspirations, creativity and innovation as this is essential to the development and evolution of a vital and diverse arts sector that enriches the lives of all Canadians. In that context, we have a moderate appetite for risks that could affect our ability to build and sustain reputational strength with key stakeholders.

To enable the Council to continuously improve its operating performance, we are willing to take on moderate risks for opportunities that could lead to improved internal structure, staffing and services as well as overall strategy execution. However, we will manage any risks taken in this regard within the constraints of our core values, organizational culture, and commitment to staff.

Ultimately, we will manage the organization in a way that will enable us to deliver on our mandate and strategic directions and to demonstrate results. We will be cautious in our acceptance of any risks that could hinder our abilities to do so.

The Council ensures that it fulfills its mandate and operates as a high performance organization through effective governance by its Board. The Council has a low appetite for any risks that would affect its capacity to independently govern itself”.

### **Risk Profile**

Using the Council's risk appetite as key context, the following risks, as identified and assessed during the 2013-14 risk assessment process, are considered to be outside of the Council's appetite:

1. inadequate Human Resources capacity;
2. inability to demonstrate results;
3. change overload.

Consequently, for these, focused updated risk mitigations are being implemented under the oversight of assigned members of the executive management in order to reduce the risk exposure.

### **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 receipts are due from the federal and municipal governments and, as such, have low credit risk. Liquidity risk is the risk that the 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 short-term pooled fund 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 of Directors.

Governance

# Governance

## Board Mandate

The Canada Council for the Arts is led by a Director/CEO and governed by a Board consisting of a Chair, Vice-Chair and nine other members from across Canada. All are appointed by the Governor in Council for fixed terms. The Board meets at least three times a year and is responsible for the organization's policies, programs, budgets and grant decisions.

As stewards of the organization, the Board oversees the organization's governance. It conducts the Council's business, directs Management and ensures that all major issues affecting the Council are given proper consideration. The Board is accountable to Parliament through the Minister of Canadian Heritage and Official Languages.

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

### Highlights: In 2013-14, the Board:

oversaw the ongoing work related to implementing *Strengthening Connections: Corporate Plan 2011-16*, including advancing the conversation on public engagement in the arts

held the Annual Public Meeting at the Canada Council's new headquarters at 150 Elgin Street in Ottawa on January 28, 2014

approved major program modifications and grants over \$100,000

regularly reviewed the Board Statement of Requirements, in preparation for Board vacancies, and discussed succession planning for the Director/CEO and Vice-Chair positions

approved the Board Engagement and Outreach Strategy

reviewed plans for the modernization of the Council's systems and the move to the new office space

held four meetings in Ottawa

## Board Independence

All members of the Board are independent directors. While the Director/CEO and Executive Management attend Board meetings to provide information and report on activities, only members may vote and make decisions. Board committees are composed of Board members, with some committees expanded to include external experts selected for their knowledge and expertise.

## Culture of Ethical Business Conduct

Board members, as public office holders, are bound by the federal government's *Conflict of Interest Act*, the *Ethical Guidelines for Public Office Holders*, as well as the *Code of Ethics for Canada Council Board Members*. The Board is required to disclose any potential conflicts of interest on an annual basis, and as they occur throughout the year.

## Corporate Social Responsibility

The Canada Council is committed to carrying out its mandate in an environmentally, socially and ethically responsible manner in accordance with its values and principles.

In an effort to fulfill this commitment, the Council continues to:

- [conduct its business with honesty, integrity and fairness](#)
- [strive to reduce its environmental footprint by incorporating environmental sustainability considerations into its plans, activities and projects](#)
- [provide an organizational climate that stimulates and supports employee performance and development](#)

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

## Appointments

The Board advises the government on appropriate selection criteria for the Chair and Vice-Chair of the Board, as well as competency profiles and future needs for Board members and for the position of Director/CEO. Skills and expertise profiles were provided to the Minister of Canadian Heritage and Official Languages in response to vacancies in 2013-14. In light of the end of the term of Director/CEO Robert Sirman on June 25, 2014, Director/CEO succession planning for this position was a central feature of Board discussions in 2013-14.

Beverley K. Foy (Calgary, Alberta) was appointed for a four-year term, effective June 6, 2013. Isabelle Hudon (Montréal, Quebec) was appointed for a four-year term, effective October 1, 2013. Nathalie Bondil (Montréal, Quebec) was appointed for a four-year term as Vice-Chair, effective March 31, 2014. At March 31, 2014, there was one Board vacancy.

## Board Orientation and Continuing Education

Starting in 2013, all new Board members are required to attend the Orientation for Directors of Crown Corporations offered by the Canada School of Public Service. This program has been designed to provide directors with information on their basic roles and accountabilities, the unique circumstances of Crown corporation governance, including the limits on the powers of Crown corporation boards and their relationship with the Government. Two Board members have attended this session to date.

New Board members are provided with a comprehensive information package prior to their first meeting. They participate in an orientation session with Executive Management and sit in on all committee meetings (with the exception of the Investment Committee) at the time of their first Board meeting. A mentor is also assigned to each new Board member in an effort to facilitate their orientation.

In 2013-14, as part of a continuing education program, Board members participated in professional development sessions led by Council staff on the following topics:

- [Breakthrough Communications in the Digital Age: The Launch of the New Canada Council Website \(June 2013\)](#)
- [Peer Assessment \(October 2013\)](#)
- [Canada Council Investments \(March 2014\)](#)

Board members also participated in external courses, workshops and conferences, including:

- [Audit Committee Guidelines for Crown Corporations offered by the Treasury Board Secretariat, Ottawa](#)
- [Public Sector Financial Reporting and Accounting Course offered by Chartered Professional Accountants of Canada, Ottawa](#)
- [Commonfund Forum, Hollywood, Florida](#)
- [Staging Sustainability Conference, Toronto](#)

## Performance Evaluation

Every year, under the direction of the Governance and Nominating Committee, the Board evaluates the performance of the full Board and its committees. Work was undertaken throughout 2013-14 to implement the recommendations resulting from the Board evaluation of the previous year.

Under the direction of the Executive Committee, the Director/CEO's performance is assessed annually by the Board, according to the Privy Council Office's *Performance Management Program for Chief Executive Officers of Crown Corporations*. The Board communicates the results of the Director/CEO's annual performance evaluation to the Minister of Canadian Heritage and Official Languages.

The Canada Council for the Arts won the inaugural Excellence in Governance Award from the Canadian Society of Corporate Secretaries in the category of best stakeholder engagement by a governance team. The competition included such major corporations as the Royal Bank of Canada, Telus Corporation and BCE (Bell Canada Enterprises). The award highlighted the Council's engagement, accessibility and spirit of cooperation.

## Communications

The Canada Council, as a federal Crown corporation, recognizes the importance of communicating effectively and in a timely manner with parliamentarians, government and other key stakeholders, such as the arts community and the public. The Board is responsible for ensuring that the Council communicates effectively and consistently with the Minister and officials in the Department of Canadian Heritage.

In 2013-14, the Council was awarded a Canadian Society of Corporate Secretaries Excellence in Governance Award in the category of "Best Stakeholder Engagement by a Governance Team." In this category, the judges considered a company's overall shareholder engagement activities, looking for clarity, completeness and accuracy of written disclosures, the effectiveness of investor or stakeholder outreach activities and the level of non-financial stakeholder engagement. Accessibility of the Board and the level of responsiveness to shareholder activities were also given particular consideration.

## Reporting Requirements

In accordance with specific Acts and Regulations, and to ensure ongoing communications and transparency, the Council submits a number of reports on an annual basis to different government departments.

### Access to Information Act and Privacy Act (ATIP)

The Council's Annual ATIP reports for 2012-13, which include statistical data on the Council's administration of the Acts, were submitted to Canadian Heritage and tabled in Parliament on October 16, 2013.

### Canadian Multiculturalism Act

The Canada Council's Equity Office is responsible for the requirements of the *Canadian Multiculturalism Act*, and for completing an Annual Report on the Operation of the Act. The 2012-13 report was submitted to Citizenship and Immigration on June 26, 2013.

### Official Languages Act

The Canada Council is responsible for implementing Parts IV, V, VI and VII of the *Official Languages Act*. It submits a multi-year action plan to the Department of Canadian Heritage regarding section 41 of Part VII of the Act. This was done in January 2012 and will be in effect until 2016. The Council also presents an annual report detailing its activities under Parts IV, V, VI and VII to the Department of Canadian Heritage and Official Languages and the Treasury Board Secretariat. This report was submitted on May 31, 2013. The component dealing with Part VII is available at [canadacouncil.ca](http://canadacouncil.ca).

### 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. The 2012-13 report was submitted on May 24, 2013.

## Annual Public Meeting

On January 28, 2014, the Council held its Annual Public Meeting in Ottawa. It reported on its recent activities and plans for the future, and received feedback from interested stakeholders. The Director/CEO, the Vice-Chair and seven other members of the Board, as well as senior staff, were present. The Minister of Canadian Heritage and Official Languages, the Honourable Shelly Glover, attended a reception following the meeting and spoke to approximately 150 people in attendance. Speeches and a video of the Annual Public Meeting are available at [canadacouncil.ca](http://canadacouncil.ca).

## Board Committees

Board committees enhance the overall effectiveness of the Board by ensuring closer focus, oversight and monitoring of areas of particular concern. The committees' roles, responsibilities and reporting requirements are defined in the 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 amendments of By-laws, policies, budgets, financial statements, grants or the Annual Report) in the interval between meetings of the Board.

Membership: Joseph L. Rotman (Chair), Simon Brault, and Barbara Burley.

### Audit and Finance Committee

The Audit and Finance Committee is responsible for the oversight of the Council's financial performance and ensures the integrity, effectiveness and accuracy of Council's financial reporting, control systems, integrated risk management processes and audit functions.

Membership: Simon Brault (Chair), Beverley K. Foy, Isabelle Hudon, Luc LaRoche, and Anna Porter.

### Governance and Nominating Committee

The Governance and Nominating Committee is responsible for ensuring that proper structures and processes are in place for the effective oversight and direction of the Council's activities.

Membership: Barbara Burley (Chair), Simon Brault, Howard Jang, David McKay, and Brenda Stehelin.

### Investment Committee

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

Membership: Beverley K. Foy, Anna Porter and the following external experts: George Mavroudis (Chair), Mark Jenkins, Eric Kirzner, Ann Marshall, and John Montalbano. At March 31, 2014 there was one vacancy.



In January 2014, shortly after the Canada Council for the Arts settled into its new offices, it invited the public to its Annual Public Meeting (APM). A record number of representatives from the arts community, government organizations and the general public attended in person. Viewers from across Canada and abroad took part via webcast and social media. The Council's achievements in implementing change, public engagement in the arts and governance, and its message on the importance of supporting creativity were all subjects of discussion. During the APM reception, the Honourable Shelly Glover, Minister of Canadian Heritage and Official Languages, delivered a glowing speech on the importance of the Council's work for all Canadians.

From left: Robert Sirman, the Honourable Shelly Glover, and Simon Brault. Photo: Canada Council for the Arts / Heather McAfee

### Advisory Groups

Certain Board members also serve on other bodies: Barbara Burley serves on the Executive Committee of the Canadian Commission for UNESCO; Anna Porter serves on the Public Lending Right Commission.

An Ad Hoc Working Group on Public Engagement, made up of Board members and staff, met on several occasions to oversee the work of this important cross-cutting theme of the Council's strategic plan. A status report on the public engagement discussion and a major speech on the subject by the Vice-Chair were highlights of the Canada Council's Annual Public Meeting. The Board members on the working group in 2013-14, included: Simon Brault (Chair), Isabelle Hudon, Howard Jang and Luc LaRoche.

### Proactive Disclosure

The disclosure of grants and contributions, travel and hospitality expense information of 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 at [canadacouncil.ca](http://canadacouncil.ca).

### 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 2013-14, there were no internal disclosures of wrongdoing in the workplace.

### Remuneration

Board: \$126,663 (fixed by Governor in Council)\*  
Director/CEO: \$212,700-\$250,200 (fixed by Governor in Council)  
Executive positions: \$105,700-\$155,900

\*This represents the collective amount paid to all Board members in 2013-14.

### Executive Management

The Executive Management Group consisted of Robert Sirman, Director/CEO; Michelle Chawla, Corporate Secretary and Director, Strategic Initiatives; Roger Gaudet, Director, Arts Disciplines (effective October 15, 2013); John Goldsmith, Director, Stakeholder Relations; Denyse Jomphe, Director, Human Resources; Pascale Legault, CFO and Director, Finance and Administration; Tammy Scott, Director, Communications and Arts Promotion. At March 31, 2014, the position of Secretary-General, Canadian Commission for UNESCO was vacant.

Anne Valois served as Director, Arts Disciplines, until October 15, 2013. John Goldsmith served as Director, Stakeholder Relations, until January 17, 2014. Tammy Scott is currently on leave, and her responsibilities have been overseen on an interim basis by Tara Lapointe, Head, Marketing Communications, and Joanne Larocque-Poirier, Head, Prizes Section.



## Board and Committee Meetings and Attendance (April 1, 2013 to March 31, 2014)

	Board Meetings	Executive Committee	Investment Committee	Audit and Finance Committee	Governance & Nominating Committee
Total # of Meetings	4	3	4	7	5
Joseph L. Rotman, Chair	3	3			
Simon Brault, Vice-Chair	4	3		7	3
Barbara Burley	4	3			5
Beverly K. Foy	3		2/2	6/6	
Isabelle Hudon	2/3			3/4	
Howard Jang	4			3/3	1/2
Susan Mary (Dyer) Knight	1/1				2/2
Luc LaRochelle	3		2/2	6	
David McKay	4				5
Anna Porter	4		4	7	
Brenda Stehelin	3				3/4

Notes: Susan Mary (Dyer) Knight's mandate ended September 14, 2013. Isabelle Hudon was appointed October 1, 2013. Committee composition changes were made in June and October 2013.

## Board Members



Joseph L. Rotman, Chair  
Toronto, ON



Simon Brault, Vice-Chair  
Montréal, QC



Barbara Burley  
St. Andrews, NB



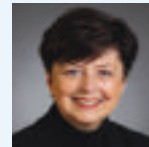
Beverly K. Foy  
Calgary, AB



Isabelle Hudon  
Montréal, QC



Howard Jang  
Vancouver, BC



Susan Mary (Dyer) Knight  
St. John's, NL



Luc LaRochelle  
Montréal, QC



David McKay  
Fredericton, NB



Anna Porter  
Toronto, ON



Brenda Stehelin  
Whitehorse, YT



## Management's Responsibility for Financial Reporting

The accompanying financial statements of the Canada Council for the Arts 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 Canada 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 Canada 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 Canada Council. The Audit and Finance Committee meets with Management, the internal auditors and 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 Canada Council, and for issuing the report thereon.

June 25, 2014



Robert Sirman  
Director and Chief Executive Officer



Pascale Legault, CPA, CA  
Chief Financial Officer



## INDEPENDENT AUDITOR'S REPORT

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

### Report on the Financial Statements

I have audited the accompanying financial statements of the Canada Council for the Arts, which comprise the statement of financial position as at 31 March 2014, and the statement of operations, statement of remeasurement gains and losses, statement of change in net financial assets and statement of cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

#### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these 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.

#### *Auditor's Responsibility*

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

### *Opinion*

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Canada Council for the Arts as at 31 March 2014, 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.

### **Report on Other Legal and Regulatory Requirements**

As required by the *Financial Administration Act*, I report that, in my opinion, the accounting principles in Canadian public sector accounting standards have been applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the Canada Council for the Arts that have come to my notice during my audit of the financial statements have, in all significant respects, been in accordance with the applicable provisions of Part X of the *Financial Administration Act* and regulations, the *Canada Council for the Arts Act* and the by-laws of the Canada Council for the Arts.



Maurice Laplante, CPA, CA  
Assistant Auditor General  
for the Auditor General of Canada

25 June 2014  
Ottawa, Canada



## Statement of Financial Position

		Restated (Note 3)
as at March 31 (in thousands of dollars)	2014	2013
<b>FINANCIAL ASSETS</b>		
Cash equivalents (Note 4)	\$ 251	\$ 197
Accounts receivable	4,116	3,488
Derivatives (Note 5)	-	5
Portfolio investments (Note 6)	323,081	285,141
Total financial assets	327,448	288,831
<b>LIABILITIES</b>		
Bank indebtedness	542	1,347
Grants payable	30,901	26,984
Accounts payable and accrued liabilities	3,544	3,513
Deferred revenues	7,477	1,764
Derivatives	-	97
Employee future benefits (Note 8)	2,530	2,515
Deferred revenues - Externally restricted contributions (Note 9)	37,097	27,721
Total liabilities	82,091	63,941
<b>NET FINANCIAL ASSETS</b>	245,357	224,890
<b>NON-FINANCIAL ASSETS</b>		
Tangible capital assets (Note 10)	8,904	2,339
Art Bank assets (Note 11)	19,400	19,356
Musical instruments (Note 12)	1	1
Prepaid expenses	315	306
Total non-financial assets	28,620	22,002
<b>ACCUMULATED SURPLUS (Note 13)</b>	\$ 273,977	\$ 246,892
Accumulated surplus is comprised of:		
Accumulated surplus from operations	234,940	234,967
Accumulated remeasurement gains	39,037	11,925
<b>ACCUMULATED SURPLUS</b>	<b>\$ 273,977</b>	<b>\$ 246,892</b>

Contractual obligations and commitments (Note 18)

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

APPROVED BY THE BOARD OF DIRECTORS



Chair



Vice-Chair

## Statement of Operations

			Restated (Note 3)
	Budget	Actual	Actual
year ended March 31 (in thousands of dollars)	2014	2014	2013
<b>Revenue</b>			
Net investment income (Note 14)	\$ 9,560	\$ 7,347	\$ 10,700
Other revenue	1,586	1,671	1,734
<b>Total revenue</b>	<b>11,146</b>	<b>9,018</b>	<b>12,434</b>
<b>Expenses</b>			
Programs			
Grants (Schedule I)	152,360	153,640	153,397
Administration (Schedule II)	14,635	13,948	12,898
Services	6,555	5,547	5,304
	173,550	173,135	171,599
Net Art Bank loss (Note 15)	244	165	127
Canadian Commission for UNESCO (Note 16)	2,346	2,132	1,866
General administration (Schedule II)	15,646	15,587	15,627
<b>Total expenses</b>	<b>191,786</b>	<b>191,019</b>	<b>189,219</b>
Annual deficit from operations before Parliamentary appropriations	(180,640)	(182,001)	(176,785)
Parliamentary appropriations	180,661	181,974	181,180
ANNUAL SURPLUS (DEFICIT) FROM OPERATIONS	21	(27)	4,395
ACCUMULATED SURPLUS FROM OPERATIONS, BEGINNING OF YEAR	234,967	234,967	230,572
<b>ACCUMULATED SURPLUS FROM OPERATIONS, END OF YEAR</b>	<b>\$ 234,988</b>	<b>\$ 234,940</b>	<b>\$ 234,967</b>

## Statement of Change in Net Financial Assets

			Restated (Note 3)
	Budget	Actual	Actual
year ended March 31 (in thousands of dollars)	2014	2014	2013
ANNUAL SURPLUS (DEFICIT) FROM OPERATIONS	\$ 21	\$ (27)	\$ 4,395
Acquisition of tangible capital assets (Note 10)	(7,717)	(7,747)	(1,393)
Amortization of tangible capital assets (Note 10)	1,761	1,182	1,210
Acquisition of Art Bank assets (Note 11)	-	(64)	(10)
Disposal of Art Bank assets (Note 11)	-	20	1
	(5,956)	(6,609)	(192)
Acquisition of prepaid expenses	-	(260)	(306)
Use of prepaid expenses	-	251	273
	-	(9)	(33)
Net remeasurement gains	-	27,112	10,636
INCREASE (DECREASE) IN NET FINANCIAL ASSETS	(5,935)	20,467	14,806
NET FINANCIAL ASSETS, BEGINNING OF YEAR	224,890	224,890	210,084
<b>NET FINANCIAL ASSETS, END OF YEAR</b>	<b>\$ 218,955</b>	<b>\$ 245,357</b>	<b>\$ 224,890</b>

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

## Statement of Remeasurement Gains and Losses

	Restated (Note 3)	
year ended March 31 (in thousands of dollars)	2014	2013
ACCUMULATED REMEASUREMENT GAINS, BEGINNING OF YEAR	\$ 11,925	\$ 1,289
<b>Unrealized gains (losses) attributable to:</b>		
Derivatives	-	(40)
Portfolio investments	27,653	12,388
<b>Amounts reclassified to the Statement of Operations:</b>		
Derivatives	40	(104)
Portfolio investments	(581)	(1,608)
NET REMEASUREMENT GAINS FOR THE YEAR	27,112	10,636
<b>ACCUMULATED REMEASUREMENT GAINS, END OF YEAR</b>	<b>\$ 39,037</b>	<b>\$ 11,925</b>

## Statement of Cash Flow

	Restated (Note 3)	
year ended March 31 (in thousands of dollars)	2014	2013
<b>Operating Transactions</b>		
Annual Surplus (deficit) from operations	\$ (27)	\$ 4,395
Gains from disposal of portfolio investments (Note 14)	(930)	(1,802)
Decrease in net derivatives liability less realized gain transferred from remeasurement gains and deferred revenues - externally restricted contributions	(37)	(143)
Amortization of tangible capital assets (Note 10)	1,182	1,210
Donations of Art Bank assets (Note 11)	(61)	-
Loss on disposal of Art Bank assets (Note 11)	20	1
Increase in prepaid expenses	(9)	(33)
Increase (decrease) in employee future benefits	15	(1,722)
Income transferred from Deferred revenues - Externally restricted contributions		
To investment income (Note 9)	(420)	580
To other revenues (Note 9)	-	(363)
Net change in other non-cash items (Note 17)	9,033	(2,234)
Cash provided (used) by operating activities	8,766	(111)
<b>Capital Transactions</b>		
Acquisition tangible capital assets (Note 10)	(7,747)	(1,393)
Acquisition Art Bank assets (Note 11)	(3)	(10)
Cash used by capital activities	(7,750)	(1,403)
<b>Investing Transactions</b>		
Acquisition of portfolio investments	(115,997)	(19,480)
Disposal of portfolio investments	115,840	21,407
Cash provided (used) by investing activities	(157)	1,927
NET INCREASE IN CASH AND CASH EQUIVALENTS	859	413
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	(1,150)	(1,563)
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>(291)</b>	<b>(1,150)</b>
<b>Represented by:</b>		
Cash equivalents (Note 4)	251	197
Bank indebtedness	(542)	(1,347)
	<b>\$ (291)</b>	<b>\$ (1,150)</b>

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

# Notes to the Financial Statements

## March 31, 2014

### 1. AUTHORITY 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 Her Majesty and is deemed to be a registered charity for the purposes of the *Income Tax Act*. In accordance with section 85(1.1) of the *Financial Administration Act*, the Council is exempt from Divisions I to IV of Part X of this Act, except for 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. Program administration expenses represent the direct costs of program delivery. Program services expenses represent costs incurred for non-grant activities in fulfillment of the Council's mandate and costs associated with the adjudication of grants. General administration costs represent the costs related to corporate management, communications, human resources, information management, finance, accommodation and amortization.

The Canadian Commission for UNESCO (CCU) was established by the Canada Council pursuant to a 1957 Order in Council. The CCU 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 CCU is provided by the Canada Council and led by a Secretary General who is part of the Council's Executive Management team.

### 2. SIGNIFICANT ACCOUNTING POLICIES

#### Basis of accounting

The Council considers itself to be 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 assets and liabilities and identifies how they are subsequently measured on the Statement of Financial Position:

Financial asset or liability	Subsequent measurement
Cash equivalents	Fair value
Accounts receivable	Amortized cost
Portfolio investments	Fair value
Derivatives	Fair value
Bank indebtedness	Fair value
Grants payable	Amortized cost
Accounts payable and accrued liabilities	Amortized cost

#### Cash equivalents

Cash equivalents represent short-term, highly liquid investments that are readily convertible into known amounts of cash and that are subject to an insignificant risk of changes in value. Cash equivalents on the Council's Statement of Financial Position comprise units in a short-term pooled fund. Distributed income is recorded on an accrual basis and is recognized in the Statement of Operations under net investment income in the year in which it is earned.

#### Derivatives

Derivatives with a positive (negative) fair value are reported as assets (liabilities). Unrealized changes in the fair value of derivatives are recognized on the Statement of Remeasurement Gains and Losses under derivatives in the year in which they occur, except for the restricted portion which is recognized as a liability under Deferred revenues - Externally restricted contributions. Once realized, these gains and losses are recognized in the Statement of Operations. Purchases and dispositions of derivatives are recorded on the trade date.

#### 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 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.

#### Tangible capital assets

Office equipment and leasehold improvements 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	5 years
Leasehold improvements	remaining term of the lease

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.

#### Art Bank assets

The Art Bank assets are carried at cost less accumulated amortization. The cost, less any residual value, is amortized using a straight line method over the estimated useful lives of these assets which are estimated to be 50 years.

#### Musical Instruments

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

#### Employee future benefits

##### i) Pension benefits

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

##### ii) Severance benefits

In February 2012, a new collective agreement was signed and the decision to terminate this benefit was made. The agreed calculation to determine the obligation was as follows:

All employees with ten years or more of service as at June 30, 2012 shall be entitled to a severance payment equal to one week's pay for each complete year of continuous employment and, in the case of partial year of continuous employment, one week's pay multiplied by the number of days of continuous employment divided by 365, to a maximum of 28 weeks. All employees with less than ten years of services and more than one year of service as of June 30, 2012 shall be entitled to a severance payment equal to two weeks' pay. All part-time employees with less than ten years of service as at June 30, 2012 shall be entitled to a severance equal to one week's pay.

The obligation is adjusted at year-end to reflect employees' actual salary level.

### 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 (Unit Credit). The first full valuation was completed as at March 31, 2013.

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.

Adjustments arising from plan amendments, experience gains and losses, and changes in assumptions are amortized over the expected average remaining service period of the employee groups.

### **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) **Contributions**

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

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

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

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

#### iii) **Art Bank rental revenues**

Revenues generated from Art Bank assets are recognized in the year in which services are provided. They are included in net Art Bank income (loss) 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 hosting fees charged for services provided to a third party.

#### 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 investment income.

### **Grants**

Grants are considered to be a government transfer. They are recorded as an expense in the year for which they are budgeted and approved by the Board, authority to pay has been obtained through the 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-related 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. 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. RESTATEMENT OF NET INVESTMENT INCOME

Between November 2006 and March 31, 2013, the Council had misinterpreted a number of investment reports related to the Infrastructure Asset Class. Effectively, gains attributable to portfolio investment were inappropriately considered realized. As a result, during this period, the net investment income was overstated while the net remeasurement gains were understated. Therefore, the financial statements for the period ended March 31, 2013 have been restated. The impact of the restatement on the Statement of Operations and the Statement of Remeasurement Gains and Losses for the year ended March 31, 2013 is as follow:

(in thousands of dollars)	Original	Restated
Net Investment Income	\$ 12,296	\$ 10,700
Accumulated Surplus from Operations, beginning of year	232,006	230,572
Accumulated Remeasurement Gains (Losses), beginning of year	(145)	1,289
Net remeasurement gains for the year	9,040	10,636
Accumulated Remeasurement Gains, end of year	8,895	11,925

### 4. CASH EQUIVALENTS

The Council invests its cash in excess of daily requirements in a short-term pooled fund managed by State Street Global Advisors. All instruments held in the pooled funds are rated R1 (low) or A (low) or better as rated by a recognized bond rating agency. These funds are comprised of securities issued by different levels of government, chartered banks and corporate issuers. Except for instruments guaranteed by governments, no more than 10% of the short-term portfolio is invested with any one issuer. The Council's investment in the pooled fund was \$251,000 at March 31, 2014 (2013 - \$197,000).

### 5. DERIVATIVES

In the past, the Council entered into foreign currency forward contracts to manage its exposure to foreign currency exchange risk on the non-Canadian dollar denominated portion of its investment portfolio, except for the emerging market component which was unhedged. In June 2013, the Council decided to no longer use derivatives to manage its foreign currency exchange risk as most of its investment managers already have a currency strategy within their pooled fund.

The fair value of outstanding foreign exchange forward contracts at the end of March 2013 reflected the potential gain/loss if trading had taken place on March 31, 2013. The realized gain of \$872,000 on foreign currency forward contracts that matured on March 31, 2013 but were only settled after the date of the statement of financial position were recorded with the accounts receivable as of March 31, 2013.

The net investment income includes a net foreign currency loss of \$154,000 (2013 - \$680,000 net gain).

### 6. PORTFOLIO INVESTMENTS

	2014					Restated (Note 3)		
	Cost	Unrealized losses	Unrealized gains	Fair value		Cost	Fair value	
(in thousands of dollars)	\$	\$	\$	\$	%	\$	\$	%
<b>Canada Council Endowment and Special Funds</b>								
Pooled funds								
Equity	104,678	-	34,623	139,301	54	102,951	112,026	49
Fixed income	61,750	-	366	62,116	24	73,316	72,049	32
Alternatives	20,630	-	4,677	25,307	10	10,670	13,491	6
Money market	14,944	-	86	15,030	6	13,266	13,266	6
Real estate	7,977	-	1,475	9,452	4	8,336	9,349	4
Infrastructure	4,454	-	1,540	5,994	2	5,169	6,828	3
	214,433	-	42,767	257,200	100	213,708	227,009	100
<b>Killam Fund</b>								
Pooled funds								
Equity	26,604	-	8,764	35,368	54	26,312	28,631	49
Fixed income	15,910	-	30	15,940	24	18,607	18,268	31
Alternatives	5,298	-	1,195	6,493	10	2,718	3,436	6
Money market	3,713	-	22	3,735	6	3,198	3,198	6
Real estate	2,141	-	414	2,555	4	2,235	2,519	4
Infrastructure	1,335	-	455	1,790	2	1,569	2,080	4
	55,001	-	10,880	65,881	100	54,639	58,132	100
<b>Total investments</b>	<b>269,434</b>	<b>-</b>	<b>53,647</b>	<b>323,081</b>		<b>268,347</b>	<b>285,141</b>	

Unrealized gains/losses on investments are primarily due to the timing of the market prices, foreign exchange movements, or the early years in the business cycle for some investments. Annually, the Council assesses each of its investment instruments against specific criteria to determine whether there is objective evidence that the adjusted cost may not be recovered and is therefore impaired. The Council does not consider these investments to be other-than-temporarily impaired as at March 31, 2014.

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% (2013 - 8%) of that Fund with a total fair value of \$20,910,000 (2013 - \$18,138,000). The total fair value of the externally restricted investment including the Killam Fund is \$86,791,000 (2013 - \$76,270,000).

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 alternative pooled funds and in limited partnership units of four real estate funds and two 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 adopted by the Board in January 2014. The benchmarks allow asset class allocations to vary between a minimum and a maximum.

Asset Classes	Market Value	Minimum	Benchmark	Maximum
Canadian equities	10%	5%	10%	15%
Global equities	44%	35%	40%	45%
Fixed income	24%	15%	25%	35%
Alternatives	10%	5%	10%	15%
Real estate	4%	0%	7.5%	10%
Infrastructure	2%	0%	7.5%	10%
Money market	6%	0%	0%	10%

The money market asset class includes short-term pooled funds used for future investments in alternatives and capital commitments in limited partnership units of real estate and infrastructure funds. These funds had a balance of \$18,765,000 (2013 - \$16,464,000). For the year ended March 31, 2014, these funds earned a return of 1.15% (2013 - 1.27%) and the underlying investments had an average weighted term to maturity of 21 days (2013 - 25 days).

Investments in the equity pooled funds are comprised of units of three pooled funds, one Canadian fund and two 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. 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 fixed income fund is measured against the returns of the DEX Universe Bond Index. Investments in the alternative pooled funds are comprised of units of one hedge fund with diversified positions across global asset classes. This investment is measured against the returns of the Scotia Capital 91-day T-bill plus 20%. The assets included in the real estate funds are commercial real estate properties in Canada and the United States. These investments are measured against the returns of the Investment Property Databank for the Canadian managers and the National Council of Real Estate Investment Fiduciaries (NCREIF) for the US manager. The infrastructure funds include two portfolios of diversified infrastructure investments. These investments are measured against the Consumer Price Index plus 4.5%.

## 7. FINANCIAL RISKS AND FAIR VALUE

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)		2014	2013
Financial assets and liabilities and classifications	Measurement categories	Carrying amount and fair value (\$)	Carrying amount and fair value (\$)
Cash equivalents	Fair value	251	197
Accounts receivable	Amortized cost	4,116	3,488
Derivatives net	Fair value	-	(92)
Portfolio Investments <sup>1</sup>	Fair value	323,081	285,141
Bank indebtedness	Fair value	542	1,347
Grants payable	Amortized cost	30,901	26,984
Accounts payable and accrued liabilities	Amortized cost	3,544	3,513

<sup>1</sup> The detailed fair value for the investments is listed in Note 6.

### a) Establishing fair value

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

The fair values of the investments are determined as follows:

- Pooled fund investments are valued at the unit values supplied by the pooled fund managers, which represent the Council's proportionate share of the underlying net assets at fair values, determined using closing market prices.
- The Alternatives is a pooled fund investment which is valued at the unit values supplied by the pooled fund manager. The fund manager manages multiple funds strategies within the fund and determines the unit's fair value using the closing market prices for some strategies when available or using valuation model with non-observable data for other strategies.

- Real estate investment values are supplied by the fund managers using independently audited appraisals which are based on a valuation model with non-observable data. The independently audited appraisals are obtained annually.
- Infrastructure investment values are supplied by the fund managers using internally determined appraisals. The appraisals are based on a valuation model with non-observable data and are audited annually.

## 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)	2014				2013			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Cash equivalents	-	251	-	251	-	197	-	197
Derivatives	-	-	-	-	5	-	-	5
	-	251	-	251	5	197	-	202
<b>Portfolio Investments</b>								
<b>Canada Council Endowment and Special Funds</b>								
Pooled Funds								
Equity	-	139,301	-	139,301	-	112,026	-	112,026
Fixed Income	-	62,116	-	62,116	-	72,049	-	72,049
Alternatives	-	-	25,307	25,307	-	-	13,491	13,491
Money Market	-	15,030	-	15,030	-	13,266	-	13,266
Real Estate	-	-	9,452	9,452	-	-	9,349	9,349
Infrastructure	-	-	5,994	5,994	-	-	6,828	6,828
Killam Fund								
<b>Pooled Funds</b>								
Equity	-	35,368	-	35,368	-	28,631	-	28,631
Fixed Income	-	15,940	-	15,940	-	18,268	-	18,268
Alternatives	-	-	6,493	6,493	-	-	3,436	3,436
Money Market	-	3,735	-	3,735	-	3,198	-	3,198
Real Estate	-	-	2,555	2,555	-	-	2,519	2,519
Infrastructure	-	-	1,790	1,790	-	-	2,080	2,080
	-	271,490	51,591	323,081	-	247,438	37,703	285,141
<b>Total</b>	-	<b>271,741</b>	<b>51,591</b>	<b>323,332</b>	<b>5</b>	<b>247,635</b>	<b>37,703</b>	<b>285,343</b>

## Financial liabilities at fair value as at March 31

(in thousands of dollars)	2014				2013			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Bank indebtedness	542	-	-	542	1,347	-	-	1,347
Derivatives	-	-	-	-	97	-	-	97
<b>Total</b>	<b>542</b>	<b>-</b>	<b>-</b>	<b>542</b>	<b>1,444</b>	<b>-</b>	<b>-</b>	<b>1,444</b>

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

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

(in thousands of dollars)	2014				Restated (Note 3)			
	Alternatives fund	Real estate funds	Infrastructure funds	Total	Alternatives fund	Real estate funds	Infrastructure funds	Total
<b>Canada Council Endowment and Special Funds</b>								
Opening balance	13,491	9,349	6,828	29,668	21,856	9,267	6,757	37,880
Total gains (losses)								
recognized in re-measurement statement	1,708	425	(109)	2,024	903	379	505	1,787
recognized in externally restricted contributions	148	37	(10)	175	78	33	44	155
Purchases	9,960	229	327	10,516	-	-	1,256	1,256
Sales	-	(588)	(1,042)	(1,630)	(9,346)	(330)	(1,734)	(11,410)
<b>Closing balance</b>	<b>25,307</b>	<b>9,452</b>	<b>5,994</b>	<b>40,753</b>	<b>13,491</b>	<b>9,349</b>	<b>6,828</b>	<b>29,668</b>
<b>Killam Fund</b>								
Opening balance	3,436	2,519	2,080	8,035	5,618	2,487	2,103	10,208
Total gains (losses)								
recognized in externally restricted contributions	477	130	(57)	550	250	114	166	530
Purchases	2,580	58	82	2,720	-	-	337	337
Sales	-	(152)	(315)	(467)	(2,432)	(82)	(526)	(3,040)
<b>Closing balance</b>	<b>6,493</b>	<b>2,555</b>	<b>1,790</b>	<b>10,838</b>	<b>3,436</b>	<b>2,519</b>	<b>2,080</b>	<b>8,035</b>

### 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). The long term goal of the Council's investment policy is to produce long term real returns to supplement the costs of administering the various programs, while maintaining the purchasing power of the endowed capital. This policy allows the use of certain derivative financial instruments.

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 cash equivalents, 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 alternatives pooled funds and in limited partnership units of four real estate funds and two 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.

A significant portion of the Council's accounts receivables are due from the Government of Canada and, as such, have low credit risk. The Council mitigates credit risk through monitoring of the outstanding balances. As at March 31, 2014, 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 the short-term pooled fund 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 the short-term funds and portfolio investments ensures that the Council is able to meet its obligations and commitments. The majority of the investment portfolio can be redeemed within 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.

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

(in thousands of dollars)	2014			2013		
	Total	No fixed maturity	Less than 3 years	Total	No fixed maturity	Less than 3 years
<b>Financial Assets</b>						
Cash equivalents	251	-	251	197	-	197
Accounts receivable	4,116	-	4,116	3,488	-	3,488
Derivatives	-	-	-	5	-	5
Portfolio investments	323,081	323,081	-	285,141	285,141	-
	<b>327,448</b>	<b>323,081</b>	<b>4,367</b>	<b>288,831</b>	<b>285,141</b>	<b>3,690</b>
<b>Financial Liabilities</b>						
Bank indebtedness	542	-	542	1,347	-	1,347
Grants payable	30,901	-	30,901	26,984	-	26,984
Accounts payable and accrued liabilities	3,544	-	3,544	3,513	-	3,513
Derivatives	-	-	-	97	-	97
	<b>34,987</b>	<b>-</b>	<b>34,987</b>	<b>31,941</b>	<b>-</b>	<b>31,941</b>

In the table above, investments are assets with no fixed maturity. The Council has an investment policy that enables it to withdraw amounts, during the year, from its investment portfolio valued up to 4.0% for the Endowment and Special Funds and 3.75% for the Killam Fund (2013 - 4.0% for both the Endowment and Special Funds and the Killam Fund) of the previous three-year average market value using balances at September 30.

### 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 of Directors and the Investment Committee.

#### 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 and alternative pooled funds and in limited partnership units of four real estate funds and two infrastructure funds.

#### Price sensitivity

The following details the Council's portfolio sensitivity to a 6.6% increase or decrease in the market prices, with 6.6% being the sensitivity rate used when reporting price risk internally to key management personnel and representing management's assessment of a reasonably possible change in market prices.

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

At March 31, 2014, if market prices had a 6.6% (2013 - 7.0%) increase or decrease with all other variables held constant, the increase or decrease in remeasurement gains and losses and deferred revenues - externally restricted contributions for the year would have been a total of \$21,327,000 (2013 - \$20,041,000) due to the increase or decrease in the fair value of financial assets measured at fair value.

A sensitivity analysis for level 3 financial instruments is not possible given the underlying assumptions used are not available to Council.

#### 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 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 short-term pooled funds, fixed income pooled fund and alternative 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 investment portfolio represents \$9,173,000 (2013 - \$21,696,000). Given the small size of the foreign currency exposure compared with the total assets of the Council, currency risk is not considered significant.

## 8. 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 contributions 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 1.45 times (2013 - 1.64) the employee's contribution; and for employment start dates after December 31, 2012, the Council's contribution rate effective at year-end was 1.43 times (2013 - 1.57) the employee's contribution. Total contributions of \$2.2 million (2013 - \$2.2 million) were recognized as expense in the current year.

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)	2014	2013
Employer's contributions	\$ 2,212	\$ 2,170
Employees' contributions	1,321	1,225

**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 as per the new collective agreement signed in February 2012. The employees were given the option to either cash out their severance benefits or to wait until their departure. The obligation is adjusted at year-end to reflect employees' actual salary level. The total obligation will be paid from future appropriations or other sources of revenue. Information about the plan benefits, measured as at March 31, is as follows:

(in thousands of dollars)	2014	2013
Accrued benefit obligation, beginning of year	\$ 1,051	\$ 2,845
Current service cost including amendments	13	8
Benefits paid during the year	(315)	(1,802)
<b>Accrued benefit obligation, end of year</b>	<b>\$ 749</b>	<b>\$ 1,051</b>

**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. In 2012-13, the Council obtained a full actuarial value as at March 31, 2013. In 2013-14, the Council reviewed the actuarial assumptions adopted in the previous year and validated changes required for the current year.

(in thousands of dollars)	2014	2013
Accrued benefit obligation, beginning of year	\$ 3,267	\$ 1,392
Current service cost	135	67
Interest cost	81	49
Benefits paid	(109)	(116)
Participant contributions	81	72
Actuarial (gain) loss	(142)	1,803
Unamortized net actuarial losses	3,313	3,267
	(1,532)	(1,803)
<b>Accrued benefit obligation, end of year</b>	<b>\$ 1,781</b>	<b>\$ 1,464</b>

The net actuarial loss arising from the changes in assumptions is amortized over the expected average remaining service period of the employee group which is fourteen years.

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

	2014	2013
Discount rate for calculation of net benefit costs	3%	4%
Discount rate for calculation of accrued benefit obligation	3%	3%
Dental costs rate increase	4%	4%
Initial Health care cost trend rate increase - Prescription drugs	8%	8%
Ultimate health care cost trend rate	4%	4%
Year ultimate rate reached	2023	2023

## 9. 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 13).

(in thousands of dollars)	2014	Restated (Note 3) 2013
Balance, beginning of year	\$ 27,721	\$ 23,594
Transferred from (to) investment income (Note 14)		
Net Investment income	1,959	3,032
Use of funds	(2,379)	(2,452)
	(420)	580
Transfer to other revenues	-	(363)
Unrealized gains on portfolio investment	10,131	4,611
Unrealized losses on derivatives	-	(15)
Reclassified to statement of operations - portfolio	(350)	(646)
Reclassified to statement of operations - derivatives	15	(40)
<b>Balance at end of year</b>	<b>\$ 37,097</b>	<b>\$ 27,721</b>

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

## 10. TANGIBLE CAPITAL ASSETS

(in thousands of dollars)	Office Equipment	Leasehold improvements	Work in Progress	Total
<b>Cost</b>				
Opening balance at April 1, 2013	\$ 5,282	\$ 5,704	\$ 346	\$ 11,332
Acquisitions	1,299	5,848	600	7,747
Write-downs	(605)	(4,147)	-	(4,752)
Closing balance at March 31, 2014	\$ 5,976	\$ 7,405	\$ 946	\$ 14,327
<b>Accumulated Amortization</b>				
Opening balance at April 1, 2013	\$ 3,915	\$ 5,078	\$ -	\$ 8,993
Amortization expense	837	345	-	1,182
Write-downs	(605)	(4,147)	-	(4,752)
Closing balance at March 31, 2014	\$ 4,147	\$ 1,276	\$ -	\$ 5,423
Net carrying amount at March 31, 2013	\$ 1,367	\$ 626	\$ 346	\$ 2,339
<b>Net carrying amount at March 31, 2014</b>	<b>\$ 1,829</b>	<b>\$ 6,129</b>	<b>\$ 946</b>	<b>\$ 8,904</b>

## 11. ART BANK ASSETS

(in thousands of dollars)	2014	2013
Opening balance	\$ 19,356	\$ 19,347
Acquisitions/Donations	64	10
Disposals	(20)	(1)
<b>Closing Balance</b>	<b>\$ 19,400</b>	<b>\$ 19,356</b>

The Council's Art Bank has the largest collection of contemporary Canadian art in Canada. It includes over 17,500 paintings, sculptures, drawings, photographs and prints by over 3,147 artists. The Art Bank rents its assets to interested parties and as at March 31, 2014 has over 3,100 (2013 - 3,500) 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 assessment valuation of the Art Bank assets was completed in 2001 and any artwork acquired after 2001 has been independently appraised upon acquisition. Significant events such as special recognition or artist passing are known to trigger a change in valuation. Management monitors significant events and obtains independent reassessment as required. The total appraised value of the Art Bank assets is estimated at \$71 million as at March 31, 2014 (\$71 million - 2013).

The residual values are estimated to be greater than the cost; therefore no Art Bank assets amortization is recognized. The Council insures the Art Bank assets for their estimated appraised value.

## 12. MUSICAL INSTRUMENTS

The Council created the Musical Instrument Bank in 1985, and it currently owns a fine cello bow and eight quality musical instruments. In addition, the Council manages thirteen instruments on loan, nine from anonymous donors and four from four 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 Council insures the musical instruments for their appraised value of \$37,352,000.

### 13. ACCUMULATED SURPLUS

		Restated (Note 3)
(in thousands of dollars)	2014	2013
<b>Accumulated surplus from operations</b>		
Endowment - original contribution	\$ 50,000	\$ 50,000
Endowment principal - Externally restricted contributions	37,569	37,569
<b>Reserve for excess investment income</b>		
Balance at beginning of the year	123,445	118,445
Appropriated from (to) the accumulated surplus during the year	(1,000)	5,000
Balance at end of the year	122,445	123,445
<b>Surplus</b>		
Balance at beginning of the year	23,953	24,558
Appropriated from (to) the reserve for excess investment income during the year	1,000	(5,000)
(Deficit) Surplus for the year	(27)	4,395
Balance at end of the year	24,926	23,953
<b>Total accumulated surplus from operations</b>	<b>234,940</b>	<b>234,967</b>
<b>Accumulated remeasurement gains</b>		
Balance at beginning of the year	11,925	1,289
Change in fair value	27,112	10,636
Balance at end of the year	39,037	11,925
<b>Balance of accumulated surplus at end of year</b>	<b>\$ 273,977</b>	<b>\$ 246,892</b>

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.

### 14. NET INVESTMENT INCOME

		Restated (Note 3)
(in thousands of dollars)	2014	2013
Gains from disposal of portfolio investments	\$ 930	\$ 1,802
Income transferred to (from) deferred revenues - Externally restricted contributions (Note 9)	420	(580)
Net gains (losses) on derivatives	(154)	680
Interest and dividend income	7,730	10,152
Investment portfolio management costs	(1,579)	(1,354)
	<b>\$ 7,347</b>	<b>\$ 10,700</b>

### 15. NET ART BANK LOSS

(in thousands of dollars)	2014	2013
Rental revenue	\$ 1,295	\$ 1,465
Other income	222	180
Loss on disposal of Art Bank assets	(20)	(1)
Administration expense	(1,644)	(1,744)
Amortization of other capital assets	(18)	(27)
	<b>\$ (165)</b>	<b>\$ (127)</b>

### 16. CANADIAN COMMISSION FOR UNESCO

(in thousands of dollars)	2014	2013
Program expenses	\$ 648	\$ 1,046
Program - contributions received	-	(503)
Administration expense	1,484	1,323
	<b>\$ 2,132</b>	<b>\$ 1,866</b>

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.

### 17. NET CHANGE IN OTHER NON CASH ITEMS

(in thousands of dollars)	2014	2013
Increase in accounts receivable	\$ (628)	\$ (1,198)
Increase (decrease) in grants payable	3,917	(776)
Increase (decrease) in accounts payable and accrued liabilities	31	(197)
Increase (decrease) in deferred revenues	5,713	(63)
<b>Net change</b>	<b>\$ 9,033</b>	<b>\$ (2,234)</b>

## 18. CONTRACTUAL OBLIGATIONS AND COMMITMENTS

### a) Grants

Payments of grants extending into future years are subject to the provision of funds by Parliament. Future year grants commitments approved prior to March 31, 2014 amounted to \$173,944,000 (2013 – \$82,573,000). The future payments of grant commitments as of March 31, 2014 are as follows:

(in thousands of dollars)

2015	\$ 77,121
2016	59,784
2017	37,039

### 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, 2014 amounted to \$92,984,000 (2013 – \$96,528,000). The future payments of operating leases as of March 31, 2014 are as follows:

(in thousands of dollars)

2015	\$ 4,268
2016	4,325
2017	4,400
2018	4,477
2019	4,560
2020-2035	70,954

### c) Investment commitments

The Council has committed funds with real estate and infrastructure investment managers through limited partnership funds. Because it takes time for those funds to be fully invested, the balance of committed capital not yet drawn at March 31, 2014 is \$32,459,000 (2013 – \$5,124,000). A portion of the outstanding balance of committed capital is currently invested in short-term pooled funds.

### d) Other commitments

The Council entered into various contracts during the year creating commitments of payments in future years. Future year payments related to these commitments as of March 31, 2014 amounted to \$1,561,000 (2013 – \$513,000). Future annual payments as of March 31 are as follows:

	1 Yr	Less than 3 yrs
Program - Services	\$ 490,000	\$ 293,000
General Administration	248,000	263,000
Tangible capital assets	267,000	-

## 19. RELATED PARTY TRANSACTIONS

The Council is related in terms of common ownership to all Government of Canada departments, agencies and Crown corporations. 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 grant and other expenses totalling \$145,000 (2013 – \$416,000) and recorded rental revenues for the Art Bank assets, contributions and other revenues totalling \$973,000 (2013 – \$1,128,000) with related parties.

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)

	2014	2013
Accounts receivable	\$ 1,284	\$ 289
Grants payable	-	255
Accounts payable and accrued liabilities	40	189
Deferred revenues	369	429

## 20. COMPARATIVE FIGURES

Certain 2013 figures have been reclassified to conform to the presentation adopted in 2014.

## Schedule I - Grant Expenses by Section

(in thousands of dollars)	2014	2013
<b>Arts Programs</b>		
Music	\$ 27,781	\$ 27,910
Theatre	26,475	26,520
Writing and Publishing	24,107	24,343
Visual Arts	20,875	21,069
Dance	18,151	18,478
Media Arts	14,991	14,775
Inter-Arts	2,548	2,623
Audience and Market Development	2,357	2,152
Equity	1,572	1,521
Aboriginal Arts	1,374	1,315
Other	1,809	968
<b>Public Lending Right</b>	9,770	9,771
<b>Killam Program</b>		
Killam Research Fellowships	770	910
Killam Prizes	500	500
<b>Other Prizes and Awards</b>		
Victor Martyn Lynch-Staunton Awards	105	105
Molson Prizes	100	200
John G. Diefenbaker Award	95	-
Walter Carsen Prize	30	30
Other prizes and awards < \$50,000	230	207
	<b>\$ 153,640</b>	<b>\$ 153,397</b>

## Schedule II - Administrative Expenses

(in thousands of dollars)			2014	2013
	Programs	General Administration	Total	Total
Salaries	\$ 10,159	\$ 6,212	\$ 16,371	\$ 16,130
Employee benefits	2,735	1,634	4,369	3,599
Office accommodation	33	3,880	3,913	4,018
Professional and special services	256	1,087	1,343	1,277
Amortization	-	1,164	1,164	1,183
Staff travel	562	153	715	711
Information management	6	469	475	349
Printing, publications and duplicating	11	328	339	438
Meeting expenses including members' honoraria	88	239	327	307
Communications	94	206	300	269
Office expenses and equipment	3	193	196	227
Miscellaneous	1	22	23	17
	<b>\$ 13,948</b>	<b>\$ 15,587</b>	<b>\$ 29,535</b>	<b>\$ 28,525</b>