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1957–1982



1982–1997



1997

THE CANADA COUNCIL
FOR THE ARTS
FORTIETH ANNUAL REPORT
.....
1996–1997

Forty years ago, the members of the first Board of the Canada Council faced a watershed in the nation's cultural life. With little appreciation of its artists, Canada was in danger of having itself defined by others. These visionaries created a vast, lively and diverse arts sector of creators and organizations, a legacy that the Board of the Canada Council for the Arts has worked tirelessly to protect. While artists alone create and produce the arts we so cherish, the Canada Council for the Arts remains as essential a public instrument for supporting and facilitating that creation as it was 40 years ago.

—DONNA SCOTT, *Chairman*, The Canada Council for the Arts



THE CANADA COUNCIL
FOR THE ARTS
SINCE 1957

LE CONSEIL DES ARTS
DU CANADA
DEPUIS 1957

The Canada Council for the Arts was created as an arm's-length organization by an Act of Parliament in 1957. Under the terms of the *Canada Council Act*, the object of the Council is "to foster and promote the study and enjoyment of, and the production of works in, the arts." To fulfill this mandate, the Council offers a broad range of grants and services to artists and other arts professionals and to arts organizations. The Council administers the Killam Program of scholarly awards and prizes, and offers a number of other prestigious awards. The Canadian Commission for UNESCO and the Public Lending Right Commission also operate under its aegis.

The Council is headed by a Board consisting of 11 members who are appointed by the government. The Board meets at least four times a year. It is responsible for all policy and financial decisions as well as other matters which are implemented by a staff headed by a Director, who is also appointed by the government.

The Canada Council for the Arts and its staff rely heavily on the advice of artists and arts professionals from all parts of Canada, who are consulted both individually and collectively. The Council also works in close cooperation with federal and provincial cultural agencies and departments.

The Canada Council for the Arts reports to Parliament through the Minister of Canadian Heritage and is called from time to time to appear before parliamentary committees, particularly the House of Commons Standing Committee for Canadian Heritage. Its accounts are audited by the Auditor General of Canada and included in the Council's Annual Report to Parliament.

Annual grants from Parliament are the Canada Council for the Arts' main source of funds. These grants are supplemented by income from an Endowment Fund established by Parliament in 1957. The Council can receive and has over the years received a number of private donations and bequests, the income from which is devoted to the purposes established by the deeds of the gift.

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A *Supplement* to this *Annual Report*, including a complete list of grants awarded during the year, names of recipients and brief descriptions of each type of grant, is published separately. The *40th Annual Report* and the *Supplement* are available on the Council's Web Site or by writing to the Council.

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MILESTONES 1957-1967

1949

Striking of the Royal Commission on National Development in the Arts, Letters and Sciences popularly known as the Massey Commission after its Chair, Vincent Massey.

1951

Publication of the Massey Commission Report which recommended the creation of the Canada Council and offered comprehensive research, analysis and recommendations on Canada's cultural and educational life.

28 MARCH 1957

The *Canada Council Act* proclaimed. "The objects of the Council are to foster and promote the study and enjoyment of, and the production of works in, the arts, humanities and social sciences..."

Parliament establishes a \$50 million Endowment Fund and \$50 million in University Capital Funds derived from the death duties of industrialists Sir James Dunn and Izaak Walton Killam to provide initial funding for programs.



VINCENT MASSEY (ON THE LEFT) PRESENTS PRIME MINISTER LOUIS ST. LAURENT WITH THE REPORT OF THE ROYAL COMMISSION ON NATIONAL DEVELOPMENT IN THE ARTS, LETTERS AND SCIENCES – MAY 1951.

Photo: Chris Lund, National Film Board Collection – National Archives of Canada.

"We have long felt that material things cannot alone make a great nation. As we press forward all along the line on the material front we must hope to advance, too, on the spiritual front, advance in our artistic expression as a nation, advance so that we can lift ourselves to the level of our destinies."

—THE HONOURABLE BROOKE CLAXTON,
Chairman of the Canada Council, Opening Proceedings, May 1957

CHAIRMAN'S REPORT The Canada Council for the Arts – A Proud Legacy

The 1950s are now recognized as a watershed in the cultural history of this nation. In 1957, the federal government made a bold and prescient decision to devote considerable resources and some of the best minds of that generation to energize an indigenous Canadian arts sector. That year members of the board of the brand-new Canada Council grappled with the reality of a country that hardly knew or appreciated its artists, a post-war society in danger of having itself defined by others.

Think of those pioneers, the first members of the Board of the Canada Council and their magnificent legacy that now so enriches the lives of all Canadians.

The Board I have had the privilege of chairing over the last three years was acutely aware that what we inherited from these visionaries—a vast, lively, demanding and diverse arts sector of creators and organizations—faced a very different kind of watershed as we approached the millennium.

One firm belief has anchored us. While artists alone create and produce the arts we so cherish, institutions like the Canada Council for the Arts are still essential instruments for supporting, facilitating and moulding the environment for that creation. But although support has been available for two generations of talented Canadians, we feared that the national will to support a third—our young creators coming forward in greater numbers than ever—was shaky at best.

Future challenges are indeed daunting for the arts in Canada, as the essay which follows in this annual report demonstrates. All public arts agencies have passed from a period of discovery, consensus and building in the first decades, to one of re-examination, survival and consolidation in the nineties. This at a time of massive changes in cultural production that threaten the indigenous and authentic expressions of all nations.

Is the Canada Council for the Arts ready for the challenges of the next millennium? Will our own legacy be worthy of those who launched a great national cultural adventure 40 years ago?

I can only answer by stating unequivocally that a remarkable group of Board members has worked tirelessly over the past three years to provide positive answers to these fundamental questions.

Our Board has been made up of a highly eclectic and regionally diverse group of artists and individuals passionately devoted to the arts. They set themselves to refashioning what that first Council envisioned so that our cultural inheritance could survive and prosper into the 21st century.



“The core business of the Council is quite simply to secure and provide stable funding and wide public recognition to professional artists and arts organizations, so that they may continue to be a source of pride in the next century.”

—DONNA SCOTT, *Chairman*



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Officers and members attending the inaugural meeting of the Canada Council, Centre Block, Parliament Hill, Ottawa, 30 April 1957. *First row, left to right:* Eugène Bussière, Associate Director; Mrs. Angus L. Macdonald; Sir Ernest MacMillan; Mrs. Arthur Wait; Father Georges-Henri Lévesque, Vice-Chairman; Brooke Claxton, Chairman; Miss Veda Peene; Dr. N.A.M. MacKenzie; Mrs. Andrée Paradis; Dr. A.W. Trueman, Director. *Middle row:* James Muir; E.P. Taylor; Eric Harvie; Jules Bazin; Dr. Frank MacKinnon; Dr. W.A. Mackintosh; Professor John Russell; Dr. Frank Leddy. *Back row:* Douglas Fullerton, Treasurer; L.W. Brockington; J.G. Hungerford; Fred Emerson; Dr. Eustace Morin; Major-General Georges Vanier; Graham Towers. *Absent:* Samuel Bronfman and David Walker. Photo: Duncan Cameron Collection, National Archives of Canada



Commander Beddoe, creator of the original 1957 seal, said it symbolized the Council as “supplying life and nourishment (...) for the encouragement of Beauty, both aesthetic and material, in Canada.”

Together, we made the hard decisions, in the most effective collaboration with the Director and a professional staff of the highest calibre. As in the most productive corporate governance exercises, the Board advocated the interests of all our stakeholders, particularly the public of Canada, the taxpayers whose interests we felt had all too often been excluded. We knew the public had to be told more about the Council’s activities and the value of its work.

The Director, a nationally celebrated author, drew from his own unique experiences which, over the years, have combined a deep commitment to the arts with an appreciation for the realities of institutional administration. He also became one of the most effective spokespersons the Council has ever had.

The Council staff brought us their unrivalled knowledge of the arts in Canada in all its facets. They showed commendable willingness to make changes that deeply affected both their traditional procedures and thousands of grant recipients, the artists and arts organizations across Canada.

We have made great progress in achieving the objectives of this Board’s first major initiative—our March 1995 Strategic Plan *A Design for the Future*, the Council’s blueprint for the last two years. Its systematic implementation profoundly redirected both Council priorities and the way the Council works and operates its grants programs.

We followed one overriding principle—to focus on our “core business.” Like countless other institutions and corporations faced with the twin challenges of improving productivity to counter lower revenues, while ensuring services are delivered effectively in a quickly evolving marketplace, concentrating on our core business has served us well.

The core business of the Canada Council for the Arts is quite simply to secure and provide stable funding and wide public recognition to professional artists and arts organizations, so that they may continue to be a source of pride in the next century.

The Board followed a two-track strategy to ensure as much stability in funding as possible. First, we continued to protect grants budgets by cutting administration and overhead. This responsible reallocation of limited resources has been the foundation of our lobbying activity with the federal government for new funding, and there are indications it has been successful. Second, we have spoken more forcefully and consistently to our

"Even in this prosperous country of ours, many (artists) who are extremely gifted live a life of insecurity and even privation... They feel like strangers in a society frantically obsessed by the improvement of its material tools..., but neglecting the very thing which would enlarge its soul: the works of the mind and the heart. We too often forget that the artists and the writers also create wealth, but a kind of wealth often underestimated by an unconscious and sometimes unavowed materialism."

—FATHER GEORGES-HENRI LÉVESQUE,
Vice-Chairman of the Canada Council,
Opening Proceedings, May 1957

1957

Théâtre du Nouveau Monde receives grant to tour Canada and Europe.

The National Ballet Guild of Canada, the Stratford Shakespearean Festival and the Vancouver Festival Society receive development and operating assistance.

1959–1960

Management of the Governor General's Literary Awards passes to the Canada Council from Canadian Authors' Association.

Leonard Cohen, Gilles Hénault, Michèle Lalonde, Alden Nowlan and Al Purdy receive grants for reading fees and travel costs to perform at the Contact Poetry Readings series.

1963–1964

Molson Family Foundation endows the Council with \$600,000 to create the Molson Prizes for Canadians "whose work constitutes an outstanding achievement in the arts, humanities, or social sciences."

"The Board firmly believes that without seeding new work by Canadian creators, the content carried by the new technologies will be predominantly foreign."

principal stakeholders, the public of Canada, about the benefits of consistent and patient public investment in the arts—our advocacy program. This has produced a major increase in media coverage and public debate of our mission and activities.

To bring greater honour and support to Canadian creators, we have enhanced the Council's prestigious prizes and awards program, which includes the celebrated Governor General's Literary Awards, the Molson Prize and the Killam program of prizes and fellowships. The Endowments and Prizes section is now fully operational and administers over 70 prizes, fellowships and awards. Equally important, it functions as a specialized national facility for individuals and corporations of all sizes to demonstrate to the nation their support of the arts by endowing new prizes or programs.

We feel this is a promising avenue for the Council's future expansion of its resources. And with a new, independent Investment Committee led by former Bank of Canada Governor John Crow, we know we are trustworthy stewards of the more than \$200 million in endowments that we manage.

Other initiatives that support our basic strategy will also serve the Council well in the years to come. They are in response to a Canadian public understandably more demanding of value from all public agencies. The Board believes that the arts funded by the Council belong to everyone, and should be enjoyed by everyone. Our arts investments must not only reflect the changing ways in which artists work, but also the different ways that Canadians will consume the work of creators in a multi-channel future.

The Board firmly believes that without seeding new work by Canadian creators, the content carried by the new technologies will be predominantly foreign. There will be few opportunities for Canadians, particularly young Canadians most attuned to new media, to share and exchange values, stories and common experiences. We have long supported artists working on the cutting edge of their practice, and in 1984 a separate Media Arts Section was created to assist film and video artists, as well as those developing new arts which integrate computers, telecommunications and/or audiovisual technologies. We fulfilled our Strategic Plan's call for increased support for contemporary electronic and interdisciplinary media.

In all, I trust this Council's legacy is a worthy one, and that our 50TH birthday will be as full of joy and promise as the celebrations of our 40TH at memorable events on Parliament Hill

"I feel more strongly than ever that the arts may be our best hope as a united nation—our most important source of pride, enjoyment and enrichment that can transcend all our differences."



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Council Chairman Donna Scott presents the 1996 Canada Council for the Arts' Molson Prize to author Mavis Gallant at the reopening of the Canadian Cultural Centre in Paris. Pictured with Prime Minister Chrétien are (from left to right) Mavis Gallant, Donna Scott and M. Douste-Blazy, former Minister of Culture for France.

on 19 March 1997. This celebration of some of Canada's finest artists, covered in words and pictures elsewhere in this report, was just the beginning. During our 40TH year we look forward to having over 100 arts organizations across Canada pay tribute to the Council by mounting special concerts, exhibitions and performances. These special events will be the most effective way of telling Canadians what an invaluable partner the Council has been in the success of our most cherished cultural institutions.

As I meet with artists and audiences celebrating the Council's 40TH birthday in every corner of our beautiful country, I have shared with them my growing conviction that a rich cultural life can be the glue that can help hold our national community together. Indeed, I feel more strongly than ever that the arts may be our best hope as a united nation—our most important source of pride, enjoyment and enrichment that can transcend all our differences.

Donna Scott,
Chairman



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Members of the Board of the Canada Council for the Arts. *Standing, left to right:* Dean Brinton; Riki Turofsky; François Colbert, Vice-Chairman; Tommy Banks, advisor; John D. McKellar, advisor; Irving Zucker. *Seated, left to right:* Louis Fortin; Carol Shields; Donna Scott, Chairman; Claudette Lizotte; Patricia Grattan. *Absent:* Max Wyman, Pierre Boutet.

Photo: Glen Brown

MILESTONES 1968–1977

1968–1969

A selection of grants/awards recipients includes: Margaret Atwood, Roch Carrier, David Cronenberg, Timothy Findley, Jacques Godbout, John Greer, Anne Hébert, Joy Kogawa, Louise Marleau, John Metcalf, Alanis Obomsawin, Michael Ondaatje, André Prévost, André Savoie, Veronica Tennant, Michel Tremblay and George Woodcock.

1971–1972

Creation of the Art Bank to develop new national audiences and markets for contemporary Canadian art.



VISITORS AT THE CANADA COUNCIL'S
ART BANK.

1972–1973

Introduction of Translation Grants for Canadian publications. Among the titles translated are: *Klee Wyck*, by Emily Carr; *Le Loup*, by Marie-Claire Blais; and *Les Roses sauvages*, by Jacques Ferron.

1973–1974

Opening of Touring Office. Among the arts organizations to receive grants are: Neptune Theatre, Halifax; Jeunesses Musicales du Canada, Montreal; and The Royal Winnipeg Ballet.

1975–1976

A selection of grants/awards recipients includes: Barbara Amiel, Mireille Dansereau, Robert Frank, Roy Kiyooka, Albert Millaire, W.O. Mitchell, Jean-Pierre Perreault, Heather Robertson, Robert Guy Scully and Joseph R. Smallwood.

DIRECTOR'S REPORT Putting Artists First

Living at the turn of a century, let alone a new millennium, is both exciting and intimidating. The future appears full of uncertainty to some, and ripe with opportunities to others. I believe that if an institution has the strength and foresight to evolve in response to a changing environment, it will be a positive force in future society. The Canada Council for the Arts is such an institution. During my three-year mandate as Director, this institution prepared itself for the new millennium.

When I took up my duties in June 1994, the Council was facing difficult challenges. In the face of the growing needs of the arts community, it had nonetheless undergone reductions of 10% to its program budget and was anticipating further cuts to its parliamentary appropriation in the government's Program Review exercise. Despite the phenomenal successes of Canadian artists, the Council seemed to be losing ground rapidly as the federal agency for supporting the arts in Canada.

Chairman Donna Scott, the Board and I agreed at our first meeting that we urgently needed a strategic plan to reduce administrative costs (which were at 22% of the total budget) and to streamline the Council's outmoded operations. Above all, we needed to define a compelling vision for the future to reaffirm unequivocally that the arts are a vital force in Canadian society, that their contribution to our social and spiritual well-being will continue to grow in importance in future years, and that the Canada Council for the Arts is an essential national vehicle for supporting this growth and evolution.

In the process of review and discussion, we put every aspect of the Council's activities, both programs and operations, under a microscope. Certain principles, however, remained unassailable. The Council's autonomous arm's-length status is essential to its role in making artistic decisions free from outside pressures, and peer evaluation is key to the grant decision process. It is absolutely clear to me that the Council's strength and effectiveness will continue to depend on respect for and adherence to these principles.

The Council's Strategic Plan, *A Design for the Future*, published in March 1995, met the challenges head on. We were encouraged by the fact that the federal government's budget that year cut the Council's appropriation by only 2.5%, significantly less than other agencies and departments. This was clearly a result of the preparation of the plan.

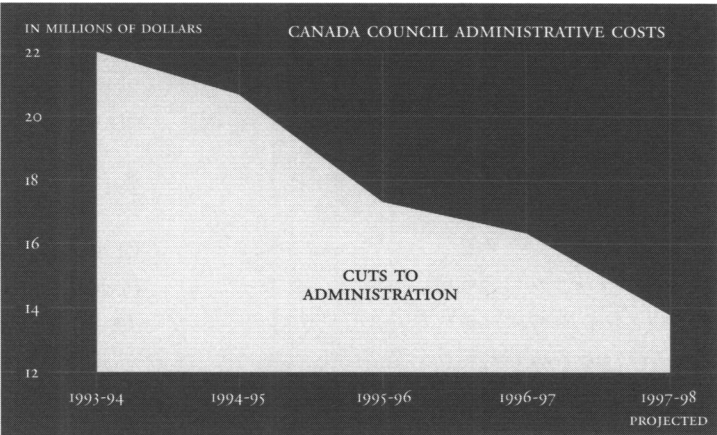


“At the close of my three years as Director, I am confident that the Council is better positioned to serve artists and support the way they will work in the future.”

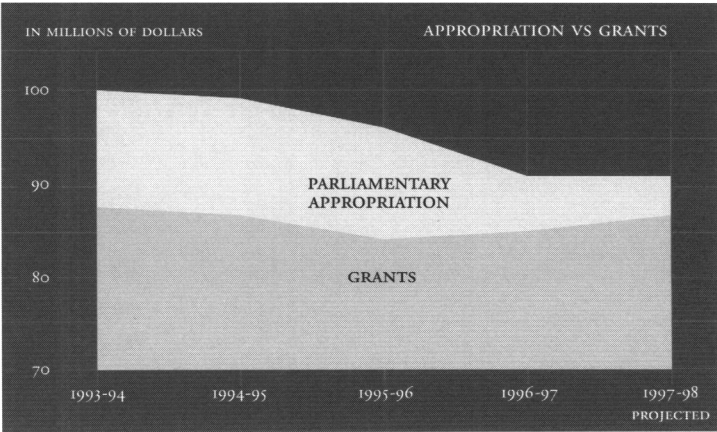
—ROCH CARRIER, *Director*

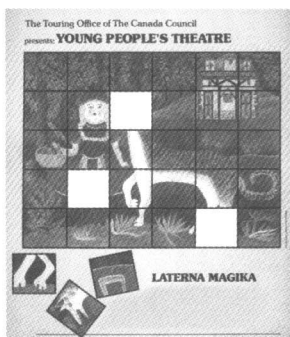
We set two major financial objectives: to maintain the Council’s budget of grants to artists and arts organizations, and to reduce administrative costs by almost 50%. Our commitment, in the face of continuing cutbacks, was to put artists and arts organizations first by protecting the grants budget. We succeeded in meeting this commitment—the grants budget has remained the same for three years. We did so by restructuring the Arts Division and some administrative sections, reducing staff and streamlining the delivery of programs.

CUTTING ADMINISTRATION...



...TO PROTECT GRANTS





CANADA COUNCIL TOURING OFFICE
POSTER FOR THE PRODUCTION OF
The Lost Fairy Tale.

"...the forces we have deployed ... are directed to the end that artists in Canada should live and work in ... dignity and ... that society ... come to value them for what they lend to our existence and for the healthy irritants they provide to our complacencies. We are far from having reached any such state of affairs, but it remains our ultimate objective."

—PETER DWYER, *Director* — 1969–1972, in an address to the Associated Councils of Arts

"Why I get misty about the Council is that this is a true Canadian Original—a symbol, not so much of the way we are, as of the best we can be."

—SANDRA GWYNN, *Saturday Night* — June 1977

A New Structure to Serve the Arts

The past twelve months saw the second phase of the restructuring exercise with a refocussed emphasis on creation, production and dissemination. As part of the Strategic Plan's goal to give a higher priority to touring and dissemination, the Council consolidated the touring programs within the five disciplinary sections (Music, Dance, Theatre, Media Arts and Visual Arts). (Writing and Publishing maintains its own programs of dissemination).

The Council maintains a firm commitment to touring and dissemination as an integral part of its mandate and increased the budget for these activities by almost \$1 million in 1996/97. We believe that by integrating touring into the disciplinary sections, we are placing the essential activity of bringing the works of Canadian artists to the public in its rightful place in the continuum alongside creation and production.

Improvements to Program Delivery

In 1996/97 the Council also streamlined programs and simplified application procedures for applicants. The Council is deeply committed to individual artists and the need to maintain access and fairness in the programs dedicated to their needs.

Some of the changes to programs include: one deadline a year per program (with the exception of touring and dissemination programs and travel grant applications), and a simpler and streamlined application form for grants to individuals, to projects and to organizations.

Artists and arts organizations will soon have access to a more coherent set of programs with clearer criteria and a more transparent peer review process. Programs will be managed more efficiently, with the maximum amount of resources going to artists. That has been our objective throughout.

New Initiatives

The Council has also been able to develop new innovations in response to the Strategic Plan to support the development of talented Canadian artists.

For example, 1996/97 saw the launch of two important initiatives for First Peoples artists. The Theatre Section introduced

“We can never stop conveying the message that the arts are a vital element in our social fabric and that their creativity, colour, and passion are essential to our quality of life.”

Since the publication of its 1995 Strategic Plan, the Council has:

- *streamlined structure*
- *halved administration*
- *stabilized grants budget*
- *improved access*
- *simplified grants process*
- *consolidated application deadlines*

an interim program of project assistance for infrastructure support to First Peoples theatre organizations. During the year the Section will develop criteria within existing programs to support the short- and long-term goals of First Peoples theatre artists and organizations. The Writing and Publishing Section announced *First Peoples Words: Printed and Spoken*, a program to assist projects by First Peoples writers and storytellers, and by Aboriginal-controlled publishing houses, periodicals and collectives. With these and other initiatives, the Council is taking concrete action on its commitment to assist First Peoples artists and arts organizations in their pursuit of excellence in both new and traditionally based forms of expression.

New Directions in Advocacy

In the Strategic Plan, the Council made a firm commitment to advocacy, placing the arts at the centre of social, economic and political discussion at the national level. The Council's 40TH anniversary gave an exceptional focus to this activity. The Board and staff used every opportunity to talk about the Council's good work, and the way in which forty years of sustained public funding to the arts have revolutionized our cultural life and enhanced Canada's reputation internationally. The defining moment was the celebration on Parliament Hill on March 19, when a distinguished group of artists from across Canada took a day out of their busy lives to tell Parliamentarians what the Council meant to their careers. In addition, arts organizations throughout the country are mounting events in recognition of the Council's anniversary and demonstrating the impact of Council funding in their communities.

We believe that our message is being heard, thanks to this enormous combined effort. Our more dynamic approach to advocacy, particularly with the general public, has helped shift attitudes to the Council and to the importance of public funding of the arts, especially at the federal level. However, we dare not rest on the laurels of the moment. We can never stop conveying the message that the arts are a vital element in our social fabric and that their creativity, colour, and passion are essential to our quality of life. Public funding is a necessary lever to make it all happen.

MILESTONES 1978-1987

1978-1979

Mavor Moore appointed Chairman.

Toronto Symphony Orchestra tours China with Maureen Forrester, André

Laplane wins silver medal at the Tchaikovsky Competition in Moscow, Ingmar Korjus wins first prize in the International Singing Competition in the Netherlands.

First National Book Festival.

1979-1980

Antonine Maillet wins Prix Goncourt for *Pélagie-la-Chétive*.

A sampling of awards/grants recipients includes: Angèle Arsenault, Jean Besré, Dionne Brand, Maria Campbell, Roger Caron and Fred Penner.

"We are holding the line just when we are in the position to make our greatest breakthrough, not only to each other but also to the rest of the world. At home, more Canadians than ever before are reading their own books, going to their own plays, seeing their own paintings and sculptures. Abroad, our writers now have an astonishing following... Our dancers are much admired in Britain and Europe. Our visual artists are in demand for international exhibitions. And at long last we are sometimes seen as leaders, not followers: in Vienna the hottest new art form is video, and Canadian video artists are considered the world's leaders."

—MAVOR MOORE, *Chairman*,
1979-1980 Annual Report

Making the Council Relevant

If the public is to support the idea of their tax dollars going to support the arts, they must believe the arts are relevant to their lives. I am particularly pleased with an initiative we launched this spring, the pilot program *Artists and Communities*. A unique partnership between various levels of government and the private sector, the program provides opportunities for innovative collaborations between professional artists and community groups using the creative process to benefit the community at large. It will help bring artists into contact with communities which may not have ready access to the arts, and will strengthen the links between artists and the public. The model is seen to have great potential for the future, and we hope in particular that it will be a source of inspiration for young people, many of whom are desperately seeking outlets for their creative energies.

I am proud also of the *Fund for Future Generations*, which we launched this year. Similar in concept to the alumni funds in universities, the purpose of the Fund is to give previous grant-holders, and members of the public, the opportunity to invest in our future artists. The Fund will be used to assist first-time applicants to the Council. Every gesture, large or small, sends a powerful message to governments of individual commitment.

MEASURES OF CHANGE IN THE ARTS: FROM THE FIFTIES TO THE NINETIES ⁽¹⁾

	1950s	1960s	1970s	1980s	1990s
Number of professional not-for-profit performing arts companies	27	43	143	317	493
% of Canadians attending professional theatre	—(3)	—(3)	13%(2)	—(3)	23%(2)
Attendance at Council-funded performing arts organizations (in millions)	1.5	—(3)	7.9	11.6	10.1
Number of arts organizations supported by the Canada Council	29	121	706	1,067	1,196

(1) Representative annual figures for each decade
(2) Based on surveys conducted in 1975 and 1992
(3) Figures unavailable

“We needed to reaffirm unequivocally that the arts are a vital force in Canadian society, that their contribution to our social and spiritual well-being will continue to grow in importance in future years, and that the Council is an essential national vehicle for supporting this growth and evolution.”

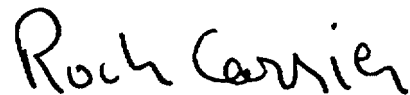
A Council Ready for the Future

At the close of my three years as Director, I am confident that the Council is better positioned to serve artists and support the way they will work in the future. Artistic enterprises, like other undertakings, now function in a global environment. Technology has abolished frontiers and increased access to artistic works in a way hitherto dreamed impossible. These immense systems of distribution require content.

Canadians must ask themselves: Do we wish to be present in this global market? Do we want to have the opportunity to share our own stories, or will we be on the receiving end of other peoples' cultural expression? The best and most effective way of being present in this international sphere is to develop our most important natural resource, the talent of our artists. If we neglect their development, they will leave the country to further their careers elsewhere and Canada will have lost their contribution. In order to secure our future as a country, we must continue public support of our artists.

Canada's artists are a source of pride for all Canadians. And Canadians also have reason to be proud of the Canada Council for the Arts, a national institution which has served them for forty years.

Personally, I am delighted to have had the opportunity to work for this remarkable institution for the past three years, and to have had the privilege of working with a dedicated Board and staff. My thanks to all.



Roch Carrier
Director



AUTHOR LISE TARDIF READING AT THE
SUDBURY PUBLIC LIBRARY DURING
NATIONAL BOOK WEEK, 1981.

1980–1981

Inauguration of the Izaak Walton Killam
Memorial Prizes.

Royal Winnipeg Ballet dancer Evelyn Hart
wins the gold medal at the International
Ballet Festival in Varna, Bulgaria.



STYLIZATION OF THE COUNCIL'S ORIGINAL
SEAL TO CELEBRATE THE COUNCIL'S
25TH ANNIVERSARY.

1983–1984

Maureen Forrester appointed Chairman.

Establishment of a Media Arts Section
specifically addressing artists working in
such fields as computer processing and
imaging, system control, videotex and
teletext, holography, videodisc and
optical storage media.

*“People need to understand that
being an artist is a noble profes-
sion—not just an indulgence.
Artists interpret society to itself.
The more congenial the circum-
stances under which they work,
the more light they bring to us
in our search for our ideals.”*

MAUREEN FORRESTER, *Chairman*,
1983–1984 Annual Report

Challenges for the Arts in a New Millennium

*This essay reflects a series of emerging issues that we hope will help
animate discussion among all Canadians concerned for the future
of the arts.*

For those of us planning to live the rest of our lives in the
future, trying to predict where it will take the arts is an impor-
tant exercise, although an increasingly precarious one.
For example:

- Will government cutbacks destroy the fragile infra-
structure that has allowed the arts to grow from a
small and struggling sector in the 1950s to a large and
struggling one today?
- Should the arts represent Canada's interests abroad,
as they do with other nations?
- Will the growth of giant transnational entertainment
conglomerates and their mega-merchandising stifle
Canadian creativity or nurture it?
- How will funding agencies change to advance the
goals of the artistic community—and of the
Canadian taxpayer?

It used to be, the farther along in time your predictions
took you, the more fanciful they became. But today, as the
Canada Council for the Arts celebrates its 40TH anniversary,
there is a factor in the equation that barely existed in 1957 and
that threatens to overturn even our most confident predictions
about the arts and their role in our nation and our world.

That factor is the explosive growth of global communica-
tions. Even more than frugal governments, fickle audiences and
fast-moving demographics, information technology has the
potential to fulfill the arts' most fervent wish—to share their
values and delights with virtually everyone on earth.

Not just with Canadians who, by the way, are reading more
Canadian-authored books, visiting more art galleries and muse-
ums and taking in more plays and concerts than ever before.
But with those billions of people beyond our borders who will
barely begin to have a glimmer of understanding of Canada
unless we aggressively force our way into their consciousness.

Within months, not years, technological convergence will
have created a combination television, internet, computer, fax-
modem, video phone, telephone and bank machine—all in
one. Already, the race is on to see which 'screen' wins—your TV

“Even more than frugal governments, fickle audiences and fast-moving demographics, information technology has the potential to fulfill the arts’ most fervent wish—to share their values and delights with virtually everyone on earth.”



.....

Vancouver filmmaker Mina Shum, whose Council-assisted film *Double Happiness* was a popular and critical success, pictured in a shot from her forthcoming film *Thirsty*, also supported by the Council.



.....

Montreal film artist Hugo Brochu won the Claude Jutra Prize for best young director at the Rendez-Vous du Cinéma 1997 with *Anna à la lettre C*, made with assistance from the Canada Council's Media Arts Section. Pictured in a still from the film are Isabelle Leblanc and Marcel Sabourin.

Photo: Natalie Lamoureux

or your computer. In a very short time, this ‘universal communicator’ will be shrunk to cellphone size, with the potential to bring culture, high and low, to within the reach of people around the world.

Remember: five years ago, the World Wide Web was barely a glimmer in the eyes of its inventors; 10 years ago, IMAX was still a fledgling technology; and 15 years ago, a consumer camcorder retailed for more than \$2,000.

So what will the world-wide culture web look like ten years from now?

If *Madame Butterfly* moves you to tears, you could instantly access your favourite version from among the dozens performed by the world’s great opera companies. Margaret Atwood’s novels could be yours instantly, not just in English and French, but in Icelandic, Inuktitut or Mandarin.

There would be no need to leave your home in Corner Brook. You could enjoy virtual tours of the hottest Soho art galleries, not to mention ‘Concerts for Two’ by orchestras that are thousands of miles apart, but that appear on your mini-HDTV screen to be playing Tchaikovsky’s *Violin Concerto* as a single, seamless unit.

From your basement studio in Calgary, you could team up with fellow sculptors from South Africa, India and Australia to form a virtual collective in order to co-create ‘world sculpture.’

From your virtual library in Chicoutimi, you could be a contributing editor to a literary internet magazine, or e-zine, whose contents change every 24 hours, with reviews pouring in overnight from other critics around the world.

There’s more. Much more. The entire contents of the Royal Ontario Museum, the Musée d’art contemporain de Montréal, the Louvre and literally thousands of other artistic treasures would be yours simply by dialing up a digital code.

It’s yours for the asking. Any entertainment, any time, from anywhere. Created by anyone, linked to anyone else, reaching audiences a mile wide, a mile deep—or both. A world-wide web of artistic possibilities—all coming marvelously true every day.

A decade from now? No. That promise is already taking shape today: you can hop on the Internet and explore contemporary art at the Centre international d’art contemporain de Montréal at <http://www.odyssee.net/~ciac/>. You can dial up Toronto-based <http://www.interaccess.org> and discover the latest

1984–1985

After intense lobbying, the Canada Council, National Arts Centre, CBC and Telefilm Canada are excluded from the revisions of the *Financial Administration Act*, retaining their arm's-length relationship with Parliament.

The Council begins a grants program for writers of non-fiction.

1985–1986

Introduction of the Glenn Gould Prize to be awarded every three years to an individual who has earned international recognition as the result of an exceptional contribution to music and its communication.

1986–1987

The Public Lending Right Commission established under the aegis of the Council, making payments of \$2.7 million to over 4,300 writers in its first year of operation.

Endowment of the Petro-Canada Award for Media Arts to celebrate the centenary of engineering in Canada.

1987–1988

Launch of the Musical Instrument Bank with acquisition of the Tecchler cello.

John Polanyi wins Izaak Walton Killam Memorial Prize.

interfaces of new media, technology and art. And through programs like the Writers-in-Electronic Residence, school kids in northern B.C. can interact directly with writers such as Susan Musgrave and Rick Salutin to learn the first steps in writing their own novels and short stories.

That's the promise technology offers. But there are perils as well.

Artists and arts lovers rely on the belief that quality will always find an audience. But in the future world of fully converged technology, that quality could soon be squeezed out by a kind of universal vapidty.

The culprit: the vertical integration of giant transnational companies, largely American, that control not only the means of distribution such as satellites, TV networks and internet access, but the products to be distributed such as movies, books, encyclopaedias and TV programs. The result is that content, not to mention information, which naturally reflect largely American tastes and values, will increasingly dominate the cultural agenda, leaving other countries with little access to their distribution networks, and Canada in particular with barely a peep from its already tiny voice.

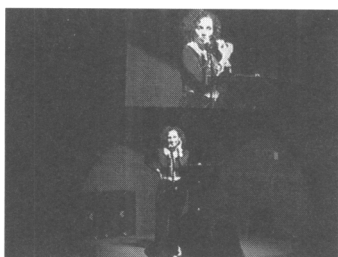
Forget for a moment that it was one of our own, Marshall McLuhan, who foretold the digital future back in 1962 when he sparked technology's first universal cliché with this single sentence: "The new electronic interdependence recreates the world in the image of a global village."

The fact is, there's a very real chance that Canadian culture will be pushed into invisibility in the onslaught of 'blockbuster' culture which is so costly to create and market that only a multi-media colossus could possibly profit from it—and then, only by merchandising it in all the nearly 200 countries of the world.

Indigenous cultures everywhere are already being eroded. *NYPD Blue* beamed down from a satellite may be great entertainment for Inuit youth in the dark Arctic night, but it does little to brighten the future prospects for their own unique society.

What we do know is that Canadians 10 years from now are going to have an even harder time discovering the young print-maker from Conception Bay, the young filmmaker from Skidegate or the young chamber group from Percé.

“Artists and arts lovers rely on the belief that quality will always find an audience. But in the future world of fully converged technology, that quality could soon be squeezed out by a kind of universal vapidty.”



.....

Telepoetics – live videolinks allow poets to perform and discuss their work with audiences thousands of miles away. The Council-supported Edgewise Café and Electrolit Centre in Vancouver has already created links with Calgary and Toronto and is moving soon to locations throughout the continent. *Top photo:* writer, Eveyln Lau.

Bottom Photo: telepoetics coordinator, Andrea Thompson.

Photos courtesy Heather Haley

Blockbuster culture could imperil the fragile network of creativity that has grown in Canada over the past 10 years. That network did not just grow spontaneously. It was nourished right from the start by government intervention of the most nation-saving kind: regulation, largely through the CRTC, that mandated ‘Canadian content’ from our broadcasters and financial support offered by Telefilm Canada, the Canada Council for the Arts and the provincial and municipal arts councils. This is the very reason CBC Radio was created in 1936; until that time, American stations blanketed Canada, and their Canadian content was absolutely zero.

But technology will always outpace regulation, and many governments throughout North America are increasingly (and mistakenly) viewing the arts as a frill to be cut rather than a torch to be held high.

Government cutbacks have been slowly chipping away at the arts for years now.

Here at home, the audiences for the arts now have so many creative offerings to choose from that they often don’t have the time or the inclination to discover the riches created in their own back yard. And if your first language is French, you face a real lack of most everything in your own language on the information highway.

Canadian cultural enterprises, just like Canadian manufacturers, must sell their products beyond our borders in order to compensate for the high costs and low returns of a small domestic market.

With the access to those markets overwhelmingly controlled by American companies, all compelled to put their product into the pipeline first, there’s not much room for anything Made in Canada for Canada. Or if it is made here, it is pitched first to the profitable American market. Which may be why Canada is now the second-largest exporter of English-language television programming in the world. Or why German- and Italian-authored books rarely find themselves on the best-seller lists in their native Germany and Italy.

Given these trends, ten years from now, Canadian artists and Canadian creativity could have a hard time finding an audience large enough to matter. And forty years from now, *Ars Canadensis* could be on the endangered species list, not from lack of talent, but from lack of significant audiences, both home and away.

MILESTONES 1988–1997

1988–1989

Allan Gotlieb appointed Chairman.

A sampling of awards/grants recipients includes: Louise Bédard, Marie Chouinard, Louise Forestier, Evelyn Lau, Bruce McDonald, Loreena McKennitt, Rohinton Mistry and David Adams Richards.

"The simple fact is that Canadian artists are taking on the world. They are, in the best sense of the word, competitive. In a global environment that is as tough and challenging as any we have ever known, our artists, from a relatively young society and small population base, are a match for their competitors anywhere."

—ALLAN GOTLIEB, *Chairman*, 1989–1994 –
Excerpt from remarks to the House of Commons Standing Committee on Communications and Culture, December 1991.

1990–1991

Creation of Equity Officer position. First Internship Program developed in response to recommendations from committees on First Peoples issues in the arts and racial equality in the arts.

Nearly 2,000 readings funded by the Public Readings Programs.

Creation of Bell Canada Award in Video Art.

1991–1992

Passage of Status of the Artist legislation in Parliament.

1992–1993

Michael Ondaatje wins the Canada Council's Governor General's Literary Award and the Booker Prize for his novel, *The English Patient*.

Proposed merger of the Council with the Social Sciences and Humanities Research Council and International Cultural Relations at Foreign Affairs and International Trade Canada is defeated by Senate vote.

As John Ralston Saul put it: "Not being a player in international communications today implies disappearing from this planet."

Saul was describing the greatest challenge Canadian culture has ever faced. Because if the only thing that distinguishes Canadians from Americans is our culture, our indefinable combination of caring and civility that others call our 'niceness,' and if access to the expression of that culture is being slowly strangled by global technologies, there will be very little we can call 'Canadian' to live by.

Eventually, the lack of Canadian voices will simply allow other voices from other places to take their place.

Michel Cartier, communications professor at Université du Québec à Montréal, believes that since information is "the material of our individual and collective imaginations, societies that have not developed their own specific content will not only be indistinguishable from the American model, but they will run the risk of disappearing altogether as cultural entities."

Please note: this won't happen because our artists aren't very good at what they do. Canadian artists are just as talented and extraordinary as America's or France's or Britain's or anyone else's.

So what can we do now that will ensure Canadian artists are celebrated rather than memorialized 40 years from now?

Perhaps we should listen to University of Toronto economist Franklin Griffiths, who argues that security and sovereignty today are about "Canada's capacity for autonomous choice in an era of globalization," since governments can do little to protect us economically.

With cultural imperialism now presenting more of a threat to our borders than military imperialism, Canada could launch a cultural counter-attack, invading other countries the way they have invaded us, all without a shot being fired.

And think what a bargain it would be: Canada will spend \$10 billion on defence in 1997-98. It spent less than a fifth of that on the arts through the Canada Council in the entire four decades from 1957 to 1997.

Ironically, we can look to the United States for leadership in this kind of defence policy as well. After all, in 1996, for the first time in its history, the money our neighbour earned from entertainment exports exceeded that of its armaments and

“Every day, the question grows more urgent: can our cultural agencies change in time to give Canadian artists a place at the starting gate in the race to convergence?”



.....

To celebrate its 25th season, Les Ballets Jazz de Montréal commissioned Myriam Naisy to create *Tristan Iseult*, a modern-day telling of the ancient myth, choreographed to a musical score by Charles Papasoff. The work was premiered at the Festival international de jazz de Montréal in June 1996. Les Ballets Jazz tours more than any other Canadian dance troupe: since 1972, the company has given over 1,780 performances in more than 500 cities of 57 countries on five continents. The company receives an annual grant from the Dance Section of the Canada Council. Photo:

Michael Slobodian

aerospace combined. And it's a very American ethic being rained on every corner of the planet.

Building and owning the mega-billion dollar, globe-straddling hardware is out of the question for even the largest Canadian enterprise. But this isn't to say that we can't create the world-calibre software to fill those voracious networks. "Our future and our culture," broadcaster Ann Medina says, "depend on the stuff that gets screened, recorded, CD'd, performed, read, cabled, satellited, computed and transmitted."

Her belief is echoed from a surprising quarter. Many Canadian business leaders, especially those who are new to exporting their goods and services, are struck by how successful other nations are in using their culture to establish their presence around the world.

Many of these countries—Britain, France, Italy and Japan in particular—have not only exported the uniqueness of their culture for centuries, they have used the clarity and fame of that culture as a calling card all over the world.

After all, what says more about Italy—La Scala or the Italian auto industry?

Every day, the question grows more urgent: can our cultural agencies change in time to give Canadian artists a place at the starting gate in the race to convergence?

Over the next 40 years, will those funding agencies shift, as some claim they must, to become marketing agencies as well—helping Canadian artists turn their performances into products and sell them as well as create them?

Will they move to establish trading houses for Canadian culture—taking on as clients those artists and arts organizations with the greatest export potential, and selling them, one nation at a time, to the world?

Will Canada's governments take the lead, as they did 40 years ago, when they founded the Canada Council for the Arts, in giving the arts the high priority and, frankly, the money they deserve?

Whatever the answers, we do know that in the next 40 years, the question should not be what is the cost of underwriting the growth and distribution of a robust and richly diverse Canadian culture; the question is, what are the costs to our nationhood if we don't?

1993–1994

Oscar Peterson wins the Glenn Gould Prize.

1994–1995

Donna Scott appointed Chairman. Roch Carrier appointed Director.

A sampling of awards/grants recipients includes: Susan Aglukark, Carole Fréchette, Natalie MacMaster, Léa Pool and Mina Shum.

“But I know that what has made the Canada Council a great organization is its history of respecting this arm’s-length situation, and it has been a great organization because it sticks to its principle of supporting the best talent available and the best project, after a fair evaluation by a jury.”

Roch Carrier, *Director*, 1994–1997 – Excerpt from remarks to the House of Commons Standing Committee on Canadian Heritage, November 1995

1995–1996

Formation of Canada Council Task Force on Tax Incentives for the Arts; two of its recommendations are accepted in the 1996 budget.

1996–1997

Mavis Gallant wins the Molson Prize.



PIANIST JON KIMURA PARKER WITH SCHOOL CHILDREN IN IQALUIT, NWT DURING 1996 TOUR.



THE CANADA COUNCIL
FOR THE ARTS
SINCE 1957

LE CONSEIL DES ARTS
DU CANADA
DEPUIS 1957

A BOLDER, MORE ENERGETIC VERSION OF THE CANADA COUNCIL FOR THE ARTS' LOGO FOR THE 40TH ANNIVERSARY.

THE CANADA COUNCIL FOR THE ARTS' FORTIETH ANNIVERSARY Parliament Celebrates Public Funding of the Arts

On March 19, 1997, a group of distinguished Canadian artists was invited to Ottawa to represent the arts community at Parliament's special tribute to the Canada Council for the Arts. It was the Council's 40TH anniversary but it was the artists' moment of honour. Their introduction by the Speaker occasioned an enthusiastic standing ovation in the House of Commons. This welcome was carried over to receptions given by the Speaker of the House of Commons and the Speaker of the Senate.



Jon Kimura Parker performing a virtuoso “Happy Birthday” to celebrate the Canada Council's forty years of public funding for the arts. *From left to right:* Atom Egoyan, Father Georges-Henri Lévesque, Marie-Claire Blais and Celia Franca.

Photo: Courtesy The Ottawa Citizen

“When I think back to when the Canada Council was founded in 1957, at that time I was with the National Ballet of Canada and we were about to give up the ghost, we were stalling. I couldn’t pay the dancers and thank God the Canada Council was formed that year and we were saved.”

—CELIA FRANCA, founder, National Ballet of Canada



.....
 Father Georges-Henri Lévesque (first Vice-Chairman), Brooke Claxton (first Chairman) and Vincent Massey arrive for the inaugural meeting of the Canada Council, 30 April 1957.

Photo: Brooke Claxton Collection – National Archives of Canada



.....
 Honoured artists participating in Parliament's celebratory events for the Council's 40th anniversary included, *from left to right*: Jon Kimura Parker, Celia Franca, Al Purdy, Louise Marleau, Father Georges-Henri Lévesque, Marie-Claire Blais, Takao Tanabe, Guido Molinari, Jean-Pierre Perreault, Atom Egoyan and Angèle Dubeau. Photo: Metropolis Studio



.....
 Celia Franca, founder of The National Ballet of Canada, with Prime Minister Chrétien.

Photo: Metropolis Studio

“The Canada Council for the Arts has done a magnificent job and I hope that it will continue to do so with the same generosity, inspiration and devotion until the year 2010. Future governments should follow in the steps of their predecessors, for the arts will always need our support.”

—FATHER GEORGES-HENRI LÉVESQUE



.....
 Prime Minister Chrétien with Director Roch Carrier and Chairman Donna Scott. Photo: Metropolis Studio

"There's no way I would have had any career without government support. I think it's unfortunate that we all feel a bit embarrassed about the fact that artists need support, but historically that has always been the case... I would never have known that I could do what I'm doing today if it wasn't for the encouragement early in my career."

—ATOM EGOYAN on CBC Newsworld's *Ottawa Inside Out*



.....
Director Atom Egoyan, winner of the 1997 Grand Prix at the Cannes International Film Festival, on the set of *The Sweet Hereafter* with actor Ian Holm.

Photo: Johnny Eisen, courtesy of Alliance Communications Corporation.

"I think it's a good thing to humanize culture. It's good for the politicians to really feel that music and culture are life. And we were there to prove this."

—ANGÈLE DUBEAU on the occasion of Parliament's recognition of the Canada Council for the Arts' 40TH anniversary.

Saluting the Canada Council

THE Canada Council turned 40 last month, an occasion which passed largely unnoticed among Canadians despite the council's effort to publicize it. That is unfortunate, because the anniversary of this venerable institution reminds us not only of its enduring contribution to culture in this country, but also of the importance of public funding of the arts.

The 1990s have not been an easy time for the arts in Canada. As indebted governments were forced to cut spending and balance budgets, they cut support for the arts. Declining subsidies, as well as a weak economy, have taken their toll. Publishers have closed, theatres have gone dark, public broadcasting has suffered.

Artists and arts organizations repeatedly say they wouldn't exist without the Canada Council's help. They aren't all self-serving. By and large, many wouldn't. Since Parliament created the council in 1957, it has helped unknown novelists, musicians, poets, playwrights, actors, dancers and others get their start. It has fostered artistic expression in Canada, notably in literature, visual art, television and the performing arts, for which we have won international acclaim.

In a country sitting next to the world's greatest cultural machine, much of it producing pap, Canadians often struggle to hear their own voice. The challenge of the Canada Council remains what it has always been: to help give voice to *Canadian* values and to support artistic excellence, plain and simple.

The Canada Council has recently learned to do that with less. Its annual parliamentary appropriation has fallen from \$105.5-million in 1991-1992 to \$88.8-million in 1997-1998. It was never a lot of money — the CBC gets more than \$900-million from Parliament — and the de-

mand from emerging areas, such as new media, has strained the council's resources.

The council has retrenched, showing there was room to retrench. Under director Roch Carrier, it announced a two-year program in 1995 to preserve funding for artists while finding savings elsewhere. In reducing staff from 238 to about 139, it reduced administrative costs from \$22-million to \$12-million. Administration now accounts for around 12 per cent of its total budget. "We had to think of why we are here," said Mr. Carrier, arguing that it wasn't to be a bureaucracy.

At the same time, the council restricted the Art Bank, which was of dubious value, eliminated departments and streamlined programs. It standardized the value of grants for all disciplines, which it says reduces costs and enhances eligibility. It reduced the number of deadlines from 117 to 44, and tightened rules to broaden the number of recipients.

For an organization which receives 15,000 applications a year, the council is effective. No doubt it backs bad projects from time to time, and among its beneficiaries are said to be artists who no longer need the money.

To the Thunder Bay Symphony, however, or the Saskatchewan photographer documenting the aboriginal people of the plains, or to the visual artist from Calgary mounting her works in Montreal, or to the touring theatre group in Nova Scotia, it is the Canada Council that makes things possible.

As Canada enters the postdeficit era, Canadians will debate how to spend the postdeficit dividend. With the call for lower taxes and reducing debt will come calls for new spending. If that is a choice, the Canada Council will continue to ensure it is a wise investment.

.....
The Globe and Mail's 4 April 1997 editorial page comments on the Canada Council's contribution to the arts. Reprinted with permission from *The Globe and Mail*.

FINANCIAL STATEMENTS

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FINANCIAL OVERVIEW



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Dancemakers' *The Trilogy of Sable/Sand* by artistic director Serge Bennathan with original music by Ahmed Hassan was commissioned by the Cannes International Dance Festival in 1994. The following year it won the Dora Mavor Moore Award for Best New Choreography. The dance company has been funded by the Canada Council's Dance Section since 1976.

Photo: Cylla von Tiedemann

The Council's main financial objectives, as outlined in the Council's 1995 Strategic Plan, were to maintain its budget for grants to artists and arts organizations while improving and streamlining program delivery and further reducing administrative costs. In spite of reductions to its Parliamentary Appropriation, the Council achieved these objectives.

Revenue

The Council's revenues were significantly lower in 1996-97. The Parliamentary Appropriation was down almost 7% to \$91,093,000 due largely to:

- the transfer of \$3,126,000 for the national training schools to the Department of Canadian Heritage
- a reduction of \$1,895,000, as part of a government-wide cut to administrative spending
- a much smaller special appropriation to help defray the costs of restructuring in 1996-97 compared to 1995-96.

Grant Expenditures

Grant expenditures on arts programs and Public Lending Right fees were virtually unchanged in 1996-97, with reallocations to reflect the Plan's priorities.

Operating Expenditures and Services

Administrative expenditures were reduced by 4.2%, mostly the result of a smaller workforce and lower office accommodation costs. Decreases in the latter were partly offset by an increased amortization charge.

Streamlining the Council's grants adjudication process also led to a 12% drop in its costs.

Unusual Items

The Council downsized its workforce from 176 to 139 positions in 1996-97, incurring severance costs of \$967,000. Since 1995-96, the Council has cut its workforce by 50%. There were also expenses of \$345,000 associated with the redesign of the Council's administrative processes.

As a result of a new investment strategy, \$33,508,000 of net gains for this and previous years were realized on the sale of investments, the proceeds of which were reinvested.

INVESTMENT COMMITTEE

Investment Committee membership
as at 31 March 1997 comprises:

John W. Crow
(Chairman)

Donna Scott
(Chairman, Canada Council)

Michel Thérout
President, Jas. A. Ogilvy Inc.

John H. Matthews
Consultant, former President and
CEO, RBC Trust Company and
The International Trust Company

Nancy Orr-Gaucher
President, Dynamis Group

William E. Mingo
Partner, Stewart McKelvey
Stirling Scales

AUDIT & FINANCE COMMITTEE

During the year, Council reinstated the Audit Committee and changed its name to the Audit and Finance Committee in order to reflect the added responsibilities for the review of budgets and the Council's accounting procedures and internal controls. The membership as at 31 March 1997 comprises the following Council members:

François Colbert
(Chairman)

Donna Scott
Claudette Lizotte
Irving Zucker

Investment Strategy

The Council's investment objective is to generate sufficient annual returns to supplement the Council's Parliamentary Appropriation while maintaining the purchasing power of the endowed capital.

The Canada Council's formula for prudent and diligent management of its endowment funds has four key elements:

- An investment committee of business and finance professionals;
- A clear and precise mandate and sound investment policies;
- Fund managers for day-to-day investments;
- A fund evaluation service to monitor fund manager performance.

At the recommendation of the Investment Committee, the Council adopted a new investment strategy for the Endowment and Special Funds as well as for the Killam Funds. These funds had been traditionally invested in Canadian and international equities as well as fixed income assets. To ensure the long-term purchasing power of the funds and to get the maximum returns to finance the Council's activities, the Committee instructed its fund managers to follow best and prudent investment practices and emphasize investment in global equity markets, including Canada.

In accordance with the new strategy, most assets of the Endowment and Special Funds portfolio were liquidated and the proceeds were reinvested. Because of the restrictions placed on the Killam Funds by the donor, most of its assets are still invested in a balanced Canadian portfolio. Overall, approximately 40% of the Council's assets are now invested in Canada.

Investment Report

As at 31 March 1997, the market value of the portfolio totalled \$229 million, an increase of \$15 million over the market value of one year ago. The table below shows the performance of the Endowment and Special Funds, and the Killam Funds for the year under review as well as the annualized return for the past five years.

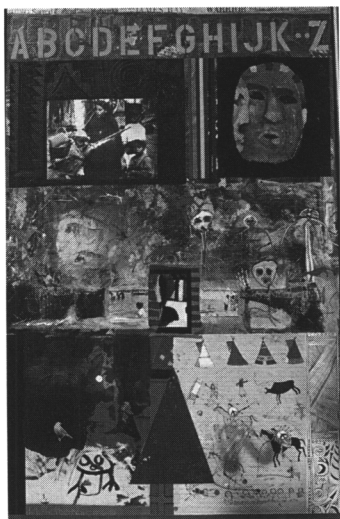
	ENDOWMENT/ SPECIAL FUNDS		KILLAM FUNDS	
	1 Year	5 Year	1 Year	5 Year
Total Fund Return	18.5 %	13.7 %	15.8 %	13.0 %
Inflation Rate	2.0 %	1.5 %	2.0 %	1.5 %
Real Return	16.5 %	12.2 %	13.8 %	11.5 %

The total fund return for the Endowment and Special Funds was in the top 25% of funds evaluated by independent experts. The total fund return for the Killam Funds was above the median.

At each year end, part of the excess of revenue over expense is transferred to appropriated surplus. This is done to reflect the capital appreciation of the portfolio. Of the excess revenue over expenses, \$34,571,000 was appropriated this year compared to \$5,927,000 last year.

FINANCIAL STATEMENTS

Management's Responsibility for Financial Statements



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Rebirth of the Four Coyote Spirits by Jane Ash Poitras, mixed media on canvas, was purchased by the MacKenzie Art Gallery with help from the Visual Arts Section's Acquisition Assistance program. Photo: Carrousel Photographic



.....

Toronto ensemble Maza Mezé, 11 young musicians and singers who perform the acoustic folk and classical music of the Middle East and its neighbouring Eastern European countries, received a grant from the Music Section to tour to Manitoba, British Columbia and Alberta in July and August 1997. Photo: Hill Peppard

The financial statements contained in this annual report have been prepared by Management of the Canada Council (the Council) in accordance with generally accepted accounting principles. The integrity and objectivity of the data in these financial statements are Management's responsibility. Management is also responsible for all other information in the annual report and for ensuring that this information is consistent, where appropriate, with the information and data contained in the financial statements.

In support of its responsibility, Management has developed and maintains books of account, records, financial and management controls, information systems and management practices. These are designed to provide reasonable assurance as to the reliability of financial information, that assets are safeguarded and controlled, and that transactions are in accordance with the *Canada Council Act* and by-laws of the Council.

The Council is responsible for ensuring that Management fulfills its responsibilities for financial reporting and internal control. The Council meets with Management and the independent external auditor to review the manner in which they are performing their responsibilities and to discuss auditing, internal controls and other relevant financial matters. The Council has reviewed the financial statements with the external auditor and has approved them.

The Council's external auditor, the Auditor General of Canada, examines the financial statements and reports to Council and the Minister responsible for the Council.

Approved by Management:

Secretary-Treasurer

Director, Arts Division

May 30, 1997



AUDITOR GENERAL OF CANADA

VÉRIFICATEUR GÉNÉRAL DU CANADA

AUDITOR'S REPORT

To the Canada Council
and the Minister of Canadian Heritage

I have audited the balance sheets of the Endowment Account and Special Funds of the Canada Council as at March 31, 1997 and the statements of revenue and expense, equity and changes in financial position for the year then ended. These financial statements are the responsibility of the Council's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Council as at March 31, 1997 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

A handwritten signature in black ink, appearing to read 'R. Dubois'.

Raymond Dubois, FCA
Deputy Auditor General
for the Auditor General of Canada

Ottawa, Canada
May 30, 1997

FINANCIAL STATEMENTS OF THE CANADA COUNCIL

	ASSETS	1997	1996
Balance Sheet as at March 31, 1997	Cash and short-term deposits (Note 3)	\$2,928	\$3,355
Endowment Account	Parliamentary appropriation receivable	—	2,064
<i>In thousands of dollars</i>	Accrued investment income	573	1,389
	Accounts receivable	846	514
	Deferred charges	1,252	842
	Investments (Note 5)	174,542	138,514
	Capital assets (Note 6)	2,433	3,649
	Works of art	17,676	17,876
		\$200,250	\$168,203
	LIABILITIES		
	Bank indebtedness	\$ —	\$6,450
	Grants payable	14,448	11,764
	Accounts payable and accrued liabilities (Note 7)	3,287	2,333
	Deferred credits (Note 8)	4,602	5,340
	Due to Special Funds	7,116	5,802
	Due to Special Trusts (Note 9)	2,687	2,775
		32,140	34,464
	EQUITY		
	Endowment		
	<i>Principal</i>	50,000	50,000
	<i>Appropriated surplus</i>	94,770	60,199
		144,770	110,199
	Surplus		
	<i>Works of art</i>	17,676	17,876
	<i>Operating</i>	5,664	5,664
		23,340	23,540
		168,110	133,739
		\$200,250	\$168,203

On behalf of the Council:


Chair


Vice-Chair

	REVENUE	1997	1996
Statement of Revenue and Expense of the Endowment Account for the year ended March 31, 1997 <i>In thousands of dollars</i>	Parliamentary appropriation	\$ 91,093	\$ 97,946
	Net gains on disposal of investments (Note 10)	6,107	8,044
	Net interest and dividends (Note 11)	6,093	7,086
	Art Bank rental fees	1,161	1,327
	Other	609	1,079
		105,063	115,482
	EXPENSE		
	Arts Division		
	<i>Grants (Schedule 1)</i>	84,694	84,300
	<i>Administration (Schedule 2)</i>	7,966	8,591
	<i>Services to the arts</i>	1,575	1,789
		94,235	94,680
	Canadian Commission for UNESCO		
	<i>Administration (Schedule 2)</i>	843	992
	<i>Program</i>	191	180
		1,034	1,172
	General administration (Schedule 2)	7,619	7,556
		102,888	103,408
	Excess of revenue over expense before restructuring expenses and net gains related to the new investment strategy	2,175	12,074
	Restructuring expenses (Note 12)	(1,312)	(2,647)
	Net gains related to the new investment strategy, reinvested (Note 10)	33,508	—
	Excess of revenue over expense for the year	\$ 34,371	\$ 9,427
	ENDOWMENT	1997	1996
Statement of Equity of the Endowment Account for the year ended March 31, 1997 <i>In thousands of dollars</i>	Principal	\$ 50,000	\$ 50,000
	Appropriated surplus		
	<i>Balance at beginning of the year</i>	60,199	54,272
	<i>Appropriated from surplus during the year (Note 13)</i>	34,571	5,927
	<i>Balance at end of the year</i>	94,770	60,199
	Balance of Endowment at end of the year	\$ 144,770	\$ 110,199
	SURPLUS		
	Works of art		
	<i>Balance at beginning of the year</i>	\$ 17,876	\$ 17,933
	<i>Net disposals and adjustments during the year</i>	(200)	(57)
	<i>Balance at end of the year</i>	17,676	17,876
	Operating		
	<i>Balance at beginning of the year</i>	5,664	2,164
	<i>Excess of revenue over expense for the year</i>	34,371	9,427
	<i>Net disposals and adjustments during the year</i>	200	—
	<i>Appropriated during the year (Note 13)</i>	(34,571)	(5,927)
	<i>Balance at end of the year</i>	5,664	5,664
	Balance at end of the year	\$ 23,340	\$ 23,540

	OPERATING ACTIVITIES	1997	1996
Statement of Changes in Financial Position of the Endowment Account for the year ended March 31, 1997 <i>In thousands of dollars</i>	Excess of revenue over expense for the year	\$ 34,371	\$ 9,427
	Items not affecting cash		
	<i>Amortization</i>	1,216	784
	Net gains related to new investment strategy, reinvested (Note 10)	(33,508)	—
		2,079	10,211
	Change in non-cash operating assets and liabilities	6,464	(5,823)
	Funds provided by operating activities	8,543	4,388
	INVESTMENT ACTIVITIES		
	<i>Net gains related to new investment strategy (Note 10)</i>	33,508	—
	<i>Net increase in investments</i>	(36,028)	(10,693)
	Funds applied to investment activities	(2,520)	(10,693)
	Increase (decrease) in funds	6,023	(6,305)
	Cash position at beginning of the year	(3,095)	3,210
	Cash position at end of the year	\$ 2,928	\$ (3,095)
	<i>Composed of:</i>		
	<i>Cash and short-term deposits</i>	\$ 2,928	\$ 3,355
	<i>Bank indebtedness</i>	—	(6,450)
		\$ 2,928	\$ (3,095)
	ASSETS	1997	1996
Balance Sheet as at March 31, 1997 Special Funds <i>In thousands of dollars</i>	Cash and short-term deposits (Note 3)	\$ 11,299	\$ 2,213
	Accrued interest and accounts receivable	347	543
	Investments (Note 5)	46,550	46,012
	Due from Endowment Account	7,116	5,802
	Musical instruments	930	930
		\$ 66,242	\$ 55,500
	LIABILITIES		
	Grants payable	\$ 2,145	\$ 2,786
	Accounts payable and accrued liabilities	90	67
		2,235	2,853
	EQUITY		
	Fund capital		
	<i>Principal</i>	35,328	35,328
	<i>Appropriated surplus</i>	27,665	16,447
		62,993	51,775
	Surplus	1,014	872
		64,007	52,647
		\$ 66,242	\$ 55,500

On behalf of the Council:


Chair


Vice-Chair

	REVENUE	1997	1996
Statement of Revenue and Expense of the Special Funds for the year ended March 31, 1997 <i>In thousands of dollars</i>	<i>Net gains on disposal of investments (Note 10)</i>	\$ 4,811	\$ 2,407
	<i>Net interest and dividends (Note 11)</i>	2,534	3,188
	<i>Other</i>	27	157
		7,372	5,752
	EXPENSE		
	<i>Grants</i>	2,170	2,753
	<i>Administration</i>	358	396
		2,528	3,149
	Excess of revenue over expense before net gains related to the new investment strategy	4,844	2,603
	Net gains related to the new investment strategy, reinvested (Note 10)	6,516	—
	Excess of revenue over expense for the year	\$ 11,360	\$ 2,603
	FUND CAPITAL	1997	1996
Statement of Equity of the Special Funds (Note 4) for the year ended March 31, 1997 <i>In thousands of dollars</i>	Principal		
	<i>Balance at beginning of the year</i>	\$ 35,328	\$ 35,306
	<i>Contributions received</i>	—	22
	<i>Balance at end of the year</i>	35,328	35,328
	Appropriated surplus		
	<i>Balance at beginning of the year</i>	16,447	14,040
	<i>Appropriated from surplus during the year (Note 13)</i>	11,218	2,407
	<i>Balance at end of the year</i>	27,665	16,447
	Balance of Fund capital at end of the year	\$ 62,993	\$ 51,775
	SURPLUS		
	Balance at beginning of the year	\$ 872	\$ 676
	Excess of revenue over expense for the year	11,360	2,603
	Appropriated during the year (Note 13)	(11,218)	(2,407)
	Balance at the end of the year	\$ 1,014	\$ 872

	OPERATING ACTIVITIES	1997	1996
Statement of Changes in Financial Position of the Special Funds for the year ended March 31, 1997 <i>In thousands of dollars</i>	Excess of revenue over expense for the year	\$ 11,360	\$ 2,603
	Net gains related to the new investment strategy, reinvested (Note 10)	(6,516)	—
	Change in non-cash operating assets and liabilities	(1,736)	(83)
		<hr/>	<hr/>
	Funds provided by operating activities	3,108	2,520
	FINANCING ACTIVITIES		
	Contributions received	—	22
	INVESTMENT ACTIVITIES		
	Net gains related to the new investment strategy (Note 10)	6,516	—
	Net increase in investments	(538)	(3,337)
		<hr/>	<hr/>
	Funds provided by (applied to) investment activities	5,978	(3,337)
	Increase (decrease) in funds	9,086	(795)
	Cash and short-term deposits at beginning of the year	2,213	3,008
		<hr/>	<hr/>
	Cash and short-term deposits at end of the year	\$ 11,299	\$ 2,213

NOTES TO FINANCIAL STATEMENTS

March 31, 1997

1. Authority, Operations and Objectives

The Canada Council was established by the *Canada Council Act* in 1957 which authorized the creation of an Endowment Fund of \$50 million pursuant to section 13 of the Act. Except for the annual parliamentary appropriation, monies or properties donated to the Council pursuant to section 18 of the Act are generally accounted for as Special Funds or Special Trusts. The Council has been assigned the functions and duties for the Canadian Commission for UNESCO pursuant to paragraph 8(2) of the *Act*. The Council is not an agent of Her Majesty. Its objectives are to foster and promote the study, enjoyment and production of, works in the arts.

2. Significant Accounting Policies

The most significant accounting policies are:

(a) Investments

Equities, bonds, debentures and mortgages are recorded at cost. Special Funds with capital in excess of \$250,000 and received after January 1, 1990 are merged with the Endowment Account. The participation of each fund is calculated on the basis of market value as at the date the monies are received. Interest, dividends, gains and losses on disposal of investments are allocated to each fund based on the percentages established by Council at the beginning of each quarter.

Special Funds with capital of less than \$250,000 and Special Trusts earn interest calculated quarterly using the ninety-day Treasury Bill rate at the beginning of the quarter.



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A still shot of Lil'Wat activist Mary Williams from *Bones of the Forest*, a film by Heather Frise and Velcrow Ripper. The film, which received Media Arts funding, was the winner of a Genie Award and the Best Film Award at Hot Docs 1995. Ripper, of Galiano Island, B.C., is now working on a new film with Media Arts assistance.

Photo: Kelly O'Brien



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Chinook Winds, The First Aboriginal Dance Project, Summer 1996. Daniel J. Secord, Allan Blake Tailfeathers and Monique Diabo-John in *Grand Entry – Intertribal*. A "Grand Entry" is the opening of a PowWow when the dancers wear their finest regalia to dance and pay honour. Photo: H. Elton

Investments are written down to market value when the loss in value is considered to be other than a temporary decline.

(b) Foreign currency transactions

Foreign currency transactions are translated into Canadian dollars at the exchange rate in effect at the transaction date. Monetary assets denominated in foreign currency are translated into Canadian dollars at the exchange rate in effect at the end of the year.

(c) Capital assets

Equipment and leasehold improvements are recorded at cost and amortized over their estimated useful lives on the straight-line method, as follows:

Office equipment	5 years
Leasehold improvements	term of the lease

Gains and losses on disposals are netted against the amortization expense in the year of disposal.

(d) Works of art

Works of art acquired by the Canada Council Art Bank are recorded at laid-down cost and no amortization is recorded.

(e) Donated property – Special Funds

Donated property is recorded at appraised value and the amount is credited to the principal of the fund capital.

(f) Musical instruments – Special Funds

Musical instruments are recorded at cost and no amortization is recorded.

(g) Special Funds and Special Trusts

Special Funds and Special Trusts include amounts received by way of bequest, gift or donation and may be specific as to purpose.

Special Funds are managed at the full discretion of the Canada Council and are invested in accordance with the policies of the Endowment Fund.

Special Trusts are either managed or allowed to have their capital drawn down, in accordance with the donor's wishes.

(h) Employee termination benefits

Employees are entitled to specific termination benefits as provided for under the Council's policy and conditions of employment. The cost of these benefits is expensed in the year in which employees become eligible.

(i) Capitalization of net income of Special Funds

The Council normally capitalizes 10% of the revenue less administration expenses of the Izaak Walton Killam Memorial Fund for Advanced Studies and the Killam Special Scholarship Fund, in accordance with advice received from the trustees of these funds in order to preserve the equity for future beneficiaries. However, the Council has the right to draw at any time on the accumulated net income capitalized, for the purposes of the funds.

(j) Pension plan

Employees participate in the Public Service Superannuation Plan administered by the Government of Canada. The employees and the Council contribute equally to the cost of the Plan. This contribution represents the total liability of the Council. The Council is not required to make contributions with respect to actuarial deficiencies of the Public Service Superannuation Account.

(k) Parliamentary appropriations

Parliamentary appropriations to the Council are recorded as revenue in the year in which they are approved by Parliament.

(l) Grants and services

Grants are recorded as an expense in the year for which they are approved by Council. Cancelled grants and refunds of grants approved in prior years are shown as revenue.

Services to the arts, which include juries, advisory committees, prizes and other costs that directly serve artists or the arts community, are recorded as expenses in the year in which they are incurred.

3. Cash and Short-Term Deposits

The Council invests temporary surplus cash in the short-term money market. All instruments held in short-term investments are rated R1(low) or A(low) or better by a recognized bond rating agency. Except for federal and federally guaranteed instruments, no more than 10% of the short-term portfolio is invested with one issuer.

The fair market value of short-term investments as at March 31, 1997 and 1996 approximated the net book value.

4. Special Funds

(a) Izaak Walton Killam Memorial

A bequest of \$12,339,615 in cash and securities was received from the estate of Mrs. Dorothy J. Killam. The net income from this fund is to be used "to provide scholarships for advanced study or research in any field of study or research other than the 'arts' as presently defined in the *Canada Council Act* and not limited to the 'humanities and social sciences' referred to in such *Act*."

The bequest contains the provision that the fund shall not form part of the Endowment Account or otherwise be merged with any assets of the Council, and in the event that the Canada Council should ever be liquidated or its existence terminated or its powers and authority changed so that it is no longer able to administer any Killam Trust, the assets forming any such Killam Trust shall thereupon be paid over to certain universities which have also benefited under the will. The cash and securities received and the proceeds have been invested in a separate portfolio.

The fund equity as at March 31, 1997 was \$27,610,971 (1996 – \$22,251,678).

(b) Killam Special Scholarship

This fund was established by way of securities received from Mrs. Dorothy J. Killam. Dividends and proceeds from the redemption of those securities amounted to \$13,653,344.

The net income from this fund is available to provide prizes and fellowship grants to Canadians for advanced study or research in the fields of medicine, science and engineering.

The fund equity as at March 31, 1997 was \$25,383,628 (1996 – \$20,972,664).

(c) Jean A. Chalmers

An endowment of \$500,000 in cash was received from Mrs. Floyd S. Chalmers to establish a special Jean A. Chalmers Fund for the crafts. In consultation with the Canadian Crafts Council, the income of the fund is used to provide a small number of special project grants for the development or advancement of the crafts in Canada.

The fund equity as at March 31, 1997 was \$509,651 (1996 – \$521,793).

(d) Molson Prize

Gifts of \$1,000,000 were received from the Molson Foundation for the establishment of the Molson Prize Fund. The income of the fund is used for awarding cash prizes to Canadians “for outstanding achievement in the fields of the Arts, the Humanities or the Social Sciences.”

The fund equity as at March 31, 1997 was \$2,409,451 (1996 – \$1,895,268).

(e) Lynch-Staunton

This fund was established by a bequest in cash of \$699,066 received from the estate of V.M. Lynch-Staunton, the income from which is available for the regular programs of the Council.

The fund equity as at March 31, 1997 was \$2,400,274 (1996 – \$1,864,079).

(f) Vida Peene

This fund was established by a bequest in cash of \$599,761 received from Vida Peene to provide payments to specified organizations.

The fund equity as at March 31, 1997 was \$600,075 (1996 – \$599,761).

(g) Joseph S. Stauffer

This fund was established by bequests in cash totalling \$400,000 from the estate of Joseph S. Stauffer, the income from which is to provide prizes to encourage promising young Canadians in the fields of music, visual arts and literature.

The fund equity as at March 31, 1997 was \$461,083 (1996 – \$456,306).

(h) John G. Diefenbaker

The Council received an endowment of \$1,000,000 from the Government of Canada. The income from this endowment is to be used to provide an annual grant to a German scholar to engage in research or advanced studies in Canada.

The fund equity as at March 31, 1997 was \$1,523,961 (1996 – \$1,202,095).

(i) Coburn Fellowship

This fund was established by a bequest totalling \$945,363 received from the estate of Kathleen Coburn. The income from the fund is to provide for exchanges of scholars between Israel and Canada.

The fund equity as at March 31, 1997 was \$1,343,163 (1996 – \$1,098,005).

(j) Other

The following Special Funds have an original capital of less than \$250,000 and have a total fund equity as at March 31, 1997 of \$1,764,716 (1996 – \$1,784,981).

(i) *Frances Elizabeth Barwick and J.P. Barwick*

Bequests totalling \$93,000 in cash were received from the estates of Mrs. Frances Elizabeth Barwick and J.P. Barwick. The total fund is to be used for the benefit of the musical arts and is being used for the Council's Musical Instrument Bank.

(ii) *John B.C. Watkins*

This fund was established by a bequest consisting of the net income from the residue of the estate of the late John B.C. Watkins to provide scholarships for postgraduate studies.

(iii) *The Duke and Duchess of York Prize in Photography*

The Council received an endowment of \$170,000 from the Government of Canada to mark the occasion of the marriage of The Duke and Duchess of York. The income from this endowment is to be used to provide an annual scholarship to a professional artist for personal creative work or advanced study in photography.

(iv) *Petro Canada Award*

Petro Canada donated \$50,000 toward an award in the media arts. The income from this donation is to be used to provide an award every two years to an artist who has achieved outstanding and innovative use of new technology in the media arts.

(v) *Ronald J. Thom Award*

The Council was the beneficiary of donations totalling \$106,898 to provide an award every two years “to a candidate in the early stages of his or her career in architecture, who demonstrates outstanding creative talent in architectural design and a sensitivity to its allied arts.”

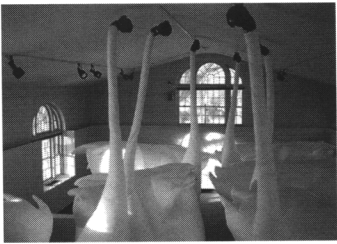
(k) Funds will eventually be received from the following bequests:

(i) *Edith Davis Webb*

This fund, estimated at \$400,000, is intended “for the purpose of making grants or establishing scholarships for musical study in such manner as the Council shall determine.”

(ii) *John Stephen Hirsch*

This fund, the amount of which cannot be determined at this time, is being established from the estate of John Hirsch for specific purposes. An interim distribution of \$135,000 has been received from the estate.



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Toronto artist Max Streicher's 1996 installation *Swan Song* using Tyvek and electric motors was featured in the exhibition *Once upon a time* at the Southern Alberta Art Gallery. Streicher received assistance through the Council's Visual Arts Section last year to create a new body of work.

Photo: James Ripley



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La Table ronde (1995), by Hull artist and Visual Arts grant recipient Josée Dubeau.

Photo: Josée Dubeau

5. Investments

	1997		1996	
	Cost	Market Value	Cost	Market Value
Endowment Account <i>in thousands of dollars</i>				
Pooled funds	\$ 145,678	\$ 153,135	\$ 15,546	\$ 23,098
Equities	—	—	64,404	79,837
Bonds	28,468	28,354	58,095	59,869
Mortgages	396	396	469	469
	\$ 174,542	\$ 181,885	\$ 138,514	\$ 163,273

	1997		1996	
	Cost	Market Value	Cost	Market Value
Special Funds <i>in thousands of dollars</i>				
Bonds	\$ 21,872	\$ 21,668	\$ 19,357	\$ 19,622
Pooled funds	14,200	14,649	4,274	4,851
Equities	10,419	11,023	22,287	26,406
Mortgages	59	59	94	94
	\$ 46,550	\$ 47,399	\$ 46,012	\$ 50,973

The Council has recently transferred approximately 60% of its investment portfolios into units of two global equity pooled funds.

No one equity holding shall represent more than 10% of the voting shares of a corporation or of the market value of any one manager's equity portfolio. In pooled funds, derivative securities may be used only for the purposes of currency hedging up to 100% of the underlying foreign equity in any one country. Currency hedging may be for protective purposes only and must be hedged back to Canadian dollars.

All bonds are rated "BBB" or better by a recognized bond rating agency. Except for federal and federally guaranteed instruments, no more than 10% of a managers' portfolio may be invested with one issuer. As at March 31, 1997, the Endowment Account has invested \$27,353,000 and the Special Funds Account has invested \$20,710,000 in Government of Canada bonds with an average duration of two and one half years.

6. Capital Assets

	1997		1996	
	Cost	Accumulated amortization	Net Book Value	Net Book Value
<i>in thousands of dollars</i>				
Office equipment	\$ 2,675	\$ 2,345	\$ 330	\$ 637
Leasehold improvements	4,418	2,315	2,103	3,012
	\$ 7,093	\$ 4,660	\$ 2,433	\$ 3,649

7. Accounts Payable and Accrued Liabilities

	1997	1996
<i>in thousands of dollars</i>		
Accounts payable	\$ 802	\$ 521
Accrued termination benefits	749	660
Accrued restructuring expenses	651	—
Accrued liabilities	551	477
Accrued vacation pay	306	289
Accrued payroll expenses	228	386
	\$ 3,287	\$ 2,333

8. Deferred Credits

	1997	1996
<i>in thousands of dollars</i>		
Deferred lease inducement	\$ 3,542	\$ 4,150
Deferred rent	240	360
Art Bank – rentals of works of art	298	292
Canadian Commission for UNESCO	480	473
Other	42	65
	\$ 4,602	\$ 5,340

The deferred lease inducement represents an inducement payment received from the landlord and is being amortized against rental accommodation expense over the term of the lease. Deferred rent represents an amount received from another federal government agency to cover the rental of space over the next four years.

Amounts from the Canadian Commission for UNESCO represent funds received for specific programs for which expenses have not yet been incurred. Funds received during the year amounted to \$276,000 (1996 – \$356,000); funds expended during the year amounted to \$269,000 (1996 – \$219,000).

9. Due to Special Trusts

These funds have been accounted for separately due to special conditions related to the donations. Trusts with balances exceeding \$50,000 are:

(i) Glenn Gould Prize Fund

The Council has received \$525,113 from the Glenn Gould Memorial Foundation to provide a prize of \$50,000 every three years (funds permitting) to an outstanding individual for his or her original contribution to the field of music and communications. As at March 31, 1997, the balance was \$890,488 (1996 – \$917,900).

(ii) Japan-Canada Literary Prize

The Council received an endowment of \$966,651 from the Government of Japan “to further strengthen the relations between Canada and Japan.” The balance of the endowment is to be used to fund an annual literary prize of \$10,000. As at March 31, 1997, the balance was \$257,938 (1996 – \$257,519).

(iii) Japan-Canada Fund

The Council received endowments totalling \$2,077,800 from the Government of Japan. The endowments are to be used primarily to fund Japanese artists’ participation in Canadian cultural activities. As at March 31, 1997, the balance was \$1,503,395 (1996 – \$1,600,004).

10. Net Gains on Disposal of Investments

Pursuant to a new investment strategy to generate greater returns and preserve the future value of the Endowment and Special Funds, the Canada Council changed the nature of its holdings in the Funds’ investment portfolios. To accomplish this, the Council sold the major part of its investment portfolios and reinvested the proceeds in the respective funds. Capital gains realized as part of normal investment activities have been included with revenue on the statements of revenue and expense, whereas the net gains related to the new investment strategy, \$33,508,000 to the Endowment Account and \$6,516,000 to the Special Funds, have been disclosed separately on these statements.

11. Net Interest and Dividends

ENDOWMENT ACCOUNT

in thousands of dollars

	1997	1996
Interest and dividends	\$ 6,897	\$ 7,650
Investment portfolio management costs	(804)	(564)
Net interest and dividends	\$ 6,093	\$ 7,086

SPECIAL FUNDS

Interest and dividends	\$ 2,749	\$ 3,341
Investment portfolio management costs	(215)	(153)
Net interest and dividends	\$ 2,534	\$ 3,188

12. Restructuring Expenses

On March 1, 1995, the Canada Council released its Strategic Plan entitled *The Canada Council: A Design for the Future*. The plan called for the Council to undertake a major restructuring of its program and administrative sections over the next three years. During the year, as outlined in the Plan, the Council further restructured and streamlined the organization in order to reduce administrative costs by 1998. This was achieved by reducing the salary costs through retirements and layoffs. The cost of the severance packages and related expenses was \$1,312,000 (1996 – \$2,647,000). These restructuring expenses were partially offset through receipt of a supplementary parliamentary appropriation of \$292,000 (1996 – \$2,064,000).

13. Appropriation of Surplus

The Council has approved a resolution for the appropriation of Surplus to the Fund capital as at March 31, 1997 of \$34,571,000 for the Endowment Account and \$11,218,000 for the Special Funds in order to provide for the continued growth of fund capital.

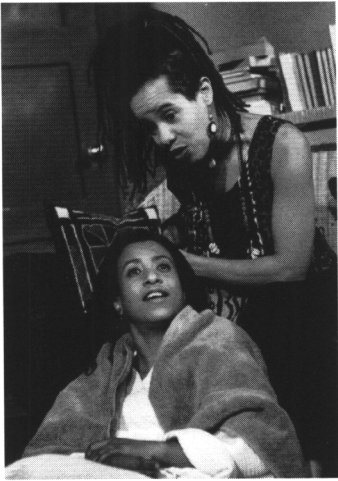
14. Commitments

(a) Payments of grants extending into future years are subject to the provision of funds by Parliament. Future year grants approved prior to March 31, 1997 are payable as follows:

<i>in thousands of dollars</i>	1998	\$ 6,742
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(b) The Council is party to long-term leases with respect to rental accommodation. The aggregate minimum annual rental is as follows:

<i>in thousands of dollars</i>	1998	\$ 2,987
	1999	3,131
	2000	2,601
	2001	2,251
	2002	2,251
	2003 – 2004	3,564



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Nightwood Theatre of Toronto's production of *Harlem Duet*, written and directed by Djanet Sears, at Tarragon Extra Space in 1997.

Back to front: Dawn Roach, Alison Sealy Smith. Nightwood Theatre has been supported by the Council's Theatre Section for more than ten years, and has also received travel assistance from the Council for tours to Eastern Canada, Alberta and British Columbia. Photo: Cylla Von Tiedemann



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Aboriginal artists at Toronto's International Festival of Authors at Harbourfront, October 1996.

From left to right: Sherman Alexie, a featured American author; Sandra Laronde, actor; Drew Hayden Taylor, playwright; Daniel David Moses, playwright and co-editor of *An Anthology of Canadian Native Literature in English*; and Marjorie Beaucage, filmmaker. The Canada Council's Writing and Publishing Section provides assistance to Canadian authors for public readings at festivals and venues throughout the country. Photo: Millie Knapp

For the year ended March 31, 1997, the annual rentals have been reduced by \$2,425,000 as a result of sub-leases with Public Works and Government Services Canada.

15. Related Party Transactions

In addition to those related party transactions disclosed elsewhere in these financial statements, the Council enters into transactions with Government of Canada departments, agencies and Crown Corporations in the normal course of business, at the same trade terms applicable to all individuals and enterprises.

16. Comparative Figures

Certain of the 1996 figures have been reclassified to conform to the 1997 presentation.

SCHEDULE 1
Schedule of Grant Expenses by Section of the Endowment Account

for the year ended March 31, 1997	1997	1996
<i>in thousands of dollars</i>		<i>(Restated)</i>
Music	\$ 16,486	\$ 16,296
Theatre	15,564	15,943
Writing and Publishing	15,296	15,502
Visual Arts	10,552	9,692
Dance	8,994	10,742
Public Lending Right Commission	5,981	6,095
Touring Office	5,589	4,035
Media Arts	5,496	5,397
Other	736	598
	\$ 84,694	\$ 84,300

SCHEDULE 2
Schedule of Administration Expenses of the Endowment Account

	Arts Division	Canadian Commission for UNESCO	General Admin- istration	Total	
for the year ended March 31, 1997				1997	1996
<i>in thousands of dollars</i>					
Salaries	\$ 4,820	\$ 574	\$ 2,262	\$ 7,656	\$ 8,213
Employee benefits	875	102	454	1,431	1,486
Office accommodation	1,108	94	1,765	2,967	3,476
Amortization	117	—	1,099	1,216	784
Professional and special services	245	45	611	901	888
Printing, publications and duplicating	31	5	428	464	481
Communications	266	23	156	445	557
Staff travel	339	—	97	436	483
Information management	29	—	351	380	327
Meeting expenses including members' honoraria	93	—	201	294	225
Office expenses and equipment	1	—	195	196	171
Miscellaneous	42	—	—	42	48
	\$ 7,966	\$ 843	\$ 7,619	\$ 16,428	\$ 17,139