



A SHARED FUTURE

ANNUAL REPORT 2018-19



Canada Council
for the Arts

Conseil des arts
du Canada

A SHARED FUTURE



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Cover: Daniel and Kimberly Craig, who make up The Street Circus, perform outdoors in the Exchange District in Winnipeg, Manitoba. Photo: Leif Norman

Dawn Jani Birley, a Deaf actor, in the role of Horatio in Why Not Theatre's *Prince Hamlet*. The Toronto theatre company's production also featured a woman in the role of Hamlet, and seven of the nine cast members were women—including culturally diverse actors. Dawn Jani Birley also provided sign language interpretation throughout the play. Photo: Bronwen Sharp

The Canada Council for the Arts' offices are located on the traditional unceded territory of the Anishinaabe Nation.

Canada

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The 62nd Annual Report of the Canada Council for the Arts and supplementary information on grants, services and prizes are available on the Council's website.

MANDATE



The Canada Council for the Arts is Canada's public arts funder, with a mandate "to foster and promote the study and enjoyment of, and the production of works in, the arts."

The Council champions and invests in artistic excellence through a broad range of grants, services, prizes and payments to professional Canadian artists and arts organizations. Its work ensures that excellent, vibrant and diverse art and literature engages Canadians, enriches their communities and reaches markets around the world.

The Council also raises public awareness and appreciation of the arts through its communications, research and arts promotion activities. It is responsible for the Canadian Commission for UNESCO, which promotes the values and programs of UNESCO in Canada to contribute to a more

peaceful, equitable and sustainable future. The Canada Council Art Bank operates an art rental program and furthers public engagement with contemporary arts.

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

A federal Crown corporation created through an Act of Parliament in 1957, the Council reports to Parliament through the Minister of Canadian Heritage. It receives funding from Parliament and its annual budget is supplemented by endowment income, donations and bequests.

TABLE OF CONTENTS



06	Message from the Chair
08	Message from the Director and CEO
09	Management's Discussion and Analysis
38	Governance
44	Financial Statements

The Citadel Theatre in Edmonton produced a unique version of Shakespeare's *The Tempest* in spring 2019. The show harnessed the talents of hearing and Deaf actors in a seamless blend of two languages, English and American Sign Language. Well-known Canadian actor Lorne Cardinal (centre front) played the role of the sorcerer Prospero, while Deaf actress Thurga Kanagasekarampillai (front, stage left) played Prospero's daughter, Miranda. Ray Strachan (front, stage right) had the role of Caliban, the half man-half monster enslaved by Prospero.





“SOUND GOVERNANCE GOES HAND IN HAND WITH THE ORGANIZATION’S AGILE, STRATEGIC AND TRANSPARENT MANAGEMENT.”

Message from the Chair

The Council has had a remarkable year. Its progress and growing influence across Canada and abroad is undeniable. The Council’s capacity to examine the impact of its strategic investments has enabled the Board members to carefully follow this progress.

This means the Board was able to ensure the Council’s direction remained in step with its strategic plan, and that the Council had the appropriate organizational resources to meet its objectives. The rigour and expertise of our members in terms of governance, as well as their knowledge of literary and artistic practice, enable them to grasp the scope of the issues faced by a public arts funding organization.

This year, we welcomed two new members with strong arts administration experience, Karl Schwonik (from Alberta) and Kim Spencer-Nairn (from British Columbia). Today, the Board is made up of members who represent Canada’s diverse realities and geographies, and who reflect gender parity—all of which adds depth to the Board’s work.

Sound governance goes hand in hand with the organization’s agile, strategic and transparent management. The findings of the Auditor General’s 2018 Special Examination report attest to the quality and efficiency of the Council’s management. The performance audit in this report covers a period of change for the Council—from November 1, 2016 to October 31, 2017—and its positive findings confirm our organization’s fundamental efficiency.

Throughout the year, members of the Board were able to observe the Council’s exemplary support for a vibrant and diverse arts sector, one whose outreach is growing. For businesspeople like me who know the importance of measuring the results of our investments, economic impact is a more concrete gauge. In 2017, more than 660,000 jobs in Canada were culture-related, and culture’s gross domestic product exceeded 53 billion dollars. The Council undoubtedly plays a role in these results.

The Council’s leadership indubitably contributes to enhancing the presence of the arts both in Canada and abroad. These two areas

are interconnected—supporting Canadian artists on the international stage is crucial to making our diverse voices heard and, reciprocally, this contact enriches practices and perspectives here in Canada.

I would like to salute Simon Brault’s election as Chair of the International Federation of Arts Councils and Culture Agencies (IFACCA), and the renewal of his mandate as Director and CEO of the Canada Council for the Arts. In my view, Simon Brault’s election as Chair of IFACCA is the logical extension of the strides the Council has made on the international stage—this dual mandate will enable him to further leverage his leadership skills and place the Canada Council and artists at the heart of discussions in Canada and around the world. He will no doubt be strongly supported by the Council’s expert staff and management.

None of this would be possible without the support of Canadians. We will continue to work passionately so that the public and the arts community benefit from the best possible conditions to both create and engage with the arts.

Pierre Lassonde, C.M., O.Q.
Chair

Attendees at the first Americas Cultural Summit, held in Ottawa from May 9 to 11, 2018.



Canada Council
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du Canada

CANADA x ARGENTINA x BARBADOS x BELIZE x BOLIVIA x BRAZIL
CHILE x COLOMBIA x CUBA x DOMINICAN REPUBLIC x ECUADOR
EL SALVADOR x GUATEMALA x FRENCH GUIANA x GUYANA x HAITI
HONDURAS x JAMAICA x MEXICO x NICARAGUA x PANAMA x PARAGUAY
PERU x TRINIDAD & TOBAGO x UNITED STATES x URUGUAY



“ MORE THAN HALFWAY THROUGH OUR CURRENT STRATEGIC PLAN, WE CAN ALREADY SEE OUR VISION FOR AN EVEN MORE VIBRANT, INCLUSIVE, AND CONNECTED ARTS SECTOR COMING INTO FRUITION.”

Message from the Director and CEO

In March 2019, I was reappointed as the Director and CEO of the Canada Council for the Arts with a mandate of four years. This reappointment brings with it vital continuity for the Council as we work toward the vision established in *Shaping a New Future, Strategic Plan 2016-21*. I'm proud to say we've already delivered on several of our commitments, and we are on track to deliver the remainder of our funding commitments as we continue to work in ways that are agile, responsive, and—ultimately—transformational.

The Canada Council's vision centres on stronger support for the arts sector to enable a culture of participation, inclusion, and diversity across Canada. To fulfill this vision the Council is reaching out to the next generation of artists, and to those who have faced barriers to funding in the past. In 2018-19, we made great strides with the launch of a profile for new and early career artists, an initiative to make it easier for artists to receive their first grant. We also continued to grow our investment in project support, an area that reached many new grant recipients from a breadth of regions and communities across the country.

All this will help the Council deliver its commitment to make sure 25% of its new funds reach artists and arts organizations who had not previously received our support. But more than merely delivering a commitment, this work will make it possible for the next generation of creators—a generation that is increasingly diverse and digital, and which creates work in new and exciting ways—to have their voices heard by Canadians and people around the world.

When I meet with my public-arts funder colleagues abroad, they are often inspired to hear about the Council's commitment to invest significantly in artists who have never before received our support. It is a great privilege to invest in the next generation—but it is also a necessary investment. I am reminded of the words of the French writer and diplomat Stéphane Hessel: “We must be open to new artistic forms. Otherwise, cultural life will waver between a mummified art—even in the case of “living” art—and unchecked consumerism.”¹ Put another way, our investment in the next wave of creators is an investment that will ensure the arts remain a relevant part of public life in Canada.

Along with our work to strengthen our support to the arts sector, this past year we continued to raise the international profile of Canadian artists and arts organizations. We have met our commitment to double our support to international activities by 2021, and we will continue to support the global reach of Canada's artists through our granting programs in the years ahead.

In 2018-19, the Council also played a leadership role around the world as we promoted the public value of the arts, and the power of cultural diplomacy to bridge divides. Of particular note, in May 2018 the Council hosted the first Americas Cultural Summit. This event brought together artists, thinkers, and policy makers from across the Americas to discuss how we might work together to more strongly unleash the power of the arts to transform the lives of peoples across our shared region. From this one event, a movement for collective action has begun.

At this juncture in the Canada Council's journey, more than halfway through our current strategic plan, we can already see our vision for an even more vibrant, inclusive, and connected arts sector coming into fruition. There is much to look forward to with the emergence of so many new artistic voices—voices which more fully represent and speak to the diversity of our country, and voices which will shape our shared future.

Simon Brault, O.C., O.Q.
Director and CEO

¹ https://www.lemonde.fr/idees/article/2011/07/08/stephane-hessel-la-veritable-creation-est-impertinente_1546445_3232.html.

MANAGEMENT'S DISCUSSION AND ANALYSIS

OUR COMMITMENTS

Shaping a New Future, the Canada Council for the Arts' strategic plan for 2016-21, outlines four commitments:

1

Arts Support

Increase support to artists, collectives and organizations striving for artistic excellence and greater engagement in the arts by an increasingly diverse public.

2

Digital

Amplify the quality, scale and sharing of Canadian arts through digital technology.

3

Indigenous

Renew the relationship between Indigenous artists, and Indigenous and non-Indigenous audiences, for a shared future.

4

International

Raise the international profile of Canadian art and artists.

The Council will also continue to deepen its longstanding commitment to **equity and inclusion**, including for next generation artists and audiences.

MAKING PROGRESS ON STRATEGIC FUNDING COMMITMENTS

In 2016, the Government of Canada committed to doubling the Council's budget over five years. Of the additional \$550M the Council will receive between 2016 and 2021, it will invest \$487M (or 88.5%) directly into the arts sector. As of 2018-19, the Council has received \$225M (or 41%) of the \$550M additional investment. The Council has committed to reinvesting this money in ways that will maximize its impact on the arts and their presence in the lives of Canadians. Here is the progress the Council has made with its funding commitments so far.

\$487M

additional investment
to the arts sector

On Track

As of 2018-19:

\$205.2M Actuals

\$199.1M Planned

\$487M

Target by 2020-21

\$137.5M or 25%

of new funds to new recipients

On Track

As of 2018-19:

\$92.2M Actuals

\$56.3M Planned

\$137.5M

Target by 2020-21

50% / 50%

split between project and core funding by 2020-21

Achieved

As of 2018-19:

50.7% project funding

49.3% core funding

2015-16 baseline: 36% / 64%

\$88.5M

to a digital fund

On Track

As of 2018-19:

\$30.1M Actuals

\$30M Planned

\$88.5M

Target by 2020-21

\$18.9M or 3X

to support Indigenous creation

On Track

In 2018-19:

\$17.8M Actuals

\$6.3M

2015-16 baseline

\$18.9M

Target in 2020-21

\$20M or 2X

the support for international activities

Achieved

In 2018-19:

\$26.6M Actuals

\$10M

2015-16 baseline

\$20M

Target in 2020-21

2,039

ARTS ORGANIZATIONS
RECEIVED \$185.1M IN
FUNDING, OF WHICH
320 WERE FIRST-TIME
RECIPIENTS AWARDED
A TOTAL OF \$11.8M

442

GROUPS RECEIVED \$12.0M
IN FUNDING, OF WHICH
242 WERE FIRST-TIME
RECIPIENTS AWARDED
A TOTAL OF \$4.8M

2,880

ARTISTS RECEIVED \$50.9M
IN FUNDING, OF WHICH 1,081
WERE FIRST-TIME RECIPIENTS
AWARDED A TOTAL OF \$13.8M

17,255

CREATORS RECEIVED
PLR PAYMENTS TOTALING
\$12.3M, OF WHICH \$1.0M
WAS AWARDED FOR NEWLY-
REGISTERED TITLES

1,936

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

500

ARTISTS AND ARTS
PROFESSIONALS SERVED
AS PEER ASSESSORS

RESULTS FOR CANADIANS

87%

OF CANADIANS ATTENDED
A PERFORMANCE OR
ARTS EVENT¹

2 OUT OF 3

CANADIANS ENGAGED IN SOME
WAY WITH ARTS AND CULTURE
IN AN ONLINE ENVIRONMENT¹

53%

OF CANADIANS WERE
INVOLVED IN AN ARTS
ACTIVITY—SUCH AS
SINGING, DANCING,
VISUAL ART OR
CREATIVE WRITING¹

7 OUT OF 10

CANADIANS BELIEVE THE ARTS
AND CULTURE ARE IMPORTANT
TO THEIR QUALITY OF LIFE¹

94%

OF CANADIANS BELIEVE
THE ARTS MAKE THEIR
COMMUNITIES A BETTER
PLACE TO LIVE¹

666,500

CULTURE JOBS IN CANADA,
ACCOUNTING FOR 3.6% OF
ALL JOBS IN THE ECONOMY,
AN INCREASE OF 1.6% FROM
THE PREVIOUS YEAR⁴

\$15.7B

IN EXPORTS OF CANADIAN
CULTURE REPRESENTING
2.4% OF TOTAL ECONOMY
EXPORTS IN 2017²

158,100

ARTISTS IN CANADA,
REPRESENTING ALMOST
1% OF THE TOTAL CANADIAN
LABOUR FORCE IN 2016³

\$53.1B

CANADA'S CULTURE GDP IN
2017, OR 2.7% OF CANADA'S
GROSS DOMESTIC PRODUCT⁴

¹ Environics Research Group (2017). Arts and Heritage Access and Availability Survey 2016-17. Undertaken by the Department of Canadian Heritage in partnership with the Canada Council for the Arts. Retrieved from: <https://canadacouncil.ca/research/research-library/2017/07/arts-and-heritage-access>

² Statistics Canada (2019). Trade of culture and sport products, 2017. Retrieved from: <https://www150.statcan.gc.ca/n1/daily-quotidien/190613/dq190613b-eng.htm>

³ Erratum. The Canada Council for the Arts' 2018-19 Annual Report, tabled in Parliament in August 2019, reported 183,200 artists in Canada. That number was amended with the corrected figure of 158,100 before being published online to reflect corrections made to the census data set. Hill Strategies (2019). Statistical Insights on the Arts: A Statistical Profile of Artists in Canada in 2016. In partnership with The Canada Council for the Arts, the Department of Canadian Heritage, and the Ontario Arts Council. Retrieved from: <https://hillstrategies.com/>

⁴ Statistics Canada (2019). *Provincial and Territorial Culture Indicators, 2017*. Retrieved from: <https://www150.statcan.gc.ca/n1/daily-quotidien/190425/dq190425b-eng.htm>

HIGHLIGHTS

OPENING THE DOOR TO NEW AND EARLY CAREER ARTISTS



In March 2019, the Council expanded its eligibility criteria for new and early career artists—including those who are new to Canada—allowing them to apply for a first grant at the beginning of their career. The expanded access is part of a two-year pilot project to reach the next wave of artists in Canada and renew our support to the arts sector.

In the first few days following the launch, more than 1,000 individuals submitted their profiles, demonstrating the potential of this initiative.

PROMOTING INDIGENOUS VOICES



UNCEDED: Voices of the Land was presented at the 2018 Venice Biennale in Architecture. This multimedia installation, commissioned by the Council, was conceived by internationally renowned architect and human rights activist Douglas Cardinal, and curated by Gerald McMaster and David Fortin.

UNCEDED was the first Indigenous-led architecture representation at the Biennale. It brought together the work of 18 Indigenous architects from across Turtle Island (Canada and the United States) to make their visions for and contributions to the practice of architecture more visible.

Through its themes of indigeneity, resilience, sovereignty and colonization, the exhibition presented Indigenous world views that seek balance between nature, culture and technology. At the Biennale, the exhibition received widespread media attention and was viewed by many of its 275,000 international visitors.

The Council further supported *UNCEDED* to bring it to Canadian audiences, on view at the Canadian Museum of History.

BUILDING GLOBAL NETWORKS FOR MORE OPPORTUNITIES



In May 2018, the Council hosted the first Americas Cultural Summit in partnership with the International Federation of Arts Councils and Culture Agencies and the Ministry of Culture of Argentina. The summit brought together over 160 artists, thinkers and leaders in public funding of arts and culture from more than 30 countries across the Americas and internationally, spanning five continents.

The Summit launched rich conversations on the theme of cultural citizenship—a concept which emphasized the expression of diverse cultural practices and identities alongside full participation in cultural life. The bringing together of global cultural leaders and decision-makers created a convergence of energy and ideas culminating in a joint call to action that will drive exchange and collaboration across the Americas and bring greater international exposure for Canadian artists for years to come.

SOUND ACCOUNTABILITY



The Council underwent a special examination of the Office of the Auditor General of Canada between November 2016 and October 2017. These take place at least once every ten years and are a form of performance audit, after which the Auditor General provides an opinion on the management of the Crown corporation as a whole.

In 2018, the Council was pleased to announce the special examination report's findings affirm the Council is a well-managed organization able to effectively fulfill its mandate.

Given the special examination occurred in the midst of a major transformation, the Council saw the report as a validation of the quality of its corporate management practices during this period.

COMMITMENT

INCREASED ARTS SUPPORT

We will invest in artistic research and development, and help next generation artists to build sustainable careers. We will increase support to artists, collectives and organizations striving for artistic excellence and greater engagement in the arts by an increasingly diverse public.

Increased support

In 2018-19, the Council's overall funding to the arts sector increased from \$218.9M in 2017-18 to \$261.8M—an increase of 20%.

This means that more Canadian artists are better able to carry out their research, creation and presentation activities, and pursue professional development opportunities. Arts organizations are better supported to realize their mandates, and more Canadians have access to a diversity of cultural offerings.

More first-time recipients

Notably, \$30.4M was awarded to over 1,640 first-time recipients of prizes, project grants or core grants in more than 350 communities. In addition, \$1.0M was awarded to newly-registered titles of the Public Lending Right Program. Altogether, these recipients represent more than one quarter of the all recipients funded this year.

Amplifying diverse voices

Compared to the previous year, the Council's support of Indigenous artists, groups and arts organizations increased by 35%; both culturally diverse and Official Language Minority Communities enjoyed increases of at least 24%, while support for Deaf and disability artists, groups and arts organizations grew by 48%.¹

These figures indicate improved access to the Council's programs by these communities, an encouraging sign to the Council that it is realizing its aim to be more equitable, reflective of diverse communities, and relevant to all Canadians.

The Public Lending Right Program sees an increase in annual payments

The Public Lending Right (PLR) Program administers yearly payments to creators whose works are in Canada's public libraries. In 2018, the PLR Commission introduced a series of reforms to ensure the Program's relevance, sustainability, ongoing support to creators and inclusion of new titles. The PLR Program now includes both electronic and audio books, and its annual searches are based upon library catalogue information from all provinces and territories of Canada.

In 2018-19, the PLR Program delivered \$12.3M in payments to more than 17,200 authors, an increase of 26% over the previous year's payments of \$9.8M. Additionally, the average payment increased to \$712 from \$556 in 2017-18.

¹ These statistics are based on data from recipients who provided information through the Council's self-identification forms and/or its online granting portal.

Cover page of issue no. 14 of *PLANCHES* magazine, which was released in December 2018. Launched in 2014, Montréal-based *PLANCHES* is a not-for-profit organization that works to popularize Quebec comic books in Quebec and abroad, showcasing auteur comic books for adults. Illustrator (cover): Aude Mermilliod.



Balanced funding, increased access

Last year, the Canada Council for the Arts struck a balance between core and project funding. The Council also launched a new funding profile for new and early career artists, which makes it easier for artists to apply for their first grant. This profile is part of a two-year pilot project to reach the next wave of artists in Canada. The stories below highlight organizations and an artist who all received core or project funding for the first time from the Canada Council this past year.

Le Patin Libre, based in Montréal, Quebec, is an international pioneer in the development of skating as a contemporary dance practice. Led by co-founder Alexandre Hamel, Le Patin Libre creates “inter-art,” as it applies artistic processes to the vocabulary of an athletic discipline. The result is a new art form with its own identity that uses ice and glide as a means of self-expression. The organization’s busy roster of activities has included dozens of international performances and upcoming tours in continental Europe and the UK. Le Patin Libre received a multi-year core grant from the Council to continue its work.

The Canadian Women Composers Project raises awareness about vocal music written by Canadian women. During her studies at the University of Toronto, project founder Clarisse Tonigussi, of Burlington, Ontario, noticed that the

Canadian songs on a setlist she was to perform were written entirely by men. This inspired Tonigussi to develop an hour-long recital of Canadian songs by women. Tonigussi’s work is especially relevant in this era of #pressforchange, #metoo and #timesup, in which society is discussing and witnessing profound changes in arts communities across the continent. In 2018, the Council funded Tonigussi to tour the Canadian Women Composers Project to Yellowknife, Northwest Territories.

PLANCHES is a quarterly graphic novel magazine published in Montréal, Quebec by Guillaume Perreault. The magazine presents new graphic novel content and editorials on political, artistic, and social issues. The mission of *PLANCHES* is to promote graphic novels produced in Quebec to markets in Quebec and French-speaking Europe. Perreault also seeks to popularize graphic novels as both an adult and intelligent medium through *PLANCHES*, which he also sees as a vector for culture and an access point to the arts in general. The Council supported the publication of four issues of *PLANCHES* this past year.

As the Council increases its support to artists and arts organizations, it reaches an even more diverse and growing number of artists and organizations.

COMMITMENT

DIGITAL

We will amplify the quality, scale and sharing of art through digital technology, which is changing the way we relate to the arts and culture, and how we connect with each other and the world. Artists and arts organizations need to be able to thrive in this radically changing environment.



Advancing digital capacity

The Digital Strategy Fund helps support Canadian artists, groups and arts organizations to understand the digital world, engage with it and respond to the cultural and social changes it produces.

This year's competition supported 297 new initiatives totaling \$22.9M in 2018-19 for a range of activities in all provinces and territories, bringing the total grant commitments to \$24.1M. With this investment, the Digital Strategy Fund is on track to honour its commitment to

invest \$88.5 million by 2020-2021 to develop the arts sector's digital capacity.

In 2018, more flexible entry to the Digital Literacy and Intelligence component of the fund was introduced to advance organizations' digital capacity and facilitate access to the fund.

More than 170 organizations received funding through a special initiative for core grant recipients to help them measure their digital readiness, identify digital gaps and possibilities and develop plans for leveraging digital opportunities.

The fund is helping organizations and individuals advance their thinking on what it means to be digital today. With the fund, the milieu is establishing important collaborative networks—across sectors and within the arts—which are necessary to successfully evolve in the digital environment and strengthen the sector as a whole.

The ever-shifting digital landscape

The Council's Digital Strategy Fund launched a communication campaign last year to explain to artists how it can help them navigate and thrive in the digital world. The Council hosted two Facebook Live information sessions, posted a series of tips on its website and on its social media platforms, and held a series of sessions across Canada. The fund supported initiatives for collaboration, the sharing of knowledge, and risk-taking in response to the rapidly evolving digital world.

Ira Lee Gathers received funding from the Digital Strategy Fund for the Rural Urban Indigenous Youth Reconciliation Annex, a free, multi-purpose live forum and "living tool kit." This youth-focussed project will help Indigenous, African, LGBTQ2S+, and other artists navigate the digital world, initiate arts-based reconciliation action plans, and engage in leadership, technical, and creative arts training. Ira Lee Gathers, who is based in Toronto, Ontario, will undertake this work in close collaboration with elders, entrepreneurs, sociologists, and cultural carriers in order to forge a strong Canada-wide base of support and expand internationally.

Laurie Gillis, Executive Director of the Atlantic Presenters Association, based in Charlottetown, Prince Edward Island, is spearheading an initiative called Making Tomorrow Better: Taking Digital Action in Performing Arts. The Atlantic Presenters Association runs regular workshops for members

on how to create and promote high-quality live performances. But Gillis and her team have noticed that members could be even more effective when they engage with the digital realm. The Making Tomorrow Better project team will bring practical digital know-how to its members so they fully understand their digital footprint, including how online platforms communicate with each other.

Led by Toronto's Jerrold McGrath and his partners, Artists Ignite explores the emergence of artificial intelligence (AI) and its implications for the arts. Artists Ignite is leading a dialogue across Canada about this new technology; in doing so, they will generate a set of shared resources about AI for those working in the arts, create policy recommendations for all levels of government, and establish a community of practice that can respond to the effects of AI, and develop related projects.

Through the Digital Strategy Fund, the Council helps the arts sector better understand, engage with, and respond to the evolving digital world. In turn, this allows the arts to connect even more strongly with audiences across Canada and around the world.

Members of the Artists Ignite project (led by Toronto's Jerrold McGrath) at the AI and the Art of Change panel, held in March 2019 at Montréal's Rialto Theatre. From left to right: Akoulina Connell (moderator), Arts Data Strategist; Marta Kersten-Oertel, Assistant Professor and researcher of computer assisted surgery, Concordia University; Jonathan Villeneuve, visual and digital artist; Jonathan Rouxel, Co-Founder, Prologue AI, and Julien Valmary, Director of Support and Strategic Initiatives, Montreal Arts Council.



COMMITMENT

INDIGENOUS

We commit to supporting the renewal of the relationship between Indigenous artists, and Indigenous and non-Indigenous audiences, for a shared future. In 2018-19, the Council's overall funding to Indigenous artists, groups, and arts organizations increased from \$13.2M in 2017-18 to \$17.8M—an increase of 35%.



Reinforcing Indigenous worldviews for the future

The Council respects Indigenous artistic expression, cultural protocols, rights and worldviews. As such, the program *Creating, Knowing and Sharing: The Arts and Cultures of First Nations, Inuit and Métis Peoples* sets out to support artistic activities that encourage cultural self-determination and the vitality of Indigenous artistic practices and communities.

An important aspect of this program is its openness to Cultural Carriers. These individuals include Elders, knowledge keepers,

traditional educators and language holders who support the preservation, retention, maintenance, production and knowledge transfer of Indigenous worldviews, cultural practices and traditions through art and creative practice.

In 2018, twelve Cultural Carriers were supported across Canada to share knowledge and advance the preservation of languages through a variety of activities from specialized training, publishing and translation, symposia presentations and artistic collaborations. These activities will contribute to the retention and transmission of Indigenous cultural traditions and practices for future generations.



Encouraging Indigenous global networks

Affirming the 2007 United Nations Declaration on the Rights of Indigenous Peoples, the Council strives to build strong links between Indigenous peoples globally in order to contribute to the health and vitality of Indigenous communities here at home.

In 2018, Indigenous artists from Canada were supported to participate in the Māoriland Film Festival held in Kapiti Coast, New Zealand, in March 2019. The Māoriland Film Festival featured films and events from 94 Indigenous nations from across the globe. This event attracts festival directors from around the world, resulting in further international opportunities for artists to present their work.

Sierra Tasi Baker, of North Vancouver, standing in front of the three storytelling posts she worked on at the Horniman Museum and Gardens in London, England. The carvings are by Kwakwaka'wakw artist Steve Smith.

An ambitious goal for funding Indigenous arts

The Canada Council for the Arts is committed to a renewed relationship between Indigenous artists and both Indigenous and non-Indigenous audiences for a shared future. In this way, the Council is furthering truth and reconciliation, and decolonization—goals embedded in its strategic plan.

Qaggiavuut Society is an organization based in Iqaluit that strengthens the performing arts in Nunavut by sharing the Inuit language and culture, promoting decolonization, and encouraging inclusion. Qaggiavuut's play, *Kiviug Returns*, which brings together Inuit mythology, throat singing, and drum dancing, toured widely across Canada, especially in the North. With the Council's support, Qaggiavuut staged 32 performances of *Kiviug Returns* in Toronto, allowing the group to share Inuit culture and language more widely and connect with the Toronto theatre scene.

The Orchestre symphonique de Montréal (OSM) commissioned and developed *Chaakapesh, le pèrple du fripon*, a new musical-storytelling work, in collaboration with First Nations and Inuit artists—including renowned

Indigenous playwright Tomson Highway—to prepare for an historic north-to-south tour in Quebec. The tour reached remote northern communities in Inuvik, and communities on the north shore of the St. Lawrence River and the eastern shore of James Bay. This tour enabled the OSM to re-imagine its work as a metropolitan orchestra engaged in both reconciliation and decolonization.

Sierra Tasi Baker, who also uses the Kwakwaka'wakw name Gesuqwaluck (creator), is a young heritage professional and member of the Kwakwaka'wakw First Nation in British Columbia. At the invitation of the Horniman Museum in London, England, Baker travelled there in 2018 to open an oral history installation. The display is a form of storytelling in line with traditional ways of sharing knowledge while showing resilience, tradition, and contemporary works from Kwakwaka'wakw culture.

These grant recipients represent some of the many Indigenous artists and organizations funded by the Council as it advances the goal to triple its investment in Indigenous arts by 2020–21.

COMMITMENT

INTERNATIONAL


We will raise the international profile of Canadian artists and arts organizations, giving them the opportunity to share the best of the arts created in Canada with global audiences. With the help of partners here and abroad, we will help grow Canada's international presence and complement the efforts of other public funders to support Canadian artists abroad. We will also foster reciprocity by welcoming international artists to Canada, and by supporting bilateral and multilateral co-productions and artistic residencies. In 2018-19, the Council's overall funding for international activities increased from \$20.7M in 2017-18 to \$26.6M—an increase of 28%.



Supporting global presence

In 2018, the Council supported CanadaHub, a showcase of the best of Canada's contemporary performing arts scene at the Edinburgh Fringe Festival. The presentation achieved great box office success, and garnered top reviews and awards. Participation at the festival allowed Canadian art to be featured in major media outlets and celebrated on the international stage.

The World Music Expo (WOMEX) is considered the most important international professional market of world music. In 2018, it brought together more than 2,500 professionals from over 90 countries. As part of the event each year, the Council hosts "Canadian Alley," a dedicated platform to spotlight Canadian agents, managers and artists, resulting in more opportunities for Canadian music.



Deepening international relationships

The Director and CEO, Simon Brault, participated in a number of events to build the Council's international presence, establish new partnerships, strengthen existing ones, and raise the international profile of Canadian art.

In February 2019, he joined Canadian Heritage's Creative Industries Trade Mission to Latin America, travelling with creative industry delegates to Mexico, Colombia and Argentina, contributing to increased knowledge of cultural policies in the countries visited and a heightened profile for Canadian art and artists in Latin America.



A renewed cultural diplomacy

The Council's core objective with respect to its international work is to raise the profile of art and artists from Canada on the international stage. Increasingly, the Council is also engaging actively in cultural diplomacy.

This included meetings of the Director and CEO with the International Federation of Arts Councils and Culture Agencies (IFACCA) Board of Directors and European Chapter members, the Canadian Ambassador to France, the Assistant Director General of Culture at UNESCO (Paris), and members of the culture sector in the UK and France; and keynote presentations at CINARS in Montréal and the ArtsLink Assembly in New York City.

The Council's work in this area has focused on promoting the importance of culture and cultural democracy in countries around the world, creating opportunities for dialogue through the arts, and building lasting relationships with international counterparts within and beyond the arts sector.



Anishinaabe musician ShoShona Kish, of Barrie, was the first artist from Canada to win the WOMEX Professional Excellence Award.

Arts from Canada in the world

The Canada Council is committed to broadening audiences and markets for Canadian artists by promoting their work internationally. When artists and arts organizations return to Canada after sharing work abroad, they re-engage home audiences with new knowledge and different perspectives. This creates a cycle of exchange between artists and audiences in Canada and abroad that bridges global divides and situates the arts at the heart of important transnational conversations.

In 2018–19, the Council continued to support delegations exhibiting at the international WOMEX music meeting. This year, Anishinaabe musician ShoShona Kish, of Barrie, became the first artist from Canada to win the event's Professional Excellence Award. She received this award for the role she played in using music as an agent for change in the ongoing revolution to transform Indigenous communities and their culture. The same year, the Council also selected internationally renowned architect Douglas Cardinal and a team of Indigenous architects to represent Canada at the 2018 Venice Biennale in Architecture with *UNCED*, the first-ever Indigenous-led entry to be presented by Canada at the Biennale. Their ground breaking installation showcased the innovative design and talent of 18 architects from Turtle Island (Canada and the US).

The Dalhousie Art Gallery in Halifax, Nova Scotia represented Halifax INK, a consortium of Halifax-based art galleries, at the

New York Book Fair. With 370 exhibitors from 30 countries—and 39,000 visitors—the fair is the premier event for artists' books, contemporary art catalogues, periodicals, and zines. Halifax INK is geographically located on the periphery of Canada's cultural centres, making participation in international fairs a virtual necessity. At the book fair, the consortium featured a variety of publications and printed matter, including Garry Neill Kennedy's *Page 141*, Eyelevel Gallery's *Sitelines*, and Claire Hodge's *Negotiations*.

Tia Kushniruk, a modern contemporary dancer from Toronto, Ontario, was invited to perform at the Beijing Dance Festival in July 2018. The festival involves a six-day dance camp, followed by a performance week that welcomes dance artists from around the world. During the festival's Youth Dance Marathon, Kushniruk performed a solo created by Christianne Ullmark called *it lives in the fifth*. The work asks the individual to exist in and out, across, and 'in-between' multiple dimensions within the world(s) created on stage. The opportunity to showcase the work at the festival was valuable not only to Kushniruk's growth as an artist, but also in exposing Ullmark's work abroad.

The Canada Council's support enables artists and arts organizations from Canada to share their work on the international stage and forge strong connections between Canada and the wider world.

COMMITMENT

AN ONGOING FOCUS ON EQUITY AND INCLUSION

In addition to the four commitments in the Strategic Plan, the Canada Council will continue to deepen its longstanding commitment to equity and inclusion, including for next generation artists and audiences.

Sharing expertise

The Council's Disability Officer was invited to give a presentation on the evolution of its policies in support of deaf and disability arts. The presentation was part of a professional development meeting for program staff of Canadian Public Arts Funders (CPAF), a national network of provincial and territorial arts funders.

CPAF brings together funders with a common purpose of supporting professional artists and arts organizations. It recognizes that arts funding can be more effective through collaboration and a commitment to share knowledge and best practices.

The theme of the meeting was *Learning and Sharing toward and beyond Equity, Access and Inclusion*. The Council is seen as a leader in this field, with a depth of expertise that can help colleagues seeking to advance their own important work in this area.

Partnerships for a more diverse sector

The Council signed a renewed agreement that brings together the Fédération culturelle canadienne-française, Canadian Heritage, the Council and other federal cultural agencies (CBC/Radio-Canada, the National Arts Centre, the National Film

Board and Telefilm Canada) to enhance collaboration in support of francophone Official Language Minority Community arts and culture. This agreement, known as *The Collaboration Agreement for the Development of Arts and Culture in the Francophone Minority Communities of Canada 2018-2023*, supports the development and vitality of francophone artistic expression in Canada.

A commitment to dialogue

Ideas of cultural appropriation and freedom of expression were debated in 2018, as was the role of the Council in

awarding grants to artists and arts organizations when this issue arises. The Council believes that perception of cultural appropriation in a given application does not make it ineligible for funding, but rather should be part of an engaged dialogue involving a diversity of voices, opinions and perspectives in the peer assessment process. The Council has developed resources to support this discussion when the question arises in its peer committees.

Equity and Inclusion in the New Funding Model

In 2018-19, the Council provided the following support to its designated priority groups*:

Designated priority groups	Distinct recipients	Amount awarded (In thousands)
Indigenous	367	\$17,692
Culturally Diverse	842	\$25,749
Deaf and Disability	256	\$7,004
Official Language Minority Community – Anglophone ¹	320	\$10,370
Official Language Minority Community – Francophone ¹	214	\$8,146

*These tables are based solely on data from recipients who provided information through the Council's self-identification forms and/or its online granting portal.

1. Support for artists, groups, and arts organizations working in official-language minority communities is calculated using data collected in a different way than data collected for the other three designated priority groups. Any comparison between these groups is, therefore, not necessarily recommended.

Engaging artists from all communities

The Canada Council is dedicated to deepening its long-standing commitment to equity, inclusion, and official languages, and to creating opportunities for youth. In keeping with this, the Council's funding programs are designed to be more flexible and inclusive; in turn, grant recipients reflect the many diverse communities across Canada—including artists who are culturally diverse, Deaf, have a disability, and/or who belong to an official language minority community.

The Council provided a multi-year core grant to the Citadel Theatre in Edmonton, Alberta. Under Artistic Director Daryl Cloran, the Citadel has affirmed its vision to be innovative and inclusive in its programming and practices. Among its many goals, it seeks to celebrate, welcome, and share stories with many different communities in Edmonton. The Citadel's stage has come alive in recent years with performances that present difference voices and cultures including *Children of God*, by Indigenous playwright Corey Payette, and *The Silver Arrow*, by local playwright Mieko Ouchi and starring an actor with a disability.

Beverley Glenn-Copeland is a jazz, folk, and new music composer and artist whose work has garnered impressive international attention after it was “discovered” by a record

distributor in Japan. Glenn-Copeland, of Sackville, New Brunswick, is a trans artist best known for his 1986 electronic album, *Keyboard Fantasies*, and for 25 years of appearances on Canadian children's television programs, including *Mr. Dressup*. The Council funded Glenn-Copeland's 2018 tour of the UK and Europe, including dates at the Sonic City Festival in Belgium, Le Guess Who? Festival in the Netherlands, and Super Sonic Jazz Festival in Amsterdam.

Alexandre Loukos, of Toronto, Ontario, produced the short film, *PÉRILS*, which was inspired by Eugène Ionesco's famous play *Rhinocéros*, an allegory about Nazism and conformism. Loukos, a francophone filmmaker living in Toronto, found himself deeply affected by the pervasiveness of violent and disturbing images in the news and on social media—including that of a Syrian refugee child washed up on a beach, the bombing of Aleppo, and a massacre at a Québec City mosque. Loukos created *PÉRILS* as a way to help society sublimate violence and rediscover its shared humanity.

By funding artists and arts organizations that reflect Canada's true diversity, the Council seeks to build an arts milieu that engages everyone.

Left to right: Screenwriter and director Alexandre Loukos, of Toronto, with director of photography Sarah Thomas Moffat and her assistant, Angelia Hughes, on the set of *PÉRILS*.



THE ART BANK

SHOWING CANADIAN ARTISTS AND WORKS TO THE WORLD

The Canada Council Art Bank is the largest collection of contemporary Canadian art in the world. The primary role of the Art Bank is to rent these artworks to organizations with a view to continually expanding the exposure of Canadian art and enabling as many Canadians as possible to enjoy them. The Art Bank further extends its reach through loans to museums and galleries, curated exhibitions and outreach activities.



Jacynthe Carrier,
Parade (2016),
Inkjet print on paper,
91.5 x 91.5 cm.
Collection of the
Canada Council
Art Bank

THE ART BANK AT THE G7

The Art Bank exhibited more than 100 artworks from every province and territory at the 2018 G7 Summit in La Malbaie, Quebec. The selection of artworks was based on the Prime Minister's themes for Canada's G7 Presidency, including gender equality, working together on climate change, and building a more peaceful world. Curated by Art Bank consultant Claudio Marzano, the displayed works included more than 40 pieces by Indigenous artists. Groupings included works depicting Ի՞ճ, Inuktitut for Sedna, the goddess of the sea and marine animals.



Zachari Logan, *Blooming 1* (2017), pastel on black paper, 146 x 86.5 cm.
Collection of the Canada Council Art Bank

THE ART BANK ABROAD

The Art Bank's exhibition, *Awakening*, which it presented in partnership with the Office of the Lieutenant Governor of Ontario, included 21 artworks focussed on the United Nations Sustainable Development Goals. *Awakening* was in Toronto from May 2018 to March 2019, and then travelled to the UN Headquarters in New York City, the UN's office in Geneva, Switzerland, and the World Climate Conference in Bonn, Germany. Through *Awakening*, the Art Bank showcased Canadian artists and celebrated the work of Indigenous artists on the international stage.

NEW WORKS!

The Art Bank acquired eight new works in 2018–19 by artists representing six provinces. Six of the works are by women—Julia Dault, Jacynthe Carrier, Angela Miracle Gladue, Megan Krause, Divya Mehra, and Kristina Søbstad—and two others works are by Jack Sures and Zachari Logan. Overall, the new acquisitions reflect the Canada Council's strategic priorities and values as they relate to cultural diversity, regional representation, and gender parity.

In 2018–19, the Art Bank supported the Council's overall strategic directions and succeeded in raising the Art Bank's profile and increasing its revenues by showing artworks from its collection to even more art lovers in Canada and around the world.



Angela Miracle Gladue, *Boombox* (2018), beads, thread, chain link, rhinestones.
Collection of the Canada Council Art Bank



Kristina Søbstad, *Unbound IV* (2018), oil and chalk pastel on canvas, 142 x 172.5 x 4 cm.
Collection of the Canada Council Art Bank

THE CANADIAN COMMISSION FOR UNESCO

THE COMMISSION'S COMMITMENTS

As the promoter of UNESCO values in Canada, the Canadian Commission for UNESCO (CCUNESCO) mobilizes its members, extensive networks, and many partners to advance discussion and innovative thinking about the major societal issues embedded in UNESCO priorities. The CCUNESCO mobilizes its partners to take action on priorities such as the role of women in science and the protection of Indigenous languages and cultures. The renewed importance and relevance of the joint presence of the Council and the CCUNESCO in the field, combined with the impact of their often-convergent activities and initiatives, make a real contribution to a future of peace, equity, and sustainable development both in Canada and abroad. The CCUNESCO operates under the Canada Council's authority.

The following stories exemplify how the CCUNESCO is achieving the UN's Sustainable Development Goals one action at a time.

Promoting the vitality of Indigenous languages

The CCUNESCO promotes the implementation of the UN Declaration on the Rights of Indigenous Peoples, especially its principles pertaining to the protection of Indigenous languages and cultures. To mark the 2019 International Year of Indigenous Languages, the CCUNESCO produced a guide to inform Canadians about Canada's Indigenous languages. Created in collaboration with University of Victoria professor Onowa McIvor, the document suggests various ways in which everyone can contribute to the vitality of Indigenous languages, such as learning the Indigenous

name for their region and customary expressions of courtesy in the local Indigenous language. The CCUNESCO distributed the document widely to its networks, as well as to government ministries and the diplomatic community.

Furthering gender equality

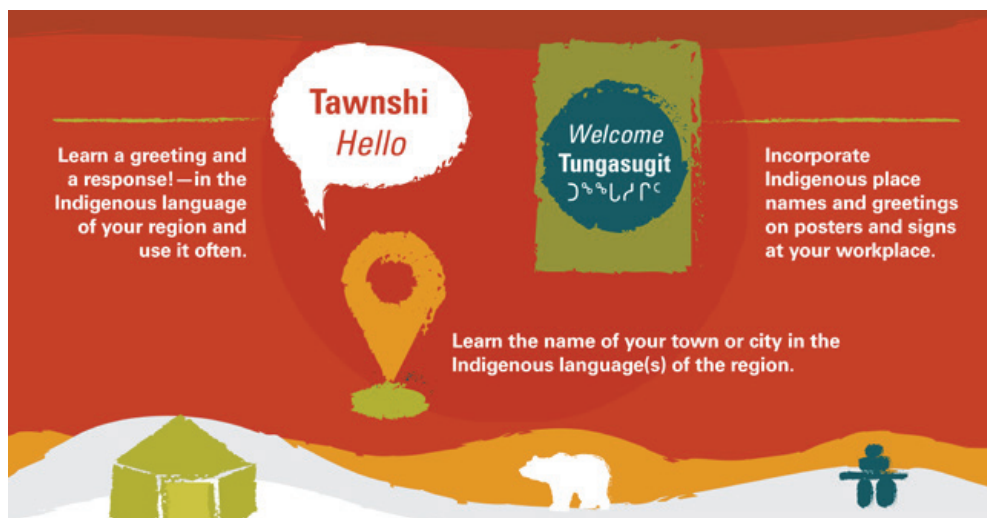
The CCUNESCO was involved in a series of initiatives to showcase women in science, and give girls and women a taste for science. These initiatives included:

- **20%**, an ACFAS/Québec Science podcast in French that provides a platform to women in science and technology;

- **Women in STEM Wikipedia Edit-a-thon**, a joint initiative of the Ingenium Foundation and the Canada Museum of Science and Technology to increase the number of profiles of women scientists on Wikipedia;
- **a panel discussion on Facebook Live** about the careers and work of the women scientists at the Royal Ontario Museum;
- **the #WeAreScience social media awareness campaign** (February 11) to celebrate the 2019 International Day of Women and Girls in Science. Jointly spearheaded with a consortium of partners, the campaign featured portraits of inspiring women scientists.

Showcasing the expertise of young people

The Commission ensures that young people are very involved in all its activities and those of UNESCO. For example, Youth Advisory Group members participated in various CCUNESCO consultations, developed think pieces, and wrote blog articles. They addressed such topics as combating "fake news," being aware of online disinformation and propaganda, showcasing environmental initiatives in Canadian schools, and facing the challenges of citizenship in the digital age.



An image from the *Guide to Indigenous languages in Canada*, created by CCUNESCO in collaboration with University of Victoria professor Onowa McIvor with a view to raising awareness of Indigenous languages among Canadians.

Supporting the development of inclusive municipalities

For more than 14 years, the CCUNESCO has supported a national coalition of municipalities that combat racism and all other forms of exclusion. Member municipalities share best practices both in Canada and abroad and contribute to thinking about emerging issues. To expand the coalition's membership and

scope, the CCUNESCO has renamed this network the Coalition of Inclusive Municipalities, and has begun strategic thinking about the Coalition's image and key messages. Several practical guides for municipalities have also been produced on issues such as truth and reconciliation with Indigenous peoples, welcoming newcomers, and including LGBTQ2S+ communities.

Contributing to contemporary discourses

In collaboration with experts from its networks, the CCUNESCO continues to produce important documents on contemporary issues, notably the following three this year:

- **Two-Eyed AI: A Reflection on Artificial Intelligence**, on the contribution of Indigenous perspectives and knowledge to Western perspectives and knowledge related to artificial intelligence (AI);

- **The Role of Municipalities in Advancing Women's Equity in Canada**, which examines how municipal governments can play a central role in advancing gender equality;

- **Le cheminement non linéaire des femmes en STIM : les obstacles dans l'actuel système de formation professionnelle** (currently only in French), which describes the careers of women who did not follow the customary linear path from education to professional life, as well as the challenges these women faced.

FIRST MEETING OF NORTH AMERICA'S UNESCO CREATIVE CITIES

Spearheaded by the City of Montréal and with CCUNESCO support, the three UNESCO Creative Cities in Canada—Montréal, Québec City, and Toronto—organized the first meeting of North America's UNESCO Creative Cities during the South by Southwest Music and Media Conference and Festival (SXSW) in Austin, Texas, in March 2019.

Delegates from many American and Mexican cities met with their Canadian counterparts to explore opportunities for collaboration and exchange, as well as common projects designed to strengthen, enrich, and promote each city's initiatives.

FINANCIAL OVERVIEW

HIGHLIGHTS

2018-19 marked the third year of the progressive doubling of the Council's budget, originally announced in Budget 2016. An additional \$35 million was added to the Council's base Parliamentary appropriations, on top of the \$75 million in ongoing funding provided over the previous two years. Cumulatively, over the three years, 91.2% of this new funding has been directly injected into the arts sector.

The Auditor General of Canada released its [2018 Special Examination Report](#) for the Council in May 2018. The report affirms the Council is a well-managed organization able to effectively fulfill its mandate. At the same time, the report also identifies areas of improvement. The Council has developed measures to respond to the recommendations and monitors their progress on a regular basis.

Summary Statement of Operations for the Years Ended March 31

(in thousands of dollars)	Budget 2019	Actual 2019	Actual 2018
Total revenue and Parliamentary appropriations	\$ 305,103	\$ 308,949	\$ 312,001
Total expenses	305,085	308,248	262,742
Surplus from operations	\$ 18	\$ 701	\$ 49,259

For the year ended March 31, 2019, the Council is reporting a surplus from operations of \$0.7 million. Through an effective budget monitoring process, the Council was able to invest an additional \$8.8 million in the granting programs budget, including \$3.9 million carried over from last year for the Digital Strategy Fund. This reinvestment in grants programs was possible due to a \$3.6 million positive variance in net cash distributed investment income compared to budget and savings of \$5.3 million in transfer program delivery and arts community services.

(in thousands of dollars)	Budget 2019	Actual 2019	Actual 2018
Grants and contributions	\$ 237,878	\$ 246,558	\$ 206,364
Public Lending Right program	12,188	12,288	9,775
Prizes and awards	2,990	2,997	2,753
	\$ 253,056	\$ 261,843	\$ 218,892

The total grants, author payments and prizes for this year were \$261.8 million, an increase of \$43.0 million compared to 2017-18. This funding was allocated to the Council's programs based on key commitments made in the 2016-21 Strategic Plan.

As part of its strategic commitment to increase direct support to artists, the Council increased payments to authors via the Public Lending Right program by \$2.5 million, the first portion of a \$5.0 million commitment over a two-year period, for a total amount of \$12.3 million this year. The Council also distributed \$3.0 million in prizes and awards that recognize excellence and innovation in Canada.

The costs of transfer program delivery totaled \$21.3 million for the year ending March 31, 2019, \$3.0 million below the budgeted amount. This is mainly attributable to savings in salaries and benefits totaling \$1.3 million due to staffing delays or vacancies, and to under spending of \$1.7 million in peer costs and professional services fees.

The overall increase of \$0.5 million in arts community services is explained by new activities such as hosting the first ever Americas Cultural Summit and the commissioning of the Indigenous-led exhibition titled *UNCEDED: Voices of the Land* for the 2018 Venice Architecture Biennale. In addition, the Council is developing a framework for defining, understanding and measuring the qualitative, intrinsic impacts of the arts and the work of the Council on both the arts sector and in the lives of everyday Canadians.

General administrative expenses were \$0.8 million more than the previous year mainly due to an increase in salaries and benefits offset by a decrease in professional fees. These expenses came in under budget by \$0.3 million, a decrease of 1% compared to 2017-18 and representing 6% of total expenses.

Summary Financial Position as at March 31

(in thousands of dollars)	2019	2018
Total financial assets	\$ 445,447	\$ 431,745
Total liabilities	139,799	136,204
Net financial assets	305,648	295,541
Non-financial assets	29,473	28,713
Accumulated surplus	\$ 335,121	\$ 324,254

In 2018-19, the Endowment and Special Funds and the Killam Fund had positive annual returns of 6.6% (8.0% in 2017-18) and 6.7% (8.4% in 2017-18) respectively. In comparison to the prior year, the investment portfolio has increased by \$21.7 million with a fair value of \$411.1 million as at March 31, 2019. All asset classes within the portfolio contributed to the results by posting positive returns.

In accordance with the Council's Statement of Investment Policies and Goals, the \$11.3 million approved budgeted amount for net realized investment income is calculated using a prescribed spending rate of 3.5% times the previous three-year average market value of the portfolio. This year, the Council recorded \$13.5 million in net realized investment income with \$15.9 million in cash distributions of investment income which were slightly offset by \$1.4 million realized losses and \$1.0 million in management fees. The Council's investment policy states that as a minimum any investment income above the allocated approved budget must be reinvested in the portfolio in order to preserve capital. Therefore, this year \$4.0 million was transferred from accumulated surplus from operations to the reserve for excess investment income. This consists mainly of the \$3.6 million excess in cash income distribution compared to the permitted budgeted amount.

In 2018-19, the Council developed a new Risk Management Framework. Using its risk appetite as key context, all the identified risks were ranked based on likelihood and potential impact on the Council's operations with a focus on potential operational, financial, and reputational dimensions. A new Corporate Risk Profile, highlighting the top risk areas and their mitigation strategies, was presented to the Board in January 2019. The Corporate Risk Profile is used as a key input in strategic and operational planning, resource allocation decisions, and organizing and prioritizing management action plans.

FINANCIAL POSITION

Financial Assets

As at March 31, 2019, total financial assets were \$445.4 million, an increase of \$13.7 million from the previous year. Financial assets include the portfolio investments as well as cash, cash equivalents and accounts receivable.

As at March 31, 2019, the fair value of the Council's investments was \$411.1 million, an increase of \$21.7 million from the prior year.

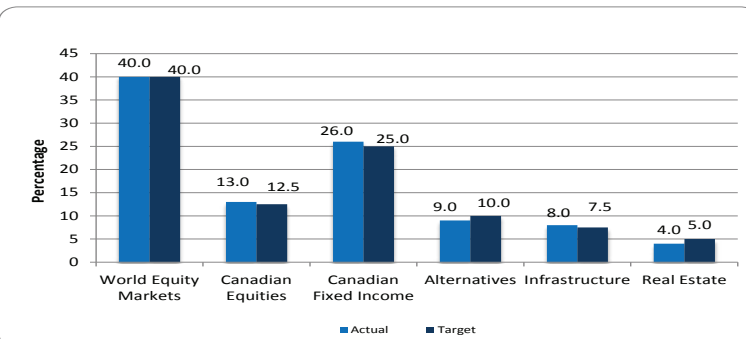
The Council invests in units of pooled funds and a segregated fund that are managed by professional investment managers. The Council's investments are guided by a *Statement of Investment Policies and Goals* and the *Board Statement of Investment Beliefs*, which are both approved by the Board. The objectives of the portfolio are to generate a 4.5% real rate of return over a ten-year period to supplement the Parliamentary appropriations and to support the fellowships and prizes for the Killam Fund and Special Funds, while maintaining the purchasing power of the endowed capital. The Killam Fund and Special Funds represent contributions that have been received by way of donation and bequest and have been restricted for specific purposes by the donors. The Killam Fund is required to be maintained in a separate investment portfolio that is consolidated for reporting purposes. The Special Funds are included with the Council's investment portfolio; a proportionate share for each contribution is calculated based upon the fair value of the investment portfolio at the time each contribution is received.

An Investment Committee, composed of independent experts with experience in both the investment field and the asset classes in which the Council invests, assists in the oversight and management of the portfolio. Two Council Board members are also Investment Committee members. In addition, the Council uses the services of an independent investment consultant to assist the Investment Committee in its work.

The Investment Committee reviews the Council's investment policy annually, and, as considered necessary and appropriate, recommends adjustments to the asset mix and to the diversification of the portfolio management structure or to its expenditure policy, currently set at 3.5% times the rolling average of the market value of the fund over the last three years. At each quarterly meeting during the year, the Investment Committee assessed the effect of implementation of the policy on the portfolio through regular updates from investment managers and a thorough review of the portfolio's performance.

The following table shows the actual comparative asset mix and the asset mix targets for the portfolio.

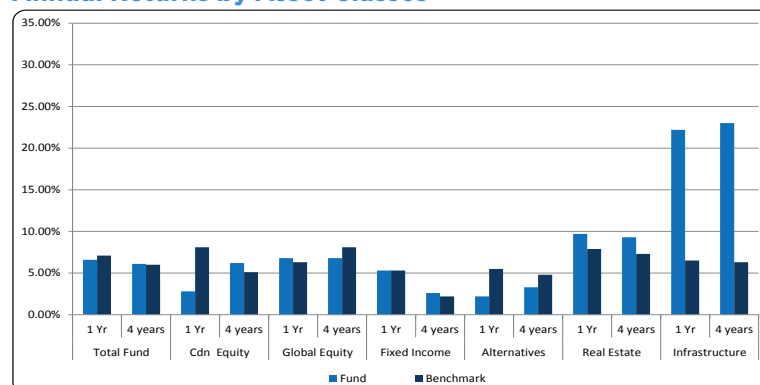
Asset Mix as of March 31, 2019



The Investment Committee and senior management monitor closely the level of risk within the portfolio. The 10 year standard deviation was at 5.7% as at March 31, 2019, the same as for the benchmark. The Investment Committee reviewed its asset allocation strategies in March 2019 and concluded that the current allocation was the most efficient way to achieve the long-term objective of 4.5% real rate of return over the 10 year-period.

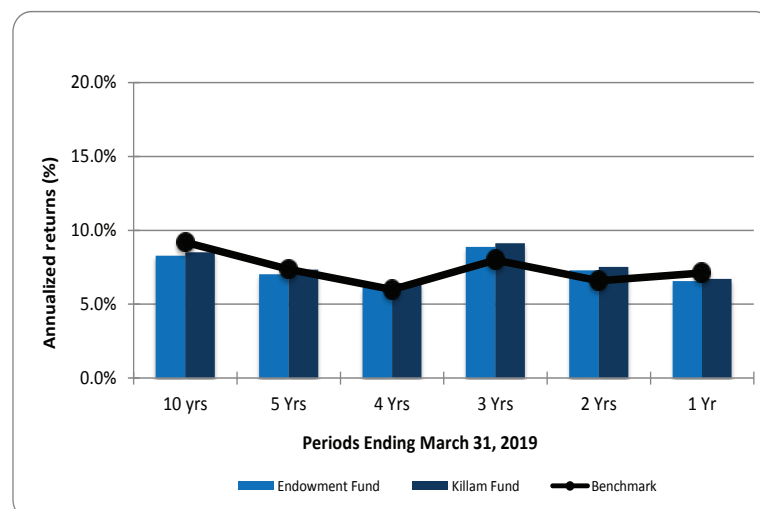
The following chart shows the positive returns for all of the various asset classes for the one and four year periods ending March 31, 2019. It shows that the portfolio's asset mix is well diversified and the performance of its Real Estate and Infrastructure assets helped the portfolio compensate for the high volatility in the market over the year.

Annual Returns by Asset Classes



The following chart shows the annualized portfolio returns for various periods of the Endowment and Special Funds and the Killam Fund against the benchmark return. It shows that the diversification in the portfolio helped sustain the performance results above the 10 year long-term objective of 4.5%.

Annualized Portfolio Returns



Liabilities

As at March 31, 2019, total liabilities were \$139.8 million, an increase of \$3.6 million from the previous year as shown in the table below:

(in thousands of dollars)	2019	2018
Liabilities		
Grants, author payments and prizes payable	\$ 68,081	\$ 69,547
Accounts payable and accrued liabilities	5,072	3,782
Deferred revenues	7,043	7,728
Employee future benefits	3,867	3,482
Deferred revenues - Externally restricted contributions	55,736	51,665
Total liabilities	\$ 139,799	\$ 136,204

The main increase is due to the \$4.1 million increase in Deferred revenues from externally restricted contributions directly linked to the increase in market value of the portfolio for which a portion is externally restricted. This liability consists of externally restricted investment income and accumulated gains which are being deferred until the resources are used for the specified purposes. The original externally restricted endowment principal of \$37.6 million is required to be maintained intact and is reported under accumulated surplus.

The majority of the increase in Accounts payable and accrued liabilities is linked to an estimated retroactive payment of \$0.7 million for salaries and benefits following the ratification in May 2019 of a new collective agreement effective as of July 2018.

These increases were offset by a \$1.5 million reduction in Grants, author payments and prizes payable compared to 2017-18, which is directly related to a more regular payment schedule for applications in the second year cycle of the new arts granting programs.

The other liabilities include:

- deferred revenues which are mostly related to the leasehold inducement at 150 Elgin, Ottawa, which is being amortized over the lease period of 20 years; and
- employee future benefits representing the severance entitlements of the Council's employees and post-retirement benefits covering employees and retirees.

Non-Financial Assets

Tangible capital assets include computer software, office and computer equipment, leasehold improvements and work in progress related to the development of a new information management system. The Council revised its estimates on the useful lives of some of its asset categories this year and the effects of these changes are accounted for on a prospective basis. The net increase in this asset category of \$0.8 million in comparison to the prior year is mainly attributable to an investment of \$2.5 million in the Council's technology infrastructure and its new Grant Application Portal offset by \$1.7 million in amortization.

The Council's Art Bank has the largest collection of contemporary Canadian art in the world, with over 17,160 works, and rents the collection to interested public and private sector organizations. The Art Bank collection is presented under Art Bank assets, which are carried at a cost of \$19.5 million on the Statement of Financial Position as at March 31, 2019. The total appraised value of the collection is estimated at \$72 million as at March 31, 2019.

The Council's Musical Instrument Bank owns or manages 24 historically important, fine stringed instruments and a fine cello bow, which are loaned to gifted young musicians for three-year terms. Musical instruments appear on the Council's Statement of Financial Position at a nominal value of \$1,000 as a reasonable estimate of the future benefits associated with such assets cannot be made. At March 31, 2019, the appraised and insured value of the musical instruments was US\$46.6 million.

Accumulated Surplus

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

(in thousands of dollars)	2019	2018
Accumulated surplus		
Endowment - Original contribution	\$ 50,000	\$ 50,000
Endowment principal - Externally restricted contributions	37,569	37,569
Reserve for excess investment income	190,445	186,445
Surplus	26,376	29,675
Total accumulated surplus from operations	\$ 304,390	\$ 303,689
Accumulated remeasurement gains	30,731	20,565
Accumulated surplus	\$ 335,121	\$ 324,254

The \$50 million Endowment - Original contribution represents the original government transfer in 1957 of endowments which enabled the establishment of the Council. The externally restricted endowment principal of \$37.6 million represents the original value of other endowment funds received by the Council over the years almost entirely from private individuals. By recording these values within accumulated surplus the endowments, while being shown separately, are in effect being treated as if they had been revenues.

The total reserve of \$190.4 million at March 31, 2019 represents the sum of excess investment income relating to the original endowment since the establishment of the Council.

OPERATIONS

Summary Statement of Operations for the Years Ended March 31

(in thousands of dollars)	Budget 2019	Actual 2019	Actual 2018
Parliamentary appropriations	\$ 292,372	\$ 292,991	\$ 258,514
Net realized investment income	11,253	13,522	51,871
Other revenues	1,478	2,436	1,616
Total Revenues	305,103	308,949	312,001
Transfer programs	282,664	286,144	241,131
Net Art Bank results	229	32	253
Canadian Commission for UNESCO	2,406	2,581	2,638
General administration	19,786	19,491	18,720
Total expenses	305,085	308,248	262,742
Surplus from operations	\$ 18	\$ 701	\$ 49,259

The Council's net financial results for the year is a surplus of \$0.7 million, compared to a balanced budget forecasting a surplus of \$18 thousand. In 2017-18 the Council's surplus was \$49.3 million primarily attributable to a \$41.6 million positive variance in net realized investment income compared to budgeted income and the \$3.9 million carry-forward to 2018-19 of grants committed to the Digital Strategy Fund.

The total expenses of \$308.2 million in 2018-19 are \$3.2 million more than budgeted. This variance is directly attributable to the carry-over of \$3.9 million from the Digital Strategy Fund from 2017-18.

Through an effective budget monitoring process, the Council was able to invest an additional \$8.8 million in the granting programs budget, including the \$3.9 million carry-over from last year. This reinvestment in grants programs was possible due to \$3.6 million positive variance in net cash distributed investment income compared to budget and \$4.2 million of intra-year savings and delayed projects.

Parliamentary Appropriations

The Council receives its main funding through Parliamentary appropriations voted by Parliament. The Council records the Parliamentary appropriations received in the period as revenue in the Statement of Operations. The Council submits a monthly cash flow analysis to the Department of Canadian Heritage to justify its monthly drawdown cash requirements. The monthly drawdown is invested either in a preferred rate account in a financial institution or in a short-term pooled fund managed by a professional investment manager from which the Council draws its daily cash requirements. For the year ended March 31, 2019, the appropriations received by the Council were \$293.0 million, an increase of \$34.5 million over 2017-18 through the Main Estimates in accordance with the Federal Budget 2016 announcement.

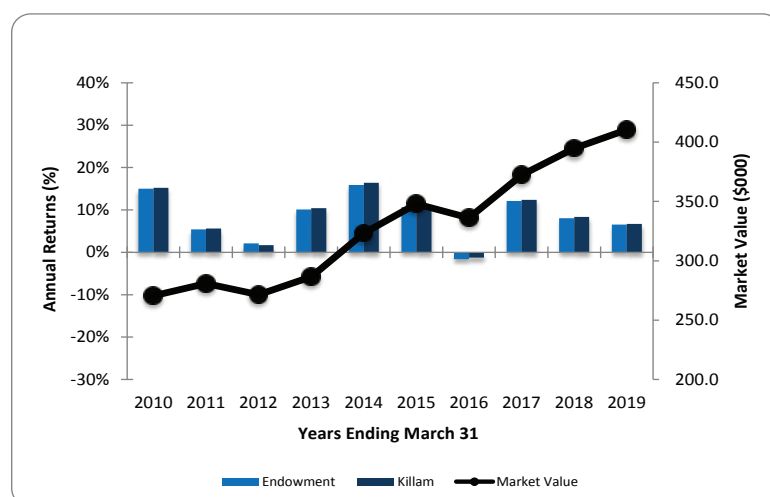
Investment Income

The financial markets in which the Council invests are diversified and, in 2018-19, the Endowment and Special Funds and the Killam Fund generated positive annual returns of 6.6% (8.0% in 2017-18) and 6.7% (8.4% in 2017-18) respectively. The annual returns for the Endowment and Special Funds and the Killam Fund are, respectively, 0.5% and 0.4% below the benchmark of 7.1%.

The Council's investment policy prescribes for 2018-19 that cash can be withdrawn from the portfolio at a rate of up to 3.5% of the previous three-year average market value for both the Endowment and Special Funds and the Killam Fund. This approach recognizes the need to balance returns with the long-term preservation of capital.

The following chart shows the annual portfolio returns for the Council in each year since 2009 and the corresponding effect that these returns have had on the year-end market value. The chart also demonstrates how investment market returns can fluctuate year over year. The Council reinvests excess investment income above the budgeted amount in order to ensure the continued growth of the funds. This proactive approach is intended to bring additional stability and long-term growth for the Council's investment portfolio.

Annual Portfolio Returns



This year, with the positive annual performance of its portfolio, the Council recorded \$13.5 million in net realized investment income compared to a budgeted amount of \$11.3 million. The main contributors to the distribution of investment of income are the Global Equity managers and Fixed Income managers.

Other revenues

Other revenues include the cancellation of grants awarded in previous years, donations, tax rebates, and other sources of revenues received. During the year, Council received higher recoveries of unused grants, a sales tax refund and donations in support of the Indigenous-led exhibition titled *UNCEDED: Voices of the Land* at the 2018 Venice Architecture Biennale. These explain the positive variance of \$1.0 million compared to budgeted amounts.

Program expenses

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

(in thousands of dollars)	Budget 2019	Actual 2019	Actual 2018
Grant, author payments and prizes	\$ 253,056	\$ 261,843	\$ 218,892
Transfer program delivery	24,327	21,296	19,764
Arts community services	5,281	3,005	2,475
Net Art Bank results	229	32	253
Canadian Commission for UNESCO	2,406	2,581	2,638
	\$ 285,299	\$ 288,757	\$ 244,022

In 2018-19, program expenses accounted for 94% of Council's total expenses of \$308.2 million, compared to 93% in the previous year. Overall, program expenses are \$44.7 million more than the previous year due to a combination of the additional funding received from government and operational savings.

The vast majority of the program expenses relate to grants, author payments and prizes at \$261.8 million which were \$8.8 million above budget. The \$43.0 million increase compared to the previous year is explained mostly by an inflow in the grants budget of \$31.1 million, which represents 90% of the \$34.5 million increase in Parliamentary appropriations. In addition to the new funds, the Council carried over \$3.9 million of unspent grants expenses from the Digital Strategy Fund in the previous year, and also reinvested a total of \$4.2 million into grant expenses from intra-year savings and delayed projects.

As part of its strategic commitment to increase direct support to artists, the Council also increased the payments to authors via the Public Lending Right program by \$2.5 million, the first portion of a \$5.0 million commitment over a two-year period, for a total amount of \$12.3 million this year. The Council also distributed \$3.0 million in prizes and awards that recognize excellence and innovation in Canada.

Transfer program delivery costs represent the direct cost of operating the Council's grants, prizes and Public Lending Right programs. These include salaries, benefits, adjudication of programs, travel, professional services and prizes promotion. The costs of transfer program delivery totaled \$21.3 million for the year, \$3.0 million below the budgeted amount. This is mainly attributable to savings in salaries and benefits totaling \$1.3 million due to staffing delays or vacancies and to under spending of \$1.7 million in program adjudication and professional services fees. The Council will continue to review and simplify processes by modernizing its current systems over the next fiscal years.

Services to the arts community include other types of financial support such as partnerships (which provide funding to support the arts), research, workshop expenses, event costs and program evaluation. These costs were higher than the previous year by \$0.5 million but lower than budget by \$2.3 million. This year the Council embarked on new events or partnerships such as hosting the first

Americas Cultural Summit, \$0.2 million, and commissioning an indigenous-led exhibition titled *UNCEDED: Voices of the Land* at the 2018 Venice Architecture Biennale, \$0.5 million.

Net Art Bank results were \$197 thousand above budget in 2018-19 due to higher than forecast rental revenues of \$147 thousand and lower than budgeted administration expenses of \$50 thousand. The growth in rental revenues is a result of promoting the Art Bank and its services through outreach activities such as exhibitions and loans, and also being more active in the private sector.

The Canadian Commission for UNESCO (CCUNESCO) had net expenses of \$2.6 million in 2018-19, a decrease of \$0.1 million in comparison to last year, but slightly over budget by \$0.2 million. The decrease in expenses this year is due to the timing of collaborations with partners. This was offset by an increase in administration expenses mainly explained by the hiring of additional staff as well as by an intensification of efforts to increase the public profile of CCUNESCO. CCUNESCO, established by an Order in Council in 1957, supports UNESCO priorities, networks and activities in Canada; encourages Canadian participation in UNESCO activities domestically and abroad, including the provision of expert advice and assistance from both governmental and non-governmental organizations; and provides advice about UNESCO to various levels of governments, including Global Affairs Canada.

General Administration

General administration expenses include the cost of the Council Secretariat, Communications, and Corporate Services (which includes Finance, Human Resources, Information Management/Technology and Administrative Services). Items include salaries and benefits, travel, accommodation, professional services, amortization, and others. At \$19.5 million, these costs were virtually on budget with a slight underspending of \$0.3 million and represented 6% of total expenses, a decrease of 1% compared to 2017-18. The Council will continue to exercise fiscal restraint and seek efficiencies regarding general administration costs in the next fiscal years.

REMEASUREMENT GAINS AND LOSSES

The accumulated remeasurement gains from portfolio investments as at March 31, 2019 were \$30.7 million. These are the accumulated unrealized gains, net of reclassification to the Statement of Operations upon realization, for changes in fair value of the Council's unrestricted portfolio investments.

RISK MANAGEMENT

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

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

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

Risk Governance

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

Risk Appetite

The Canada Council for the Arts follows a prudent risk-taking approach in managing its activities. It defines prudent risks as those seen to contribute to the organization's capacity to better deliver its mandate within a range of consequences that are well understood and appropriately mitigated. It manages risk within the constraints of its mandate, values, organizational culture, and both its public and internal commitments.

<i>Risk Category</i>	<i>Area of Work</i>	<i>Canada Council Risk Appetite</i>
Strategic risk	Mandate and reputation	<p>The Canada Council will avoid any situations that could adversely affect its support of the arts in Canada.</p> <p>The Canada Council is cautious in accepting risks that could affect its ability to build and sustain reputational strength with the public.</p> <p>The Canada Council will accept risk in activities that support artistic aspirations, creativity and innovation as these are essential to the development and evolution of a vital and diverse arts sector that enriches the lives of all Canadians.</p>
Program delivery risk	Granting processes	<p>The Canada Council is accountable to its stakeholders (government, clients and the general public) for the effective delivery of its funding programs. As such, it will avoid any situations that could negatively impact the rigour and transparency of its granting processes.</p> <p>With regards to its suite of funding programs and support to the arts community, the Canada Council will not put at risk its ability to be flexible and responsive to changes in the arts environment.</p>
Human Resources risk	Internal structure Staffing	The Canada Council is willing to accept moderate risks that could lead to improved internal structure, staffing and services, as well as overall strategy execution to enable continuous improvement of its operating performance.
Information and systems risk	Services Systems	The Canada Council is willing to accept moderate risks that could lead to improved processes and efficiencies in program delivery to enable continuous improvement of its operating performance.
Financial risk	Financial management Investments	<p>The Canada Council will avoid any financial decisions or activities that would negatively impact its cost-effectiveness.</p> <p>Risk decisions for investments will be consistent with the Council's Board Statement of Investment Beliefs and Statement of Investment Policies and Goals.</p>
Compliance risk	Legislative and corporate reporting requirements	The Canada Council will avoid any risks that could affect its capacity to independently govern itself or its ability to meet its legislative obligations.

Risk Profile

Using the Council's risk appetite as key context, a new risk management framework was created in the fall of 2018. All identified risks were ranked based on likelihood and potential impact on the Council's operations with a focus on potential operational, financial, and reputational dimensions. A new corporate risk profile highlighting the top six risks areas and their mitigation strategies was presented to the Board in January 2019.

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

Financial Risk

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

GOVERNANCE

Board Mandate

The Canada Council for the Arts is led by a Director and CEO appointed by the Governor in Council, and governed by a Board consisting of a Chair, Vice-Chair and nine other members from across Canada. Members are appointed by the Governor in Council for fixed terms. The Board meets at least three times a year.

As stewards of the Council, the Board is responsible for the oversight of the organization's policies, programs, budgets, grant decisions and strategic planning. The Board is accountable to Parliament through the Minister of Canadian Heritage and Multiculturalism.

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

Highlights

In 2018-19, the Board held four meetings in Ottawa and one teleconference, during which it:

- welcomed two new Board members who brought expertise and knowledge of the arts sector;
- approved nominations of new members on the Audit and Finance Committee, the Governance and Nominating Committee, and the Investment Committee to enhance the overall effectiveness of the Board;
- continued to exercise its oversight role over the deployment of the *Strategic Plan 2016-21* and the *Digital Shift Roadmap*;
- received the *2018 Special Examination Report* conducted by the Auditor General of Canada;
- approved the *Operational and Capital Budget*, and the *Annual Report and Financial Statements*;
- exercised oversight on the Council's budgets and various policies, including changes to the *Delegation of Authority*;
- approved the revised *Granting Policy* and the *Canadian Commission for UNESCO Constitution and By-laws*;
- approved grants over \$500,000; and
- held the Annual Public Meeting at the Council's offices at 150 Elgin Street, Ottawa, on January 15, 2019.

Board Independence

All members of the Board are independent members. While the Director and CEO and Executive Management attend Board meetings to provide information and report on activities, only Board members may vote and make decisions. Board committees are composed of Board members. The Investment Committee also includes external experts selected for their knowledge and expertise. At each Board meeting, in camera sessions are held with the Director and CEO, and with Board members only.

Culture of Ethical Business Conduct

Board members, as public office holders, are bound by the federal government's *Conflict of Interest Act* and the *Values and Ethics Code for the Public Sector*. The Board is required to disclose any real, apparent or potential conflicts of interest on an annual basis, and as they occur throughout the year.

Corporate Social Responsibility

The Council is committed to carrying out its role and mandate in a way that is guided by corporate social responsibility. As such, it strives to be a leader in terms of social, ethical and environmental policies and practices, and considers social, ethical and environmental impacts in all decisions.

In an effort to fulfill this commitment, the Council:

- conducts its business with honesty, integrity and fairness, and ensures ethical considerations and implications are embedded in all decision-making processes;
- works with and is inspired by the community that it serves—Canadians as a whole. It strives to engage Canadians through a vital and diverse arts sector that enriches communities and reaches markets across the world;
- strives to provide an organizational climate that encourages well-being, and stimulates and supports employee performance and development;
- is forward-thinking and proactive in reducing its environmental footprint, and incorporates environmental sustainability considerations into its activities; and
- recognizes the importance of public accountability and open communications, and conducts its business in a transparent manner in order to maintain the trust and confidence of its stakeholders.

The Board oversees these commitments and is responsible for integrating social, environmental and ethical considerations into all Board-related matters. The Council's *Corporate Social Responsibility Statement of Principles* is available on its website.

Appointments

The Board advises the government on appropriate selection criteria for the Chair and Vice-Chair of the Board, as well as competency profiles and future needs for Board members.

In 2018-19, two new Board members were appointed and the Vice-Chair was reappointed by the Governor in Council.

The Privy Council posted the notice of opportunity for the Council's Director and CEO position on the Governor in Council website from September 6 to September 26, 2019. On February 27, 2019, Simon Brault was re-appointed as Director and CEO of the Canada Council for the Arts for a four-year term, effective June 26, 2019.

At March 31, 2019, there were no Board vacancies.

Board Diversity

The Canada Council has a history of embedding values of equity within its operations. The “Board Diversity Statement of Principles,” which is in the *Governance Policy*, is intended to summarize and make public the Council’s values and objectives related to Board diversity. This includes representation on the Board of Canada’s official languages, regions, generations, Indigenous Peoples and cultural diversity, along with gender equity.

New Board members receive a comprehensive information package prior to their first meeting. They also have an orientation session with Executive Management and sit in on committee meetings to learn about the Council’s work. Orientation sessions are held with new Board members prior to any committee meetings to which they have been appointed.

Performance Evaluation

Annually, under the direction of the Governance and Nominating Committee, the Board evaluates the performance of the full Board and its committees. Work was undertaken throughout 2018-19 to implement the recommendations resulting from the Board evaluation of the previous year.

The Director and CEO’s performance is assessed annually by the Board, according to the Privy Council Office’s Performance Management Program for Chief Executive Officers of Crown Corporations. The Board communicates the results of the Director and CEO’s annual performance evaluation to the Minister of Canadian Heritage and Multiculturalism.

Communications and Reporting

In accordance with specific acts and regulations, and to ensure ongoing communications and transparency, the Council submits a number of reports on an annual basis to different government departments in line with deadlines set by legislation and/or responsible departments.

Annual Public Meeting

On January 15, 2019, the Council held its Annual Public Meeting (APM) in Ottawa. It reported on its recent activities and plans for the future, and engaged with interested stakeholders. The Director and CEO, Chair, Board members and senior staff were present. The meeting was live-streamed across the country in English, French and Sign Languages (ASL and LSQ).

The APM reached a large audience, including approximately 100 guests on site and over 750 views via the livestream. The conversation continued on social media, notably with the hashtags #CanadaCouncil19 and #Conseildesarts19 on Twitter. As part of the APM, guests were invited to visit *Thunderstruck: Physical Landscapes*, an exhibition in the Âjagemô gallery, and to enjoy a live performance by singer Erta Ekosso.

Speeches, a video of the APM, and questions and answers were made available on the Council’s website.

Access to Information Act and Privacy Act (ATIP)

The Canada Council is responsible for completing an *Annual Report on the Administration of the Access to Information Act* and an *Annual Report on the Administration of the Privacy Act*. These reports are submitted to the Department of Canadian Heritage in Parliament.

Canadian Multiculturalism Act

The Canada Council is responsible for completing an *Annual Report on the Operation of the Canadian Multiculturalism Act*. This report is submitted annually to the Department of Canadian Heritage.

Employment Equity Act

As a federal organization with over 100 employees, the Council files an annual *Employment Equity Report* with Employment and Social Development Canada.

Official Languages Act

The Canada Council is responsible for implementing Parts IV, V, VI and VII of the *Official Languages Act*. It submits a multi-year action plan to Canadian Heritage regarding section 41 of Part VII of the Act. The Council also presents an annual review detailing its activities under Part VII to Canadian Heritage. Every three years it presents a report on Parts IV, V, VI and VII to the Department of Canadian Heritage and the Treasury Board Secretariat. The Council submitted a report in 2018-19 and received positive feedback from the Department of Canadian Heritage.

Board Committees

Board committees enhance the overall effectiveness of the Board by ensuring closer focus, oversight and monitoring of areas of particular concern. The committees’ roles, responsibilities and reporting requirements are defined in the Council’s By-laws. There are four standing committees of the Board.

Executive Committee

The Executive Committee acts on behalf of the Board (with exceptions related to the approval or amendments of by-laws, policies, budgets, financial statements, grants or the annual report) in the interval between meetings of the Board.

Membership: Pierre Lassonde (Chair), Nathalie Bondil (Vice-Chair), Beverley K. Foy (Chair of Audit and Finance Committee) and Cheryl Hickman (Chair of Governance and Nominating Committee).

Audit and Finance Committee

The Audit and Finance Committee provides oversight of the Council's financial performance and ensures the integrity, effectiveness and accuracy of the Council's financial reporting, control systems, integrated risk management processes and audit functions. In camera sessions are held with the Office of the Auditor General, with the internal auditors, and with Audit and Finance Committee members only.

Membership: Beverley K. Foy (Chair), David Binet, Cheryl Sharfe (until October 29, 2018), Karl Schwonik (since October 3, 2018) and Kim Spencer-Nairn (since October 30, 2018).

Governance and Nominating Committee

The Governance and Nominating Committee provides ongoing review and recommendations to the Board with respect to discharging its stewardship and oversight responsibilities on matters relating to corporate governance, the conduct of the Board's affairs, and human resources strategies and other related matters.

Membership: Cheryl Hickman (Chair), Cheryl Sharfe (until October 29, 2018), Jesse Wente, David Binet (since October 3, 2018) and Ben Nind (since October 3, 2018).

Investment Committee

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

Membership: Beverley K. Foy, David Binet and the following external experts: George Mavroudis (Chair), Kiki Delaney, Ann Marshall (until October 5, 2018), John Montalbano, Paul Robillard, Kim Shannon and Michael White.



Photo: Canada Council for the Arts.

Erta Ekosso's performance at the Canada Council's Annual Public Meeting in January 2019.

2019 APM: ALWAYS AN EAR TO THE GROUND

The Council's Annual Public Meeting (APM) is one of the ways the Council reports on its activities. It is a bridge between the accomplishments of the last fiscal year and the projects underway in the current year. On January 15, 2019, some 100 people attended the APM at the Council's offices, and more than 750 people in Canada and across the world watched a live stream of the meeting. Afterwards, the conversation continued on Twitter, with #CanadaCouncil19 reaching nearly 1.5 million users.

At the meeting, the Council revealed its new corporate video, a vibrant homage to art and artists that has since been viewed more than 5,000 times on social media. Additionally, Simon Brault, Director and CEO, answered questions from the audience and from the public on social media. Answers to all of the questions that could not be addressed live were published on the Council's website after the event.

The APM is an opportunity for the Council to showcase artistic excellence. This year, Erta Ekosso, an Franco-Ontarian artist of African descent, was on stage to perform her song, *Tiens ma main*. She was accompanied by Abel Maxwell, who grew up in Europe and whose North American presence is growing. Their message of solidarity resonated strongly at the meeting. Afterwards, those in attendance were invited to view the *Thunderstuck* exhibition, featuring works and videos on dance, on display in the Canada Council's Âjagemô exhibition space.

Advisory Groups

Jennifer Dörner serves as Board representative on the Canadian Commission for UNESCO Executive Committee.

Ben Nind serves as Board representative to the Canadian Public Arts Funders network.

Proactive Disclosure

The disclosure of grants and contributions, travel and hospitality expense information of Board members and senior executives, contracts entered into for amounts over \$10,000, the reclassification of positions and summary reports of completed access to information requests are posted on the Council's website.

Disclosure of Wrongdoing

In compliance with the *Council's Policy on the Internal Disclosure of Wrongdoing in the Workplace*, which is based on the requirements of the *Public Servants Disclosure Protection Act*, a quarterly report on the disclosure of wrongdoing in the workplace is provided to the Audit and Finance Committee. In 2018-19, there were no internal disclosures of wrongdoing in the workplace.

Remuneration

Board: \$87,500 (aggregate honorarium)

Director and CEO: \$226,000—\$265,800 (fixed by Governor in Council)

Executive positions: \$125,900—\$165,700

Executive Management Committee



Photo: Martin Lipman

At March 31, 2019, the Executive Management Committee consisted of (from left to right) Joanne Larocque-Poirier, Chief of Staff and Corporate Secretary; Ian Lovsin, Chief Information Officer; Carolyn Warren, Director General, Arts Granting Programs; Michelle Chawla, Director General, Strategy and Public Affairs; Simon Brault, Director and CEO; Carole Boileau, Chief Financial Officer and Chief Security Officer; and Tammy Scott, Director General, Communications and Public Engagement.

Board Members (as of March 31, 2019)



Pierre Lassonde
Chair (Toronto, ON)



Nathalie Bondil
Vice-Chair
(Montréal, QC)



David Binet
(Toronto, ON)



Beverley K. Foy
(Calgary, AB)



Jennifer Dörner
(Montréal, QC)



Cheryl Hickman
(St. John's, NL)



Ben Nind
(Yellowknife, NT)



Yann Martel
(Saskatoon, SK)



Karl Schwonik
(Medicine Hat, AB),
as of June 14, 2018



Kim Spencer-Nairn
(Vancouver, BC),
as of October 30, 2018



Jesse Wente
(Toronto, ON)

Board and Committee Meetings and Attendance (April 1, 2018 to March 31, 2019)

	Board Meetings	Executive Committee	Investment Committee	Audit and Finance Committee	Governance and Nominating Committee
Total # of Meetings	5	0	5	7	4
Pierre Lassonde, Chair	5/5	--	Ex officio	Ex officio	Ex officio
Nathalie Bondil, Vice-Chair	4/5	--	Ex officio	Ex officio	Ex officio
David Binet	5/5	N/A	5/5	7/7	2/2
Jennifer Dörner	7/7	N/A	N/A	N/A	N/A
Beverley Foy	4/5	--	4/5	7/7	N/A
Cheryl Hickman	5/5	--	N/A	N/A	4/4
Ben Nind	4/5	N/A	N/A	N/A	2/2
Yann Martel	5/5	N/A	N/A	N/A	N/A
Karl Schwonik	3/3	N/A	N/A	4/4	N/A
Cheryl Sharfe	3/3	N/A	N/A	3/3	2/2
Kim Spencer-Nairn	2/2	N/A	N/A	3/4	N/A
Jesse Wente	5/5	N/A	N/A	N/A	4/4

Notes:

- Nathalie Bondil was reappointed as Vice-Chair on June 6, 2018.
- David Binet became a member of the Governance and Nominating Committee October 3, 2018.
- Ben Nind became a member of the Governance and Nominating Committee on October 3, 2018.
- Karl Schwonik was appointed to the Board on June 14, 2018. He became a member of the Audit and Finance Committee on October 3, 2018.
- Cheryl Sharfe's term ended on October 29, 2018.
- Kim Spencer-Nairn was appointed to the Board on October 30, 2018. She became a member of the Audit and Finance Committee on October 30, 2018.

FINANCIAL STATEMENTS

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying financial statements of the Canada Council for the Arts (the "Council") and all the information in this annual report are the responsibility of Management and have been approved by the Board.

The financial statements have been prepared by Management in accordance with Canadian public sector accounting standards. When alternative accounting methods exist, Management has chosen those it deems most appropriate in the circumstances. The financial statements include amounts based on Management's best estimates as determined through experience and judgment. Management has determined such amounts on a reasonable basis in order to ensure that the financial statements are presented fairly, in all material respects. Management has prepared the financial information presented elsewhere in the annual report and has ensured that it is consistent with that in the financial statements.

The Council maintains systems of internal accounting and administrative controls of high quality, consistent with reasonable cost. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and that the organization's assets are appropriately accounted for and safeguarded.

The Board is responsible for the management of the business and activities of the Council. In particular, they are responsible for ensuring that Management fulfills its responsibilities for financial

reporting and internal controls. They exercise this responsibility through the Audit and Finance Committee, which is composed of members who are not employees of the Council. The Audit and Finance Committee meets with Management, the internal auditors and the Auditor General of Canada on a regular basis. The Committee reports its findings to the Board for consideration when approving the financial statements.

The independent auditor, the Auditor General of Canada, is responsible for auditing the financial statements of the Council, and for issuing the report thereon.

June 12, 2019



Simon Brault, O.C., O.Q., FCPA, FCGA
Director and Chief Executive Officer



Carole Boileau, CPA, CA
Chief Financial Officer



Office of the
Auditor General
of Canada

Bureau du
vérificateur général
du Canada

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Canada Council for the Arts (the Entity), which comprise the statement of financial position as at 31 March 2019, and the statement of operations, statement of remeasurement gains and losses, statement of changes in net financial assets, and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at 31 March 2019, and the results of its operations, its remeasurement gains and losses, changes in its net financial assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's

report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Compliance with Specified Authorities

Opinion

In conjunction with the audit of the financial statements, we have audited transactions of the Canada Council for the Arts coming to our notice for compliance with specified authorities. The specified authorities against which compliance was audited are the applicable provisions of Part X of the *Financial Administration Act* and regulations, the *Canada Council for the Arts Act* and the by-laws of the Canada Council for the Arts.

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

Responsibilities of Management for Compliance with Specified Authorities

Management is responsible for the Canada Council for the Arts' compliance with the specified authorities named above, and for such internal control as management determines is necessary to enable the Canada Council for the Arts to comply with the specified authorities.

Auditor's Responsibilities for the Audit of Compliance with Specified Authorities

Our audit responsibilities include planning and performing procedures to provide an audit opinion and reporting on whether the transactions coming to our notice during the audit of the financial statements are in compliance with the specified authorities referred to above.

A handwritten signature in black ink, appearing to read 'D. Duvnjak', with a stylized flourish at the end.

Dusan Duvnjak, CPA, CMA
Principal
for the Interim Auditor General of Canada

Ottawa, Canada
12 June 2019

Statement of Financial Position

As at March 31 (in thousands of dollars)	2019	2018
FINANCIAL ASSETS		
Cash and cash equivalents (Note 3)	\$ 31,235	\$ 39,245
Accounts receivable	3,146	3,080
Portfolio investments (Note 4)	411,066	389,420
Total financial assets	445,447	431,745
LIABILITIES		
Grants, author payments and prizes payable	68,081	69,547
Accounts payable and accrued liabilities	5,072	3,782
Deferred revenues	7,043	7,728
Employee future benefits (Note 6)	3,867	3,482
Deferred revenues - Externally restricted contributions (Note 7)	55,736	51,665
Total liabilities	139,799	136,204
NET FINANCIAL ASSETS	\$ 305,648	\$ 295,541
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 8)	9,793	9,021
Art Bank assets (Note 9)	19,455	19,421
Musical instruments (Note 10)	1	1
Prepaid expenses	224	270
Total non-financial assets	29,473	28,713
ACCUMULATED SURPLUS (Note 11)	\$ 335,121	\$ 324,254
Accumulated surplus is comprised of:		
Accumulated surplus from operations	304,390	303,689
Accumulated remeasurement gains	30,731	20,565
ACCUMULATED SURPLUS	\$ 335,121	\$ 324,254

Contractual obligations and commitments (Note 16)

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

APPROVED BY THE BOARD



Chair



Vice-Chair

Statement of Operations

	Budget 2019	Actual 2019	Actual 2018
For the year ended March 31 (in thousands of dollars)			
Revenues			
Net realized investment income (Note 12)	\$ 11,253	\$ 13,522	\$ 51,871
Other revenues	1,478	2,436	1,616
Total revenues	12,731	15,958	53,487
Expenses			
Transfer Programs			
Grants, author payments and prizes (Schedule I)	253,056	261,843	218,892
Transfer program delivery (Schedule II)	24,327	21,296	19,764
Arts community services (Schedule III)	5,281	3,005	2,475
	282,664	286,144	241,131
Net Art Bank results (Note 13)	229	32	253
Canadian Commission for UNESCO (Note 14)	2,406	2,581	2,638
General administration (Schedule II)	19,786	19,491	18,720
Total expenses	305,085	308,248	262,742
Deficit from operations before Parliamentary appropriations	(292,354)	(292,290)	(209,255)
Parliamentary appropriations	292,372	292,991	258,514
SURPLUS FROM OPERATIONS	18	701	49,259
ACCUMULATED SURPLUS FROM OPERATIONS, BEGINNING OF YEAR	303,689	303,689	254,430
ACCUMULATED SURPLUS FROM OPERATIONS, END OF YEAR	\$ 303,707	\$ 304,390	\$ 303,689

Statement of Remeasurement Gains and Losses

	2019	2018
For the year ended March 31 (in thousands of dollars)		
ACCUMULATED REMEASUREMENT GAINS, BEGINNING OF YEAR	\$ 20,565	\$ 48,419
Unrealized gains (losses) attributable to:		
Portfolio investments	10,036	(2,157)
Amounts reclassified to the Statement of Operations:		
Portfolio investments	130	(25,697)
NET REMEASUREMENT GAINS (LOSSES) FOR THE YEAR	10,166	(27,854)
ACCUMULATED REMEASUREMENT GAINS, END OF YEAR	\$ 30,731	\$ 20,565

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

Statement of Changes in Net Financial Assets

	Budget 2019	Actual 2019	Actual 2018
For the year ended March 31 (in thousands of dollars)			
ANNUAL SURPLUS FROM OPERATIONS	\$ 18	\$ 701	\$ 49,259
Acquisition of tangible capital assets (Note 8)	(5,211)	(2,479)	(2,542)
Amortization of tangible capital assets (Note 8)	2,426	1,707	1,653
Acquisition of Art Bank assets (Note 9)	-	(41)	(38)
Disposals/donations of Art Bank assets (Note 9)	-	7	32
	(2,785)	(806)	(895)
Acquisition of prepaid expenses	-	(261)	(308)
Use of prepaid expenses	-	307	200
	-	46	(108)
Net remeasurement gains (losses)	-	10,166	(27,854)
INCREASE (DECREASE) IN NET FINANCIAL ASSETS	(2,767)	10,107	20,402
NET FINANCIAL ASSETS, BEGINNING OF YEAR	295,541	295,541	275,139
NET FINANCIAL ASSETS, END OF YEAR	\$ 292,774	\$ 305,648	\$ 295,541

Statement of Cash Flows

	2019	2018
For the year ended March 31 (in thousands of dollars)		
Operating Transactions		
Surplus from operations	\$ 701	\$ 49,259
Losses (gains) from disposal of portfolio investments (Note 12)	1,369	(33,227)
Amortization of tangible capital assets (Note 8)	1,707	1,653
Disposals/donations of Art Bank assets (Note 9)	7	32
Decrease (increase) in prepaid expenses	46	(108)
Increase in employee future benefits	385	250
Income transferred to Deferred revenues - Externally restricted contributions from investment income (Note 7)	809	13,273
Net change in other non-cash items (Note 15)	(1,477)	10,718
Cash provided by operating activities	3,547	41,850
Capital Transactions		
Acquisition of tangible capital assets (Note 8)	(2,172)	(2,951)
Acquisition of Art Bank assets (Note 9)	(41)	(38)
Cash used by capital activities	(2,213)	(2,989)
Investing Transactions		
Acquisition of portfolio investments	(96,140)	(110,539)
Disposal of portfolio investments	91,853	86,310
Cash used by investing activities	(4,287)	(24,229)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(2,953)	14,632
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	39,361	24,729
CASH AND CASH EQUIVALENTS, END OF YEAR	36,408	39,361
Represented by:		
Cash	31,235	25,435
Cash equivalents (Note 3)	-	13,810
	31,235	39,245
Cash held for investment purposes included in the portfolio investments	5,173	116
	\$ 36,408	\$ 39,361

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

Notes to the Financial Statements

March 31, 2019

1. AUTHORITY, MANDATE AND ACTIVITIES

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

The Council considers itself to be an "other government organization." These financial statements have been prepared in accordance with Canadian public sector accounting standards (PSAS) as promulgated by the Chartered Professional Accountants (CPA) of Canada.

The Council's significant accounting policies are as follows:

Financial instruments

All financial instruments are initially measured at fair value. The following table identifies the Council's financial assets and liabilities and identifies how they are subsequently measured on the Statement of Financial Position:

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

Cash equivalents

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

Portfolio investments

Unrealized changes in the fair value of portfolio investments are recognized in the Statement of Remeasurement Gains and Losses, except for the restricted portion which is recognized as a liability under Deferred revenues - Externally restricted contributions. Once realized, the cumulative gain or loss previously recognized in the Statement of Remeasurement Gains and Losses is recorded in net realized investment income on an average cost basis for the year. The realized gains and losses on externally restricted contributions are recognized in accordance with the externally restricted contributions accounting policy. Purchases and dispositions of portfolio investments are recorded on the trade date. Management fees charged are expensed in the year they are incurred.

The cash held for investment purposes is included in portfolio investments in the Statement of Financial Position and also shown as a separate item in the Statement of Cash Flows.

A decline in the fair value considered to be other than temporary will be recognized as an impairment loss and will be removed from the Statement of Remeasurement Gains and Losses and reported in net realized investment income in the Statement of Operations.

Tangible capital assets

Office and computer equipment, computer software and leasehold improvements are carried at cost less accumulated amortization. Amortization is calculated using the straight-line method, over the estimated useful lives of the assets as follows:

Office equipment	10 years
Computer equipment	4 years
Computer software	7 years
Leasehold improvements	remaining term of the lease

The estimated useful lives, residual values and depreciation method are determined in the capital asset policy, which is reviewed on a regular basis with the effect of any changes in estimate accounted for on a prospective basis.

Work in progress represents the costs incurred to date on a capital project that is incomplete and not in use, or for system implementations, when the system is not in production at the end of an accounting period. Work in progress projects are not amortized until in use or in production.

Art Bank assets

The Art Bank assets are carried at the cost of purchase or independently appraised value of donation plus cost of framing, mounting and shipping when acquired. Those costs, less any estimated residual value, are amortized using a straight line method over the estimated useful lives of these assets which is 50 years.

Musical instruments

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

Employee future benefits

i) PENSION BENEFITS

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

Notes to the Financial Statements (continued)

March 31, 2019

ii) SEVERANCE BENEFITS

In 2012, under labour contracts and conditions of employment, the decision was made to terminate the severance benefits. The severance benefit obligation for eligible employees who will retire or resign, that accrued up to June 30, 2012 and remains unpaid, is adjusted at year end to reflect actuarial gains and losses and salary adjustments.

iii) RETIREES' BENEFITS

The Council provides extended health care and dental benefits to its current and retired employees. Retirees pay 50% of the extended health care premium and 100% of the dental premium. The Council accrues its obligations as the employees render the services necessary to earn these benefits. The cost of these benefits earned by employees has been estimated using the accrued benefit method (Unit Credit).

Actuarial gains (losses) on the accrued benefit obligation arise from differences between actual and expected experience and from changes in the actuarial assumptions used to determine the accrued benefit obligation. Actuarial gains (losses) are amortized over the average remaining service period of active employees.

Deferred revenues - Externally restricted contributions

Externally restricted income is recognized as revenue in the Statement of Operations in the year in which the resources are used for the purpose or purposes specified. An externally restricted inflow, excluding original principal, received before this criterion has been met is reported as a liability until the resources are used for the purpose or purposes specified.

Endowment principal - Externally restricted contributions

Externally restricted contributions consist of endowments and restricted donations received by the Council that are required to be maintained intact. They are reported under Accumulated Surplus from Operations.

Reserve for excess investment income

This reserve represents the sum of excess investment income since the establishment of the Council in 1957 and is presented as a separate internal reserve within the accumulated surplus from operations. In years when net investment income exceeds the amount of net budgeted investment income, an amount may be transferred from the accumulated surplus from operations to the reserve for excess investment income. In years when net investment income is less than the amount of net budgeted investment income, an amount may be transferred to the accumulated surplus from operations from the reserve for excess investment income. These transfers are approved by the Board.

Revenue recognition

i) PARLIAMENTARY APPROPRIATIONS

Parliamentary appropriations are considered government transfers and are recognized as revenue in the year for which they are approved by Parliament. Parliamentary appropriations received for specific projects are deferred when the stipulations and circumstances create an obligation that meets the definition of a liability. They are subsequently recognized on the Statement of Operations when the obligation no longer exists.

ii) RESTRICTED AND UNRESTRICTED CONTRIBUTIONS

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

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

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

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

iii) ART BANK RENTAL REVENUES

Rental revenues generated from Art Bank assets are recognized in the year in which services are provided. They are included in net Art Bank results on the Statement of Operations.

iv) OTHER REVENUES

Other revenues consist mainly of the cancellation in the current year of grants approved in previous years and contributions for partnership agreements.

v) FOREIGN CURRENCY TRANSLATION

Monetary assets and liabilities denominated in foreign currencies are translated to Canadian dollars at the exchange rate in effect at the date of the Statement of Financial Position. Revenue and expense items are translated at exchange rates prevailing throughout the year. Unrealized foreign exchange gains and losses are recognized in the Statement of Remeasurement Gains and Losses, except for the restricted portion which is recognized as a liability under Deferred revenues - Externally restricted contributions. Once realized, the cumulative gain or loss is recognized in net realized investment income.

Grants, author payments and prizes

Grants, author payments and prizes are considered to be a government transfer. They are recorded as an expense in the year for which they are budgeted and approved by the Board, authority to pay has been obtained through the *Appropriation Act*, and results communicated to the applicants.

Operating leases

The Council enters into operating leases for its office accommodation which are recorded on a straight-line basis over the term of the lease. Lease inducements are recorded as a reduction to the office accommodation expense on a straight-line basis over the term of the lease.

Notes to the Financial Statements (continued)

March 31, 2019

Measurement uncertainty

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

Inter-entity transactions

Inter-entity transactions are transactions between commonly controlled entities. Inter-entity transactions, other than restructuring transactions, are recorded on a gross basis and are measured at the carrying amount, except for the following:

- i) Inter-entity transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties, when undertaken on similar terms and conditions to those adopted if the entities were dealing at arm's length, or where costs provided are recovered.
- ii) Goods or services received without charge between commonly controlled entities are not recorded.

4. PORTFOLIO INVESTMENTS

	2019					2018		
(in thousands of dollars)	Cost	Unrealized losses	Unrealized gains	Fair value		Cost	Fair value	
	\$	\$	\$	\$	%	\$	\$	%
Canada Council Endowment and Special Funds								
Pooled funds								
Canadian Equity	7,881	-	146	8,027	2	7,544	7,420	2
Global Equity	132,268	220	6,173	138,221	41	143,170	144,623	45
Fixed income	84,105	21	718	84,802	25	70,269	69,632	22
Alternatives	20,630	-	10,306	30,936	9	20,630	30,271	9
Money market	-	-	-	-	0	1,325	1,325	0
Canadian Equity	32,181	-	3,138	35,319	11	32,142	34,765	11
Real estate	9,941	-	2,707	12,648	4	10,129	12,343	4
Infrastructure	14,485	185	10,976	25,276	7	13,462	20,980	7
Cash	3,870	-	-	3,870	1	-	-	0
	305,361	426	34,164	339,099	100	298,671	321,359	100
Killam Fund								
Pooled funds								
Canadian Equity	8,037	-	576	8,613	12	7,840	8,422	12
Global Equity	26,214	44	1,219	27,389	38	29,179	29,450	44
Fixed income	17,149	6	139	17,282	24	13,690	13,560	20
Alternatives	5,298	-	2,639	7,937	11	5,298	7,767	11
Real estate	2,648	-	738	3,386	5	2,697	3,298	5
Infrastructure	3,691	47	3,084	6,728	9	3,434	5,564	8
Cash	632	-	-	632	1	-	-	-
	63,669	97	8,395	71,967	100	62,138	68,061	100
Total investments	369,030	523	42,559	411,066		360,809	389,420	

Other related party transactions

Related party transactions, other than inter-entity transactions, are recorded at the exchange amount.

Budgeted figures

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

3. CASH EQUIVALENTS

The Council invests its cash in excess of daily requirements in a short-term pooled fund. All instruments held in the pooled funds are rated R1 (low) or A (low) or better as rated by a recognized bond rating agency. These funds are comprised of securities issued by different levels of government, chartered banks and corporate issuers. Except for instruments guaranteed by governments, no more than 10% of the short-term portfolio is invested with any one issuer. The Council's cash equivalents invested in a pooled fund was \$0 at March 31, 2019 (2018 - \$13,810,000).

Notes to the Financial Statements (continued)

March 31, 2019

Unrealized gains/losses on investments are primarily due to the timing of the market prices, foreign exchange movements, or the early years in the business cycle for some investments. Annually, the Council assesses each of its investment instruments against specific criteria to determine whether there is objective evidence that the adjusted cost may not be recovered and is therefore impaired. The Council does not consider these investments to be other-than-temporarily impaired as at March 31, 2019.

The Council manages two separate portfolios, the Canada Council Endowment and Special Funds as well as the Killam Fund. The Killam's will requested that their donation be invested separately. Apart from the Killam Fund, all other externally restricted contributions are consolidated into the Canada Council Endowment and Special Funds and represent 8% (2018 - 8%) of that Fund with a total fair value of \$27,162,000 (2018 - \$25,741,000). The total fair value of the externally restricted investment including the Killam Fund is \$99,129,000 (2018 - \$93,802,000).

All transactions for the externally restricted contributions are initially paid by or received in the Council's general bank account thus creating temporary interfund balances. The interfund balance of externally restricted contributions owed to Council at March 31, 2019 by the Special Funds is \$3,847,000 (2018 - \$3,268,000) and owed by the Killam Fund is \$1,337,000 (2018 - \$2,211,000).

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

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

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

Asset Classes	Market Value	Minimum	Benchmark	Maximum
Canadian equities	13%	5%	12.5%	20%
Global equities	40%	35%	40%	45%
Fixed income	25%	15%	25%	35%
Alternatives	9%	5%	10%	15%
Real estate	4%	0%	5%	10%
Infrastructure	8%	0%	7.5%	10%
Money market/Cash	1%	0%	0%	10%

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

Investments in the equity pooled funds are comprised of units of six pooled funds, two Canadian funds and four funds that are invested in the global equity markets. The Council also has a Canadian equity segregated fund for the Endowment and Special Funds. The Canadian equities are measured against the returns of the Standard and Poor's Toronto Stock Exchange (S&P/TSX) Index. The global equities are measured against the returns of the Morgan Stanley Capital International (MSCI) All Country World Index. Investments in the fixed income pooled funds are comprised of a mix of bonds, mortgages, emerging debt and other fixed income instruments. The fixed income funds are measured against the returns of the FTSE TMX Universe Bond Index. Investments in the alternative pooled funds are comprised of units of one hedge fund with diversified positions across global asset classes. This investment is measured against the returns of the 91-day US T-bill plus 4%. The assets included in the real estate funds are commercial real estate properties in Canada, the United States and globally. These investments are measured against the returns of the Investment Property Databank. The infrastructure funds include four portfolios of diversified infrastructure investments. These investments are measured against the Consumer Price Index (CPI) plus 4.5%.

5. FINANCIAL RISKS AND FAIR VALUE

At March 31, the measurement categories of the Council's financial instruments, as well as their carrying amounts and fair values are as follows:

(in thousands of dollars)

Financial assets and liabilities	Measurement categories	2019	2018
		Carrying amount and fair value (\$)	Carrying amount and fair value (\$)
Cash and cash equivalents	Fair value	31,235	39,245
Accounts receivable	Amortized cost	3,146	3,080
Portfolio Investments ¹	Fair value	411,066	389,420
Grants, author payments and prizes payable	Amortized cost	68,081	69,547
Accounts payable and accrued liabilities	Amortized cost	5,072	3,782

¹ The detailed fair value for the investments is listed in Note 4.

a) Establishing fair value

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

The fair values of the investments are determined as follows:

- Equity, Fixed Income and Money Market pooled fund investments are valued at the unit values supplied by the pooled fund managers, which represent the Council's proportionate share of the underlying net assets at fair values, determined using closing market prices.
- The Segregated Canadian equity fund is valued using closing market prices at the financial statement date.

- The Alternatives is a pooled fund investment which is valued at the unit values supplied by the pooled fund manager. The fund manager manages multiple funds with different strategies within the fund and determines the unit's fair value using the closing market prices for some strategies when available or using a valuation model with non-observable data for other strategies.
- Real estate investment values are supplied by the fund managers using independently audited appraisals which are based on a valuation model with non-observable data. The independently audited appraisals are obtained annually as at December 31. The Council uses the unaudited appraisals received from the fund managers as at March 31.
- Infrastructure investment values are supplied by the fund managers using internally determined appraisals. The appraisals are based on a valuation model with non-observable data and are audited annually as at December 31. The Council uses the unaudited appraisals received from the fund managers as at March 31.

Notes to the Financial Statements (continued)

March 31, 2019

b) Fair value hierarchy

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

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

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

Financial assets at fair value as at March 31

(in thousands of dollars)	2019				2018			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$	\$	\$	\$	\$
Cash and cash equivalents	31,235	-	-	31,235	25,435	13,810	-	39,245
	31,235	-	-	31,235	25,435	13,810	-	39,245
Portfolio Investments								
Canada Council Endowment								
and Special Funds								
Pooled Funds								
Canadian Equity	-	8,027	-	8,027	-	7,420	-	7,420
Global Equity	-	138,221	-	138,221	-	144,623	-	144,623
Fixed Income	-	84,802	-	84,802	-	69,632	-	69,632
Alternatives	-	-	30,936	30,936	-	-	30,271	30,271
Money Market	-	-	-	-	-	1,325	-	1,325
Canadian Equity	35,319	-	-	35,319	34,765	-	-	34,765
Real Estate	-	-	12,648	12,648	-	-	12,343	12,343
Infrastructure	-	-	25,276	25,276	-	-	20,980	20,980
Cash	3,870	-	-	3,870	-	-	-	-
Killam Fund								
Pooled Funds								
Canadian Equity	-	8,613	-	8,613	-	8,422	-	8,422
Global Equity	-	27,389	-	27,389	-	29,450	-	29,450
Fixed Income	-	17,282	-	17,282	-	13,560	-	13,560
Alternatives	-	-	7,937	7,937	-	-	7,767	7,767
Real Estate	-	-	3,386	3,386	-	-	3,298	3,298
Infrastructure	-	-	6,728	6,728	-	-	5,564	5,564
Cash	632	-	-	632	-	-	-	-
	39,821	284,334	86,911	411,066	34,765	274,432	80,223	389,420
Total	71,056	284,334	86,911	442,301	60,200	288,242	80,223	428,665

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

Notes to the Financial Statements (continued)

March 31, 2019

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

(in thousands of dollars)	2019				2018			
	Alternatives fund	Real estate funds	Infrastructure funds	Total	Alternatives fund	Real estate funds	Infrastructure funds	Total
	\$	\$	\$	\$	\$	\$	\$	\$
Canada Council Endowment and Special Funds								
Opening balance	30,271	12,343	20,980	63,594	28,821	13,497	19,194	61,512
Total gains (losses)								
recognized in re-measurement statement	612	454	3,012	4,078	1,335	(226)	1,573	2,682
recognized in externally restricted contributions	53	39	262	354	115	(20)	138	233
Purchases	-	177	1,512	1,689	-	1,373	279	1,652
Sales	-	(365)	(490)	(855)	-	(2,281)	(204)	(2,485)
Closing balance	30,936	12,648	25,276	68,860	30,271	12,343	20,980	63,594
Killam Fund								
Opening balance	7,767	3,298	5,564	16,629	7,394	3,585	5,077	16,056
Total gains (losses)								
recognized in externally restricted contributions	170	137	907	1,214	373	(56)	471	788
Purchases	-	44	379	423	-	343	70	413
Sales	-	(93)	(122)	(215)	-	(574)	(54)	(628)
Closing balance	7,937	3,386	6,728	18,051	7,767	3,298	5,564	16,629

c) Risk management

The Council is exposed to a variety of financial risks as a result of its activities. These risks include credit risk, liquidity risk and market risk (price risk, interest rate risk and currency risk).

In order to manage risk, the Council invests in a diversified portfolio that is managed by professional investment managers. The Council's investments are guided by a *Statement of Investment Policies and Goals* which is approved by the Board and reviewed on an annual basis. The Council is assisted in the oversight and management of its portfolio by an Investment Committee that includes independent experts with experience in both the investment field and the asset classes being invested in. In addition, the Council uses the services of an independent investment consultant to assist the Investment Committee in its work. As the investment markets continue to evolve, the Investment Committee recommends adjustments to the asset mix to reduce the overall risk of the portfolio to an acceptable level.

i. CREDIT RISK

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Council.

At the Statement of Financial Position date, financial assets exposed to credit risk include cash equivalents, portfolio investments and accounts receivable. The carrying amounts of these financial assets represent the maximum credit risk exposure at the Statement of Financial Position date.

Through its investments in units of equity, fixed income and alternatives pooled funds, in a segregated Canadian equity fund and in limited partnership units of four real estate funds and four infrastructure funds, the Council is indirectly exposed to the credit risk of the underlying investments of those funds. These risks are managed at the investment manager level. Their objectives are to invest in high quality financial instruments with creditworthy counterparties, by limiting the amount that can be invested in any one counterparty and by using other limits set out in the Council's investment policy.

The Council mitigates credit risk through monitoring of the outstanding balances. As at March 31, 2019, there were no significant amounts past due and no impairment losses have been recognized.

ii. LIQUIDITY RISK

Liquidity risk is the risk that the Council will not be able to meet its financial obligations as they fall due.

The Council receives most of its revenue by way of parliamentary appropriation from the Government of Canada. That revenue is temporarily invested either in a preferred rate account in a financial institution or in the short-term pooled fund until it is required.

Liquidity sources in the event of an immediate need to fulfill the timely payment guarantee include overdraft facilities and cash and short-term investments in marketable securities.

The objectives of the Council with respect to the management of liquidity is to ensure that the capital value of its short-term pooled funds is preserved, that the investments are sufficiently liquid and that investment income is distributed in cash when possible.

The liquidity available from either the preferred rate account in a financial institution, the short-term funds or portfolio investments ensures that the Council is able to meet its obligations and commitments. The majority of the investment portfolio can be redeemed within three days. As well, the permitted and prohibited investments are governed by Board-approved short-term and long-term investment policies which ensure that the liquidity risk is minimized.

The Council has an investment policy that enables it to withdraw annual amounts from its investment portfolio valued up to 3.5% for the Endowment and Special Funds as well as for the Killam Fund (2018 - 3.5%) of the previous three-year average market value using balances at September 30.

Notes to the Financial Statements (continued)

March 31, 2019

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

	Less than six months	Between six months to one year	Between one to two years	Over two years	2019 Total
(in thousands of dollars)	\$	\$	\$	\$	\$
Financial Liabilities					
Grants, author payments and prizes payable	21,143	17,316	21,573	8,049	68,081
Accounts payable and accrued liabilities	4,394	291	387	-	5,072
	25,537	17,607	21,960	8,049	73,153

iii. MARKET RISKS

The Council's activities are primarily exposed to price risk, interest rate risk and currency risk.

The investment managers' directives are to manage the Council's market risks on a daily basis in accordance with the Council's policies. The Council's overall market positions are monitored on a quarterly basis by the Board and the Investment Committee.

Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting similar financial instruments traded in the market.

The Council is exposed to market price risk arising from its investments in units of equity and alternative pooled funds, in a segregated Canadian fund and in limited partnership units of four real estate funds and four infrastructure funds.

Price sensitivity

The following details the Council's portfolio sensitivity to a 5.9% increase or decrease in the market prices, with 5.9% being the sensitivity rate used when reporting price risk internally to key management personnel and representing management's assessment of a reasonably possible change in market prices.

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

At March 31, 2019, if market prices had a 5.9% (2018 - 5.8%) increase or decrease with all other variables held constant, the increase or decrease in remeasurement gains and losses and deferred revenues – externally restricted contributions for the year would have been a total of \$23,916,000 (2018 - \$22,265,000) due to the increase or decrease in the fair value of financial assets measured at fair value.

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

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The interest rate exposure of the Council arises from its interest bearing assets. The Council's cash includes amounts on deposit with a financial institution that earns interest at market and preferred rates. The objective of the Council is to manage its exposure to the interest rate risk of its cash by maximizing the interest income earned on excess funds while maintaining the minimum liquidity necessary to conduct operations on a day-to-day basis. Fluctuations in market rates of interest on cash do not have a significant impact on the Council's results of operations.

The Council's investments in a short-term pooled fund, fixed income pooled funds and alternatives pooled fund are indirectly affected by movements in their fair value as a result of fluctuations in market interest rates. The impact of the fluctuation cannot be assessed since Council holds units of pooled funds and not the underlying assets.

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Council is exposed to limited foreign exchange risk on revenues and expenses denominated in a foreign currency. The majority of these transactions are denominated in US dollars and Euros.

At the Statement of Financial Position date, the non-Canadian dollar denominated portion of its investment portfolio represents \$38,247,000 (2018 - \$33,569,000). Given the small size of the foreign currency exposure compared with the total assets of the Council, currency risk is not considered significant.

6. EMPLOYEE FUTURE BENEFITS

a) Pension benefits

Substantially all of the employees of the Council are covered by the public service pension plan (the "Plan"), a contributory defined benefit plan established through legislation and sponsored by the Government of Canada. Contributions are required by both the employees and the Council. The President of the Treasury Board of Canada sets the required employer contribution rates based on a multiple of the employees' required contribution. The required employer contribution rate is dependent on the employee's employment start date. For employment start dates before January 1, 2013, the Corporation's contribution rate effective at year-end was 1.01 times (2018 - 1.01) the employee's contribution; and for employment start dates after December 31, 2012, the Corporation's contribution rate effective at year-end was 1.00 times (2018 - 1.00) the employee's contribution.

The Government of Canada holds a statutory obligation for the payment of benefits relating to the Plan. Pension benefits generally accrue up to a maximum period of 35 years at an annual rate of 2% of pensionable service times the average of the best five consecutive years of earnings. The benefits are indexed to inflation.

(in thousands of dollars)	2019	2018
Employer's contributions	\$ 2,238	\$ 2,073
Employees' contributions	2,194	1,981

Notes to the Financial Statements (continued)

March 31, 2019

b) Severance benefits

The Council provided severance benefits to its employees based on years of service and final salary. These benefits were not pre-funded and thus had no assets, resulting in a plan deficit equal to the accrued benefit obligation. These benefits no longer accrue as per the collective agreement. The employees were given the option to either cash out their severance benefits or to wait until their departure. The obligation was adjusted at year-end to reflect employees' actual salary level. The total obligation will be paid from future appropriations or other sources of revenue. Information about the plan benefits, measured as at March 31, is as follows:

(in thousands of dollars)	2019	2018
Accrued benefit obligation, beginning of year	\$ 319	\$ 416
Current service cost	9	6
Benefits paid during the year	(72)	(103)
Accrued benefit obligation, end of year	\$ 256	\$ 319

c) Retirees benefits

The Council has defined post-retirement benefit plans covering certain employee groups. These plans provide extended health and dental benefits to retired employees. Retirees pay 50% of the extended health care premium and 100% of the dental premium. In 2017-18, the Council obtained a full actuarial value as at March 31, 2018. In 2018-19, the Council reviewed the actuarial assumptions adopted in the previous year and validated that no changes were required for the current year.

(in thousands of dollars)	2019	2018
Accrued benefit obligation, beginning of year	\$ 5,081	\$ 5,039
Current service cost	242	127
Interest cost	110	115
Benefits paid	(102)	(99)
Actuarial loss (gain)	210	(101)
	5,541	5,081
Unamortized net actuarial losses	(1,930)	(1,918)
Accrued benefit obligation, end of year	\$ 3,611	\$ 3,163

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

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

	2019	2018
Discount rate for calculation of net benefit costs	2.2%	2.3%
Discount rate for calculation of accrued benefit obligation	1.9%	2.2%
Initial Health care cost trend rate increase - Prescription drugs	6.0%	6.3%
Ultimate health care cost trend rate	4.0%	4.0%
Year ultimate rate reached	2028	2028

7. DEFERRED REVENUES - EXTERNALLY RESTRICTED CONTRIBUTIONS

The deferred revenues from externally restricted contributions consist of accumulated income, both realized and unrealized, which has been deferred until the resources have been used for the purpose or purposes specified by the endowment. The restricted endowment principal of \$37,569,000 is required to be maintained intact and is reported under accumulated surplus from operations (see Note 11).

(in thousands of dollars)	2019	2018
Balance, beginning of year	\$ 51,665	\$ 46,768
Transferred from investment income (Note 12)		
Net Investment income	3,363	15,324
Use of funds	(2,554)	(2,051)
	809	13,273
Unrealized gains (losses) on portfolio investments	3,076	(493)
Reclassified to statement of operations - portfolio investments	186	(7,883)
Balance at end of year	\$ 55,736	\$ 51,665

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

Notes to the Financial Statements (continued)

March 31, 2019

8. TANGIBLE CAPITAL ASSETS

(in thousands of dollars)	Computer Software	Computer Equipment	Office Equipment	Leasehold improvements	Work in Progress	Total
Cost						
Opening balance at April 1, 2018	\$ 3,167	\$ 3,975	\$ 1,340	\$ 7,694	\$ 456	\$ 16,632
Acquisitions	703	1,011	126	64	575	2,479
Transfer from Work in Progress	431	-	-	-	(431)	-
Disposals	(336)	(35)	(1)	(36)	-	(408)
Closing balance at March 31, 2019	\$ 3,965	\$ 4,951	\$ 1,465	\$ 7,722	\$ 600	\$ 18,703
Accumulated Amortization						
Opening balance at April 1, 2018	\$ 1,074	\$ 2,962	\$ 1,008	\$ 2,567	\$ -	\$ 7,611
Amortization expense	605	716	47	339	-	1,707
Disposals	(336)	(35)	(1)	(36)	-	(408)
Closing balance at March 31, 2019	\$ 1,343	\$ 3,643	\$ 1,054	\$ 2,870	\$ -	\$ 8,910
Net carrying amount at March 31, 2018	\$ 2,093	\$ 1,013	\$ 332	\$ 5,127	\$ 456	\$ 9,021
Net carrying amount at March 31, 2019	\$ 2,622	\$ 1,308	\$ 411	\$ 4,852	\$ 600	\$ 9,793

9. ART BANK ASSETS

(in thousands of dollars)	2019	2018
Opening balance	\$ 19,421	\$ 19,415
Acquisitions	41	38
Disposals/donations	(7)	(32)
Closing Balance	\$ 19,455	\$ 19,421

The Council's Art Bank has the largest collection of contemporary Canadian art in Canada. It includes over 17,160 paintings, sculptures, drawings, photographs and prints by over 3,160 artists. The Art Bank rents its assets to interested parties and as at March 31, 2019 has over 3,900 (2018 - 3,600) works on rental to federal government departments and agencies, associations, hospitals, schools, municipalities and private corporations.

The Council uses an independent appraiser to determine the fair value of the Art Bank assets. A full independent valuation of the Art Bank assets was completed in 2001, with a significant update of the appraisals occurring in 2010. An individual piece of art may be separately independently appraised when management identifies significant events such as special recognition, type of artworks or artist passing which are known to trigger a change in valuation. The total appraised value of the Art Bank assets is estimated at \$72 million as at March 31, 2019 (2018 - \$71 million).

The residual values of these assets are estimated to be greater than the cost of purchases or independent appraisals when donated plus associated cost of framing, mounting and shipping; therefore no amortization is recognized.

The Council insures the Art Bank assets based on its assessment of risk.

10. MUSICAL INSTRUMENTS

The Council created the Musical Instrument Bank in 1985, and it currently owns a fine cello bow and nine prestigious musical instruments. In addition, the Council manages fifteen instruments on loan, nine from anonymous donors and six from six other donors.

Agreements are signed with the individuals to whom the instruments are loaned. Those agreements include clauses that stipulate how the musical instruments are to be handled in order to safeguard them. The appraised value of the Council's Musical Instruments Bank as at March 31, 2019 is \$62,488,000 converted from a value of US\$46,633,000 using the March 31, 2019 US exchange rate of 1.34 (2018 - \$53,826,000, converted from a value of US\$41,750,000 using the March 31, 2018 US exchange rate of 1.29).

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

Notes to the Financial Statements (continued)

March 31, 2019

11. ACCUMULATED SURPLUS

(in thousands of dollars)	2019	2018
Accumulated surplus from operations		
Endowment - original contribution	\$ 50,000	\$ 50,000
Endowment principal - Externally restricted contributions	37,569	37,569
Reserve for excess investment income		
Balance at beginning of the year	186,445	141,445
Appropriated from the accumulated surplus during the year	4,000	45,000
Balance at end of the year	190,445	186,445
Surplus		
Balance at beginning of the year	29,675	25,416
Appropriated to the reserve for excess investment income during the year	(4,000)	(45,000)
Surplus for the year	701	49,259
Balance at end of the year	26,376	29,675
Total accumulated surplus from operations	304,390	303,689
Accumulated remeasurement gains		
Balance at beginning of the year	20,565	48,419
Change in fair value	10,166	(27,854)
Balance at end of the year	30,731	20,565
Balance of accumulated surplus at end of year	\$ 335,121	\$ 324,254

Included in accumulated surplus is the original contribution by the Government of Canada of \$50 million, which constituted a government transfer ("Endowment Fund") when the Council was established in 1957.

12. NET REALIZED INVESTMENT INCOME

(in thousands of dollars)	2019	2018
(Losses) gains from disposal of portfolio investments	\$ (1,369)	\$ 33,227
Income transferred to deferred revenues -		
Externally restricted contributions (Note 7)	(809)	(13,273)
Net gains on foreign exchange	41	34
Interest, dividend and other distributed income	16,670	32,983
Investment portfolio management costs	(1,011)	(1,100)
	\$ 13,522	\$ 51,871

13. NET ART BANK RESULTS

(in thousands of dollars)	2019	2018
Rental revenue	\$ 1,542	\$ 1,378
Other income	240	249
Administration expense	(1,802)	(1,869)
Amortization of other capital assets	(12)	(11)
	\$ (32)	\$ (253)

14. CANADIAN COMMISSION FOR UNESCO

(in thousands of dollars)	2019	2018
Program expenses	\$ 1,204	\$ 1,318
Program - contributions received	(103)	(12)
Administration expense	1,480	1,332
	\$ 2,581	\$ 2,638

Program expenses represent mainly the costs associated with the Commission's activities at national and international meetings related to education, science and culture. When applicable, these costs are offset by contributions received from other organizations partnering with the Commission on these activities. Administration expenses represent the direct costs of delivering the Commission's programs.

15. NET CHANGES IN OTHER NON CASH ITEMS

(in thousands of dollars)	2019	2018
(Increase) decrease in accounts receivable	\$ (66)	\$ 344
(Decrease) increase in grants, author payments and prizes payable	(1,466)	10,193
Increase (decrease) in accounts payable and accrued liabilities	740	(112)
(Decrease) increase in deferred revenues	(685)	293
Net change	\$ (1,477)	\$ 10,718

Notes to the Financial Statements (continued)

March 31, 2019

16. CONTRACTUAL OBLIGATIONS AND COMMITMENTS

a) Grants, author payments and prizes

Grants, author payments and prizes extending into future years are subject to the provision of funds by Parliament. Future year commitments for those payments approved prior to March 31, 2019 amounted to \$110,646,000 (2018 – \$185,771,000). The future payments of grant commitments as of March 31, 2019 are as follows:

(in thousands of dollars)	
2020	\$ 86,099
2021	24,272
2022	275

b) Rent

The Council is party to long-term operating leases with respect to rental accommodation. Future year payments related to operating leases as of March 31, 2019 amounted to \$66,039,000 (2018 – \$69,096,000). The future payments of operating leases as of March 31, 2019 are as follows:

(in thousands of dollars)	
2020	\$ 4,236
2021	4,315
2022	4,392
2023	4,473
2024	4,548
2025-2034	44,075

c) Investment commitments

The Council has committed funds with real estate and infrastructure investment managers through limited partnership funds. Because it takes time for those funds to be fully invested, the balance of committed capital not yet drawn at March 31, 2019 is \$4,429,000 (2018 – \$7,833,000). A portion of the outstanding balance of committed capital is currently invested in a preferred rate account in a financial institution.

d) Other commitments

The Council entered into various contracts during the year creating commitments of payments in future years. Future year payments related to these commitments as of March 31, 2019 amounted to \$3,405,000 (2018 – \$2,258,000). Future annual payments as of March 31, 2019, are as follows:

(in thousands of dollars)	Less than 1 year	Less than 3 years	Total
Tangible capital assets	\$ 1,814	\$ 175	\$ 1,989
Arts community services	520	175	695
General administration	370	48	418
Program Delivery	123	30	153
Net Art Bank results	150	-	150

17. CONTRACTUAL RIGHTS

Contractual rights are rights to economic resources arising from contracts or agreements that will result in revenues and assets in the future. The Council's contractual rights arise because of agreements or contracts signed with other government entities to support various activities that the Council will be administering. The following table summarizes the contractual rights of the Council for future assets:

(in thousands of dollars)	Less than 1 year	Less than 3 years	Total
Arts and Culture Program - 2020 Frankfurt Book Fair - partner with Global Affairs Canada	\$ 4,000	\$ 1,800	\$ 5,800
Festival Internacional Cervantino - partner Global Affairs Canada	200	-	200
UNESCO World Heritage Fund - partner with Parks Canada	100	-	100
Other activities - partner with various Federal Departments of Government of Canada	245	-	245
Art bank rental revenue	15	538	553

18. RELATED PARTY TRANSACTIONS

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

During the year, the Council incurred expenses totaling \$3,387,000 (2018 – \$2,448,000) and recorded rental revenues for the Art Bank assets, contributions and other revenues totaling \$1,100,000 (2018 – \$1,021,000) with related parties.

During the year, the Council received audit services without charge from the Office of the Auditor General. The estimated cost for these services is \$276,000 (2018: \$1,274,000 - included a Special Examination).

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

(in thousands of dollars)	2019	2018
Accounts receivable	\$ 311	\$ 501
Grants, author payments and prizes payable	508	44
Accounts payable and accrued liabilities	389	62
Deferred revenues	1,403	1,545

19. COMPARATIVE FIGURES

Certain 2018 figures have been reclassified to conform to the presentation adopted in 2019.

Notes to the Financial Statements (continued)
March 31, 2019

Schedule I - Grants, Author Payments and Prizes by Section

(in thousands of dollars)

	2019	2018
Arts Granting Programs		
Engage and Sustain	\$ 68,745	\$ 64,485
Explore and Create	68,020	57,802
Supporting Artistic Practice	31,517	33,439
Arts Across Canada	22,461	18,721
Arts Abroad	16,026	13,586
Creating, Knowing and Sharing: The Arts and Cultures of First Nations, Inuit and Métis Peoples	13,184	9,983
Digital Strategy Fund	24,100	6,151
Strategic Investments	2,505	2,197
Prizes	981	1,041
Public Lending Right	12,288	9,775
Killam Program		
Killam Research Fellowships	840	840
Killam Prizes	500	500
Other Prizes and Awards		
Vida Peene Award	171	43
Molson Prizes	100	100
John G. Diefenbaker Award	95	-
Other prizes and awards < \$75,000	310	229
	\$ 261,843	\$ 218,892

Notes to the Financial Statements (continued)
March 31, 2019

Schedule II - Other Expenses

(in thousands of dollars)				
	2019			2018
	Transfer Program Delivery	General Administration	Total	Total
Salaries and employee benefits	\$ 16,205	\$ 10,731	\$ 26,936	\$ 23,944
Office accommodation	28	3,714	3,742	3,599
Peers and advisory committees	2,945	-	2,945	3,077
Professional and special services	384	1,927	2,311	3,517
Amortization	605	1,091	1,696	1,642
Information management	79	846	925	792
Staff travel	541	148	689	497
Prizes presentation	458	-	458	380
Printing, publications and duplicating	4	348	352	310
Office expenses and equipment	-	251	251	215
Communications	1	246	247	276
Meeting expenses including members' honoraria	46	157	203	207
Miscellaneous	-	32	32	28
	\$ 21,296	\$ 19,491	\$ 40,787	\$ 38,484

Schedule III - Arts Community Services

(in thousands of dollars)		
	2019	2018
Partnership and networking	\$ 1,584	\$ 1,578
Research and consultation	893	748
Event costs	528	149
	\$ 3,005	\$ 2,475

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