



Canada Council
for the Arts

Conseil des arts
du Canada

Quarterly

Financial Report

Unaudited

Period ended June 30, 2023
Published August 31, 2023



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Management Discussion and Analysis

Quarterly Report

Period ended June 30, 2023
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INTRODUCTION

This narrative discussion relates to the financial results of the Canada Council for the Arts (the Council) for the three-month period ended June 30, 2023 as set out in the accompanying unaudited quarterly financial statements. These statements are disclosed in accordance with the requirements of section 131.1 of the Financial Administration Act and are prepared in accordance with Canadian Public Sector Accounting Standards (PSAS) as promulgated by the Chartered Professional Accountants (CPA) of Canada.

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

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

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

HIGHLIGHTS

Research on the Impact of Grants on First-Time Recipients

- On April 21, 2023, the Canada Council published the conclusions of a [research project on the impacts of grants on first-time recipients](#) conducted with Goss Gilroy Inc. This project aimed to describe the transformative and catalytic effects of a first-time grant, from immediate impacts on recipients to broader and longer-term community impacts. Among the conclusions, many first-time recipients indicated that a first Council grant provides a sense of legitimacy and validation, increases confidence, brings greater financial security, and allows recipients to maintain or expand their practice. Goss Gilroy engaged 782 first-time recipients through a survey, and 81 recipients through focus groups and interviews as well as held discussions with Council staff.

2023 Governor General's Awards in Visual and Media Arts

- The Council revealed on March 28, 2023 the names of the [2023 winners of the Governor General's Awards in Visual and Media Arts \(GGArts\)](#). This year, eight artists are being honoured in recognition of their exceptional careers and their remarkable contributions to visual arts, media arts and fine crafts. Each of the winners, chosen by peer assessment committees, received a \$25,000 prize and a bronze medallion. In addition, artistic video portraits of the winners, created by professional filmmakers from Canada, are available for viewing: [2023 Governor General's Awards in Visual and Media Arts - YouTube](#).

Not for Sale! exhibition

- The Council is presenting [Not for Sale!](#) at the 18th International Architecture Exhibition – La Biennale di Venezia from May 20 to November 26, 2023. The exhibition, curated by the collective Architects Against Housing Alienation (AAHA), constitutes Canada's official participation. The exhibition draws attention to the housing crisis being experienced by many communities across Canada. It describes and denounces the impact of real estate speculation that converts homes into financial assets, aggravating a range of issues including a general lack of affordability, precarious housing, and homelessness. It is also an invitation to work collaboratively within community environments to find creative, viable, ecological, and sustainable solutions.

Coming into Sight exhibition

- The Council's Art Bank is presenting the exhibition [Coming into Sight](#), which features 24 of its 72 [recently acquired artworks](#) to celebrate its 50th anniversary. The exhibition, which is open to the public at the [Council's Ajagemô art space](#) in downtown Ottawa from June 20, 2023, to May 20, 2024, presents a diversity of perspectives by artists from coast to coast to coast who tell their unique stories in all their complexity and richness. With themes ranging from a sense of community and belonging to a rejection of the status quo, the exhibition invites us to reflect on shared histories and futures.

Operational changes

None in current quarter

Leadership and Governance changes

New Director and CEO

On May 8, 2023, the Minister of Canadian Heritage announced the appointment of Michelle Chawla as the new Director and Chief Executive Officer of the Canada Council for the Arts for a five-year term, effective June 26, 2023. Most recently, she was the Council's Director General of Strategy, Public Affairs and Arts Engagement. She has also held many other senior positions at the Council, including Corporate Secretary and Director of Strategic Initiatives, Secretary-General for the Canadian Commission for UNESCO and Head of Arts Services. Michelle Chawla has extensive leadership experience in arts and culture policy, program development, equity, corporate governance, government and stakeholder relations, transformation initiatives, international engagement and cultural relations. She replaces Simon Brault, who was the Council's Director and CEO for nine years.

Overview of the First Quarter Net Results

(in thousands of dollars)	Three months ended June 30			
	2023	2022	Variance	% change
Revenue	5,101	4,926	175	4%
Expenses	(179,301)	(175,723)	(3,578)	2%
Government funding	133,000	125,000	8,000	6%
Deficit for the period	(41,200)	(45,797)	4,597	

The deficit for the quarter was \$41.2M compared to \$45.8M for the same period last year. This positive variance of \$4.6M is explained by the government funding requested and received during the quarter of \$133.0M, which was \$8.0M higher than the same period last year. This additional funding was offset by additional grants, author payments and prizes expenses of \$3.5M compared to the same period last year, explaining most of the additional expenses of \$3.6M in the current quarter.

The Council will continue to monitor its financial results with the aim of achieving a balanced budget.

Revenues

(in thousands of dollars)	Three months ended June 30		
	2023	2022	Increase/ (Decrease)
Net realized investment income	4,185	3,445	740
Other revenue	916	1,481	(565)
Total	5,101	4,926	175

Expenses

(in thousands of dollars)	Three months ended June 30		
	2023	2022	Increase/ (Decrease)
Grants, author payments and prizes	165,892	162,367	3,525
Transfer program delivery	6,472	6,702	(230)
Arts community services	997	286	711
Net Art Bank results	101	82	19
Canadian Commission for UNESCO	529	494	35
General administration	5,310	5,792	(482)
Total	179,301	175,723	3,578

Grants, author payments and prizes

The increase in the first quarter compared to the same quarter last year is explained by the timing of the competitions. The total year approved budget of \$321.3M is lower than that of the prior year by \$50M. In 2022-23, the Council had received parliamentary appropriations totaling \$50M for the Recovery Fund for Arts, Culture, Heritage, and Sport. These additional funds will not be received this year, decreasing the grants budget by the same amount.

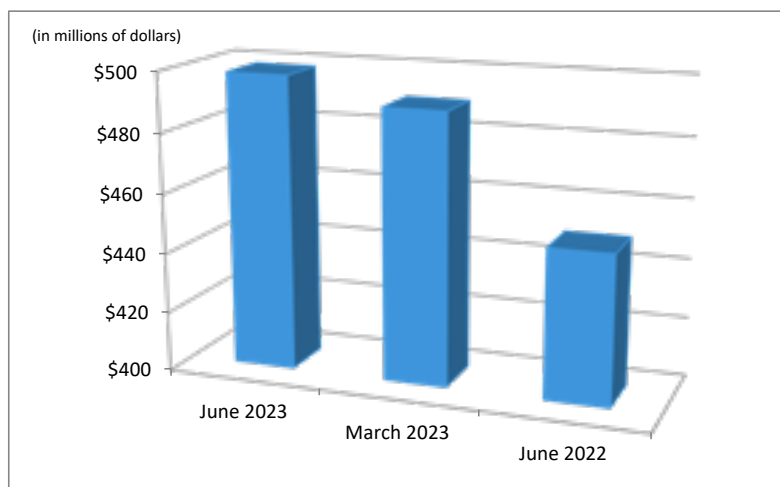
Assets

Financial Assets

(in thousands of dollars)	June 30, 2023	March 31, 2023	Increase/ (Decrease)
Cash	108,083	108,169	(86)
Accounts receivable	3,020	3,327	(307)
Portfolio investments	498,440	490,131	8,309
Total	609,543	601,627	7,916

Portfolio Investments

The total market value of the portfolio as at June 30, 2023 was \$498.4M, of which \$118.2M was externally restricted. This amount represents an increase of \$8.3M in market value since March 31, 2023, and of \$48.7M since June 30, 2022.



The total fund generated a positive return of 1.5% for the quarter, underperforming the benchmark return by 0.6%. Real Estate was the main reason for this underperformance. The total fund one-year return was 13.7% for June 2023, surpassing the benchmark by 1.9%. All asset classes generated positive one year returns, except for real estate generating a negative return of 2.8% and underperforming the benchmark by 3.1%.

Liabilities

(in thousands of dollars)	June 30, 2023	March 31, 2023	Increase/ (Decrease)
Grants, author payments and prizes payable	187,107	137,292	49,815
Accounts payable and accrued liabilities	6,230	7,674	(1,444)
Deferred revenues	5,525	5,461	64
Employees future benefits	5,800	5,721	79
Externally restricted contributions	75,956	74,667	1,289
Total	280,618	230,815	49,803

Grants, author payments, and prizes payable

The increase of \$49.8M in comparison to the value as at March 31, 2023 arises from annualized core funding grants becoming payable with the new fiscal year.

Non-Financial Assets

(in thousands of dollars)	June 30, 2023	March 31, 2023	Increase/ (Decrease)
Tangible capital assets	7,623	8,016	(393)
Art Bank assets	19,870	19,849	21
Musical instruments	1	1	-
Prepaid expenses	3,366	362	3,004
Total	30,860	28,228	2,632

Art Bank assets

The Council owns over 17,200 works of contemporary Canadian art within its Art Bank collection. The Art Bank assets are carried at a cost of \$19.9M. The appraised value of the Art Bank assets at June 30, 2023 was approximately \$73.2M.

Musical instruments

The Council operates a Musical Instrument Bank and it currently owns a fine cello bow and twelve prestigious musical instruments. In addition, the Council manages twelve instruments on loan. The appraised value of its musical instruments as at June 30, 2023 was US \$70.9M. These are included on the Statement of Financial Position at a nominal value.

Prepaid expenses

The increase of \$3.0M in comparison to the value as at March 31, 2023 is explained by the transfer to the National Research Council for the delivery of the 2023-24 Killam program.

RISK MANAGEMENT

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

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

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

Risk Governance

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

Risk Appetite

The Council follows a prudent risk-taking approach in managing its activities. It defines prudent risks as those seen to contribute to the organization's capacity to better deliver its mandate within a range of consequences that are well understood and appropriately mitigated. It manages risk within the constraints of its mandate, values, organizational culture, and both its public and internal commitments. The Council's full Risk Appetite Statement is disclosed in the 2022 Annual Financial Statements.

Risk Profile

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

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

Financial Risk

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

USE OF PARLIAMENTARY APPROPRIATION

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

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

The Parliamentary appropriations approved and received by the Council during the first quarter were as follows:

	June 30	
	2023	2022
(in thousands of dollars)		
Approved annual operating funding		
Vote 1 - Operating costs	364,239	414,189
Parliamentary appropriations recorded in the Statement of Operations for the three-month period	(133,000)	(125,000)
Balance of operating funding to be received	231,239	289,189



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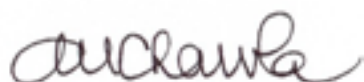
These financial statements for the quarter ended June 30, 2023
have not been audited or reviewed by our Auditor

Management's Responsibility for Financial Reporting


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

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

August 31, 2023



Michelle Chawla
Director and Chief Executive Officer



Eva Jacobs, CPA, CGA
Chief Financial Officer

Statement of Financial Position

(Unaudited)	June 30	March 31
(in thousands of dollars)	2023	2023
FINANCIAL ASSETS		
Cash	\$ 108,083	\$ 108,169
Accounts receivable	3,020	3,327
Portfolio investments (Note 3)	498,440	490,131
Total financial assets	609,543	601,627
LIABILITIES		
Grants, author payments and prizes payable	187,107	137,292
Accounts payable and accrued liabilities	6,230	7,674
Deferred revenues	5,525	5,461
Employee future benefits	5,800	5,721
Deferred revenues - Externally restricted contributions (Note 5)	75,956	74,667
Total liabilities	280,618	230,815
NET FINANCIAL ASSETS	328,925	370,812
NON-FINANCIAL ASSETS		
Tangible capital assets	7,623	8,016
Art Bank assets	19,870	19,849
Musical instruments	1	1
Prepaid expenses	3,366	362
Total non-financial assets	30,860	28,228
ACCUMULATED SURPLUS (Note 6)	\$ 359,785	\$ 399,040
Accumulated surplus is comprised of:		
Accumulated surplus from operations	334,330	375,530
Accumulated remeasurement gains	25,455	23,510
ACCUMULATED SURPLUS	\$ 359,785	\$ 399,040

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

Statement of Operations

(Unaudited) (in thousands of dollars)	Yearly Budget 2023-2024	Three months ended June 30	
		2023	2022
Revenue			
Net realized investment income (Note 7)	\$ 16,176	\$ 4,185	\$ 3,445
Other revenues	4,417	916	1,481
Total revenues	20,593	5,101	4,926
Expenses			
Transfer Programs			
Grants, author payments and prizes	321,256	165,892	162,367
Transfer program delivery	30,501	6,472	6,702
Arts community services	4,649	997	286
	356,406	173,361	169,355
Net Art Bank results (Note 8)	254	101	82
Canadian Commission for UNESCO (Note 9)	2,868	529	494
General administration	25,310	5,310	5,792
Total expenses	384,838	179,301	175,723
Deficit from operations before Parliamentary appropriations for the period	(364,245)	(174,200)	(170,797)
Parliamentary appropriations	364,239	133,000	125,000
DEFICIT FROM OPERATIONS FOR THE PERIOD	(6)	(41,200)	(45,797)
ACCUMULATED SURPLUS FROM OPERATIONS, BEGINNING OF PERIOD	375,530	375,530	365,377
ACCUMULATED SURPLUS FROM OPERATIONS, END OF PERIOD	\$ 375,524	\$ 334,330	\$ 319,580

Statement of Remeasurement Gains and Losses

(Unaudited) (in thousands of dollars)	Three months ended June 30	
	2023	2022
ACCUMULATED REMEASUREMENT GAINS, BEGINNING OF PERIOD	\$ 23,510	\$ 31,594
Unrealized gains (losses) attributable to:		
Portfolio investments	2,240	(39,033)
Amounts reclassified to the Statement of Operations:		
Portfolio investments	(295)	332
NET REMEASUREMENT GAINS (LOSSES) FOR THE PERIOD	1,945	(38,701)
ACCUMULATED REMEASUREMENT GAINS (LOSSES), END OF PERIOD	\$ 25,455	\$ (7,107)

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

Statement of Changes in Net Financial Assets

(Unaudited)	Three months ended June 30	
	2023	2022
(in thousands of dollars)		
DEFICIT FROM OPERATIONS FOR THE PERIOD	\$ (41,200)	\$ (45,797)
Acquisition of tangible capital assets	(26)	(288)
Amortization of tangible capital assets	419	413
Acquisition of Art Bank assets	(21)	(3)
	372	122
Acquisition of prepaid expenses	(3,551)	(409)
Use of prepaid expenses	547	298
	(3,004)	(111)
Net remeasurement gains (losses)	1,945	(38,701)
DECREASE IN NET FINANCIAL ASSETS	(41,887)	(84,487)
NET FINANCIAL ASSETS, BEGINNING OF PERIOD	370,812	369,393
NET FINANCIAL ASSETS, END OF PERIOD	\$ 328,925	\$ 284,906

Statement of Cash Flows

(Unaudited)	Three months ended June 30	
	2023	2022
(in thousands of dollars)		
Operating Transactions		
Deficit from operations for the period	\$ (41,200)	\$ (45,797)
(Gains) losses from disposal of portfolio investments (Note 7)	(409)	343
Dividend and other distributed income - reinvested (Note 7)	(3,395)	(3,883)
Amortization of tangible capital assets	419	413
Increase in prepaid expenses	(3,004)	(111)
Increase in employee future benefits	79	124
Income transferred to Deferred revenues - Externally restricted contributions from investment income (Note 5)	727	940
Net change in other non-cash items (Note 10)	48,742	61,407
Cash provided by operating activities	1,959	13,436
Capital Transactions		
Acquisition of tangible capital assets	(26)	(288)
Acquisition of Art Bank assets	(21)	(3)
Cash used by capital activities	(47)	(291)
Investing Transactions		
Acquisition of portfolio investments	(8,271)	(6,002)
Disposal of portfolio investments	6,273	4,028
Cash used by investing activities	(1,998)	(1,974)
NET (DECREASE) INCREASE IN CASH	(86)	11,171
CASH, BEGINNING OF PERIOD	108,169	124,935
CASH, END OF PERIOD	\$ 108,083	\$ 136,106

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

Notes to the Financial Statements

For the period ended June 30, 2023

(Unaudited)

1. AUTHORITY, MANDATE AND ACTIVITIES

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

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

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

3. PORTFOLIO INVESTMENTS

	Year-to-date June 30, 2023					Year-end March 31, 2023		
	Cost	Unrealized losses	Unrealized gains	Fair value		Cost	Fair value	
(in thousands of dollars)	\$	\$	\$	\$	%	\$	\$	%
Canada Council Endowment and Special Funds								
Pooled funds								
Canadian Equity	46,453	-	9,682	56,135	14	46,046	57,107	14
Global Equity	191,672	6,987	16,713	201,398	49	194,850	199,501	49
Fixed income	83,506	1,241	408	82,673	20	82,752	82,899	20
Real estate	22,543	1,224	1,379	22,698	5	17,449	18,399	5
Infrastructure	41,222	7	9,282	50,497	12	39,544	48,623	12
	385,396	9,459	37,464	413,401	100	380,641	406,529	100
Killam Fund								
Pooled funds								
Canadian Equity	11,495	-	1,188	12,683	15	11,393	12,874	15
Global Equity	39,385	1,443	3,146	41,089	48	40,118	40,783	49
Fixed income	17,156	269	84	16,971	20	17,001	17,017	50
Real estate	4,899	245	351	5,004	6	3,880	4,157	5
Infrastructure	7,657	2	1,638	9,292	11	7,152	8,771	11
	80,592	1,959	6,407	85,039	100	79,544	83,602	100
Total Portfolio investments	465,988	11,418	43,871	498,440		460,185	490,131	

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

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

Basis of preparation

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

Measurement uncertainty

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

Budgeted figures

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

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

The Council manages two separate portfolios, the Canada Council Endowment and Special Funds and the Killam Fund. The Killam will requested that their donation be invested separately. Apart from the Killam Fund, all other externally restricted contributions are consolidated into the Canada Council Endowment and Special Funds and represent 8% (March 31, 2023 - 8%) of that Fund with a total fair value of \$33,113,000 (March 31, 2023 - \$32,563,000). The total fair value of the externally restricted investment including the Killam Fund is \$118,152,000 (March 31, 2023 - \$116,165,000).

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

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

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

Asset Classes	Market Value	Minimum	Benchmark	Maximum
Canadian equities	14%	10%	14%	20%
Global equities	48%	40%	46%	55%
Fixed income	20%	10%	20%	45%
Real estate	6%	0%	10%	15%
Infrastructure	12%	0%	10%	15%
Money market/Cash	0%	0%	0%	10%

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

There are a total of six equity pooled funds: two Canadian funds and four funds that are invested in the global equity markets. The Canadian equities are measured against the returns of the Standard and Poor's Toronto Stock Exchange Index (S&P/TSX). The global equities are measured against the returns of the Morgan Stanley Capital International (MSCI) All Country World Index. Investments in the fixed income pooled fund are comprised of a mix of bonds, mortgages, emerging debt and other fixed income instruments. The Universe Bonds' portion of the fixed income funds is measured against the returns of the FTSE Canada Universe Bond Index and the Mortgages' portion is measured against the FTSE Canada Short-Term Overall Bond Index. The assets included in the real estate funds are commercial real estate properties in Canada, the United States and globally. These investments are measured against the returns of the Investment Property Databank. The infrastructure funds include portfolios of diversified infrastructure investments. These investments are measured against the Consumer Price Index (CPI) plus 4.5%.

4. FINANCIAL RISKS AND FAIR VALUE

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

(in thousands of dollars)		Year-to-date June 30, 2023	Year-end March 31, 2023
Financial assets and liabilities	Measurement categories	Carrying amount and fair value (\$)	Carrying amount and fair value (\$)
Cash	Fair value	108,083	108,169
Accounts receivable	Amortized cost	3,020	3,327
Portfolio Investments ¹	Fair value	498,440	490,131
Grants, author payments and prizes payable	Amortized cost	187,107	137,292
Accounts payable and accrued liabilities	Amortized cost	6,230	7,674

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

a) Establishing fair value

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

The fair values of the investments are determined as follows:

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

- Real estate and Infrastructure investment values are supplied by the external fund managers using internally determined appraisals based on valuation models with unobservable inputs.

b) Fair value hierarchy

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

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

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

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

Financial assets at fair value

	Year-to-date June 30, 2023				Year-end March 31, 2023			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
(in thousands of dollars)	\$	\$	\$	\$	\$	\$	\$	\$
Cash	108,083	-	-	108,083	108,169	-	-	108,169
	108,083	-	-	108,083	108,169	-	-	108,169
Portfolio Investments								
Canada Council Endowment and Special Funds								
Pooled Funds								
Canadian Equity	-	56,135	-	56,135	-	57,107	-	57,107
Global Equity	-	201,398	-	201,398	-	199,501	-	199,501
Fixed Income	-	61,640	21,033	82,673	-	61,827	21,072	82,899
Real Estate	-	-	22,698	22,698	-	-	18,399	18,399
Infrastructure	-	-	50,497	50,497	-	-	48,623	48,623
Killam Fund								
Pooled Funds								
Canadian Equity	-	12,683	-	12,683	-	12,874	-	12,874
Global Equity	-	41,089	-	41,089	-	40,783	-	40,783
Fixed Income	-	12,662	4,309	16,971	-	12,700	4,317	17,017
Real Estate	-	-	5,004	5,004	-	-	4,157	4,157
Infrastructure	-	-	9,292	9,292	-	-	8,771	8,771
	-	385,607	112,833	498,440	-	384,792	105,339	490,131
Total	108,083	385,607	112,833	606,523	108,169	384,792	105,339	598,300

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

5. DEFERRED REVENUES - EXTERNALLY RESTRICTED CONTRIBUTIONS

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

<i>(in thousands of dollars)</i>	Year-to-date June 30, 2023	Year-end March 31, 2023
Balance, beginning of period	\$ 74,668	\$ 75,817
Transferred from investment income (Note 7)		
Net Investment income	850	4,029
Use of funds	(123)	(2,711)
	727	1,318
Unrealized gains (losses) on portfolio investment	644	(2,625)
Reclassified to statement of operations - portfolio investments	(83)	157
Balance at end of period	\$ 75,956	\$ 74,668

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

6. ACCUMULATED SURPLUS

<i>(in thousands of dollars)</i>	Year-to-date June 30, 2023	Year-end March 31, 2023
Accumulated surplus from operations		
Endowment - Original contribution	\$ 50,000	\$ 50,000
Endowment principal – Externally restricted contributions	37,569	37,569
Reserve for excess investment income		
Balance at beginning of the period	261,445	253,445
Appropriated from the accumulated surplus during the period	-	8,000
Balance at end of the period	261,445	261,445
Surplus		
Balance at beginning of the period	26,516	24,363
Appropriated to the reserve for excess investment income during the period	-	(8,000)
(Deficit) surplus for the period	(41,200)	10,153
Balance at end of the period	(14,684)	26,516
Total accumulated surplus from operations	334,330	375,530
Accumulated remeasurement gains (losses)		
Balance at beginning of the period	23,510	31,594
Change in fair value	1,945	(8,084)
Balance at end of the period	25,455	23,510
Balance of accumulated surplus at end of period	\$ 359,785	\$ 399,040

7. NET REALIZED INVESTMENT INCOME

(in thousands of dollars)	Three months ended June 30	
	2023	2022
Gains (Losses) from disposal of portfolio Investments	\$ 409	\$ (343)
Transfer to deferred revenues -		
Externally restricted contributions (Note 5)	(727)	(941)
Net gains on foreign exchange	10	8
Dividend and other distributed income - reinvested	3,395	3,883
Interest, dividend and other distributed income - cashed	1,568	1,370
Investment portfolio management costs	(470)	(532)
	\$ 4,185	\$ 3,445

8. NET ART BANK RESULTS

(in thousands of dollars)	Three months ended June 30	
	2023	2022
Rental revenue	\$ (436)	\$ (402)
Other income	(35)	(40)
Administration expense	572	523
Amortization of other capital assets	-	1
	\$ 101	\$ 82

9. CANADIAN COMMISSION FOR UNESCO

(in thousands of dollars)	Three months ended June 30	
	2023	2022
Program expenses	\$ 109	\$ 218
Program - contributions received	-	(225)
Administration expense	420	501
	\$ 529	\$ 494

10. NET CHANGE IN OTHER NON-CASH ITEMS

(in thousands of dollars)	Three months ended June 30	
	2023	2022
Decrease in accounts receivable	\$ 307	\$ 4,824
Increase in grants, author payments and prizes payable	49,815	58,176
Decrease in accounts payable and accrued liabilities	(1,444)	(2,076)
Increase in deferred revenues	64	483
Net change	\$ 48,742	\$ 61,407

11. RELATED PARTY TRANSACTIONS

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