



Canada Council
for the Arts

Conseil des arts
du Canada

2023-24 Annual Report



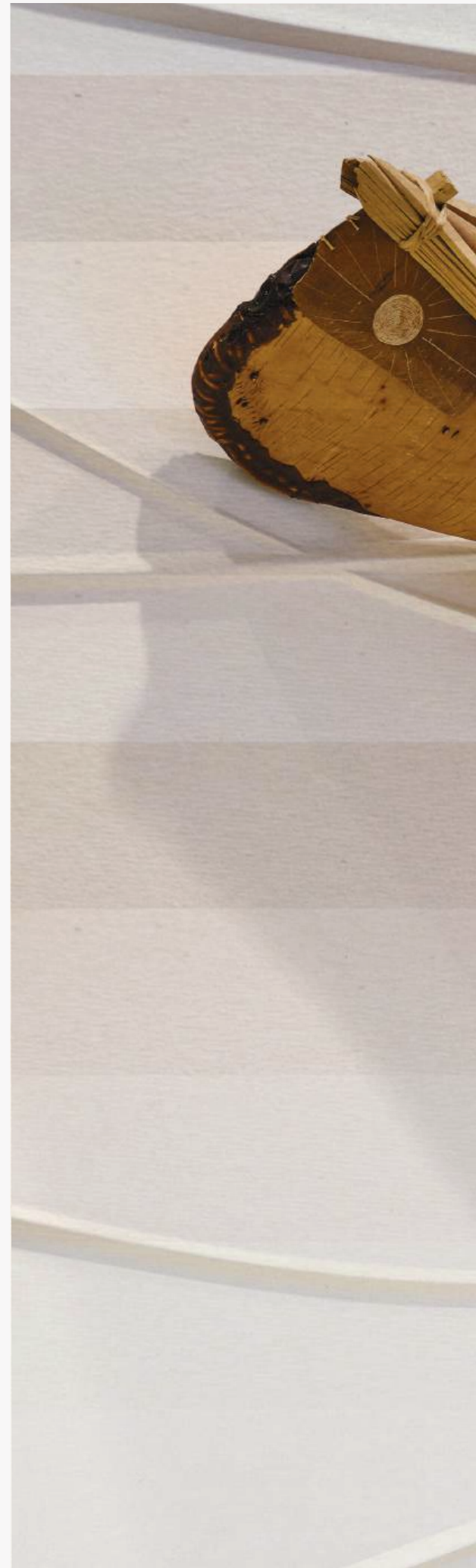
Photo: For Indigenous people, the canoe holds a special and unique place in their relationship with the land.

Virtually unchanged for thousands of years, now used and enjoyed by generations of Canadians, the canoe is an enduring symbol of Indigenous presence, cultural continuity, and our shared future on this land. Algonquin canoes are made of birch bark and sewn with spruce roots. Its construction speaks to the relationship the Algonquin Peoples have with the environment around them, a relationship built on respect for the interrelationship of all things. The canoe epitomizes the relationship with our Mother, the Earth, and the waterways that are its lifeblood.

The canoe and the "idea" of the canoe give us an opportunity to pause and reflect on this most vital of relationships.

The Algonquin Canoe, 2012, Daniel (Pinock) Smith, birch bark canoe, cedar ribs, cedar paddles. Canada Council Art Bank collection. Photo: Christian Lalonde

This canoe is on permanent display in the Ajagemô exhibition space, located at the Council's offices in Ottawa.



**Canada Council
for the Arts**

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

Canada

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The 67th Annual Report of the Canada Council for the Arts and supplementary information on grants, services and prizes are available on the Council's website.



**THE CANADA COUNCIL FOR THE ARTS
ACKNOWLEDGES THAT THE LAND ON
WHICH ITS OFFICES ARE LOCATED IS THE
UNCEDDED, UNSURRENDERED TERRITORY
OF THE ANISHINAABE ALGONQUIN NATION,
WHOSE PRESENCE HERE REACHES BACK
TO TIME IMMEMORIAL.**

The Council recognizes the Algonquins as the customary keepers and defenders of the Ottawa River Watershed and its tributaries. We honour their long history of welcoming many nations to this beautiful territory and uphold and uplift the voice and values of our host Nation.

Further, the Council respects and affirms the inherent and treaty rights of all Indigenous Peoples across this land. The Council has honoured and will continue to honour the commitments to self-determination and sovereignty it has made to Indigenous Nations and Peoples.

The Council acknowledges the historical oppression of lands, cultures, and the original Peoples in what we now know as Canada and fervently believes the arts contribute to the healing and decolonizing journey we all share.

This land acknowledgement was developed by members of the Algonquin community, and we thank them for their generosity and collaboration.

MANDATE

The Canada Council for the Arts contributes to the vibrancy of a creative and diverse arts and literary scene and supports its presence across Canada and around the world. The Council 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's grants, services, initiatives, prizes, and payments support artists, authors, and arts groups and organizations from Canada. This support allows them to pursue artistic expression, create works of art, and promote and disseminate the arts and literature.

Through its arts funding, communications, research, and promotion activities, the Council fosters ever-growing engagement of audiences in Canada and abroad.

The Council's Public Lending Right (PLR) program makes annual payments to creators whose works are held in Canadian public libraries.

The Council's Art Bank operates art rental programs and helps further public engagement with contemporary arts through exhibition and outreach activities.

The Council is responsible for the Canadian Commission for UNESCO, which promotes the values and programs of UNESCO to contribute to a future of peace, reconciliation, equity, and sustainable development.

The Council is governed by an 11-member Board. 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.

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MESSAGE FROM THE CHAIR

The third year of our 2021–26 strategic plan has been marked by the appointment of Michelle Chawla as Director and CEO of the Canada Council for the Arts.

Michelle Chawla knows the Council and the arts funding landscape well, and perfectly embodies their values while looking to the future, particularly with a leadership style rooted in openness and dialogue. Her leadership and the importance she places on building trusting relationships have been instrumental in forming close collaborations with the sector.

The Council has made significant progress in fulfilling its commitments in the past year,

for example by responding to the needs of the sector through new approaches to partnership and collaboration. To illustrate, we have jointly implemented three distinct co-delivery initiatives to better support Indigenous and other northern communities. The Council now has partners on the ground—in the Yukon, the Northwest Territories and Inuit Nunangat—who enable it to adopt a new way of serving artists, to improve access to funding support from the Council, and to reduce barriers Indigenous communities face in accessing public funding.

I would like to thank the members of the Board. During these challenging times for the arts sector, their expertise provides invaluable



reassurance. I am delighted that the Board can benefit from such a range of skills and perspectives, reflecting the rich diversity of society in Canada.

We must look to the future with cautious optimism. I am fully aware that many challenges lie ahead, some foreseeable and some less so—but I remain convinced that, together, we can overcome any obstacle.

JESSE WENTE
CHAIR



MESSAGE FROM THE DIRECTOR AND CEO

My term as Director and CEO began in June 2023, and this last year has been dynamic and profoundly enriching. Above all, I wanted to ensure that the Council's change in leadership was carried out in a way that reflected the Council values and those that I uphold: openness, respect and trust.

My main focus has therefore been on building new relationships and strengthening existing ones, primarily with the arts sector, but also with a number of other important stakeholders.

My many conversations with artists, arts organizations and other arts funders at the provincial, territorial and municipal levels have given me a clear understanding of the

challenges faced by the arts sector, including a slow and uneven post-pandemic recovery, rising costs and declining revenues. As a result, the Council is focusing on the many challenges that are common to the entire sector, across Canada.

The Council has focused on understanding regional differences while continuing to support the sector in alignment with the commitments set out in the 2021–26 strategic plan.

I would like to take this opportunity to thank the Board and its members for their continued support. I would also like to thank the Council's employees for their dedication and service to the arts sector.



And finally, I recognize and value the talent and resilience of artists, arts groups and organizations. Despite the current context, I remain optimistic and inspired by their creativity.

I am convinced that it is by working together that we will find the solutions we need to rebuild a more equitable and sustainable arts sector across all parts of the country, for the benefit of everyone in Canada.



A handwritten signature in black ink that reads "Michelle Chawla".

MICHELLE CHAWLA
DIRECTOR AND CEO



OUR 2023-24 FUNDING AT A GLANCE

1,911

ARTS ORGANIZATIONS
RECEIVED \$206.8M
IN FUNDING

3,570

ARTISTS RECEIVED \$82.2M
IN FUNDING

473

GROUPS RECEIVED \$18.8M
IN FUNDING

18,247

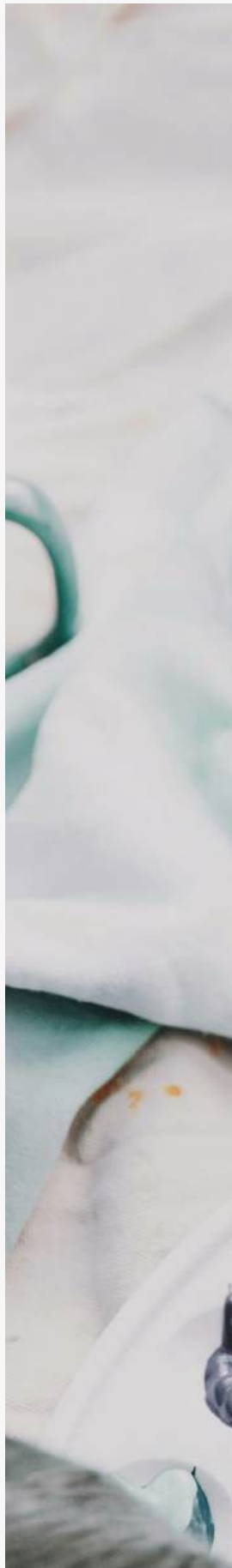
CREATORS RECEIVED PUBLIC
LENDING RIGHT PAYMENTS
TOTALING \$14.7M, OF WHICH
\$1.2M WAS AWARDED TO
NEWLY REGISTERED TITLES

2,171

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

758

ARTISTS AND ARTS
PROFESSIONALS SERVED AS
PEER ASSESSORS, OF WHICH
309 WERE FIRST-TIME PEER
ASSESSORS





KEY ACCOMPLISHMENTS

The 2023–24 year began with Michelle Chawla taking on the role of Director and CEO for a five-year term. Under her leadership, the Council has shifted towards a more transparent and relational approach in its work with the sector, as will be highlighted in this section.



This past year has seen the Council navigate both the end of time-limited pandemic-related recovery funding—and a return to its base budget—as well as the government-wide Refocusing Government Spending initiative. This initiative has meant that, for the first time in many years, the Council had to reduce its spending by \$125,000, and will continue to lower its spending incrementally over three years: \$3.63 million in 2024–25, \$7.33 million in 2025–26 and \$9.88 million in 2026–27. These amounts are not cumulative; \$9.88 million represents 2.7% of the Council's current funding from the government. Minimizing the impact on the arts sector is top of mind, as the Council is acutely aware of the many challenges the sector is facing.

In the past year, the Council has focused much of its attention on how best to support the arts sector. First, recovery from the pandemic has been slow and uneven across

Canada. Furthermore, individual artists and arts organizations alike are facing greater precarity in a context of inflation, higher creation, production and presentation costs, and a lack of affordable housing, studio and presentation spaces. In addition, arts organizations across the country have been especially impacted by shifting audience and donor behaviours, which has led to lower revenues, subscriptions and donations.

And yet, in the midst of this challenging context, artists and arts organizations across the country have demonstrated an extraordinary dedication, passion and resilience. For its part, the Council explored newer and better ways of working alongside and in support of the sector, helping move towards a shared vision for a sustainable future for the arts in Canada.



KEY ACCOMPLISHMENTS

Meeting the sector's needs in new ways

Despite the challenges of the past year, the Council continued to advance on the commitments made in its 2021–26 Strategic Plan, *Art, now more than ever*. The Council is making tremendous and lasting impact in all parts of the arts sector, across all parts of Canada.

In 2023–24, the Council successfully delivered \$325.6 million in funding to artists, arts groups and organizations across the country, representing the highest investment in the arts sector in the Council's history other than during the pandemic. This means that 88% of the Council's parliamentary appropriations went directly into the arts sector. This funding supported artistic and literary creation and helped foster increased access to the arts to publics across Canada and around the world. It created shared experiences that enabled audiences to connect with one another, fostering a sense of belonging in more than 2,000 communities in every region of the country. The Council also continued to support Indigenous, racialized, Deaf and disability and official language minority communities.

While we continue to support the sector in the ways we always have—primarily by

providing funding for the creation and dissemination of artistic and literary works from Canada—we are also investing more in transformative projects, partnerships and initiatives designed to respond in new and innovative ways to pressing socio-economic issues that are having significant impacts on the arts sector and society more broadly. Over the last year, it has become clear that all parts of the sector are facing financial precarity and questions of long-term sustainability. Many arts organizations have had a particularly difficult time recovering from the impacts of the pandemic and inflationary pressures and are in need of additional support to adapt to a rapidly evolving arts ecosystem.

To respond to this need, the Council partnered with several organizations and other funders to increase access to programs that help arts organizations build resiliency

and explore new business and revenue models. One of these partnerships was with Scale Collaborative, which provided support to 15 arts service organizations from across the country to participate in their Thriving Non-Profits program. The participating organizations learned different strategies for achieving financial resilience and greater community impact. Following a successful pilot year, the Council renewed this partnership, which will make it possible for up to 45 more arts organizations to take part in the program in the coming year. On a regional scale, the Council is also investing in the Catalyst and Transformation Fund, in Toronto, the Future Focus Program, in Calgary, and the Invent and Adapt Program, in Edmonton, all of which are helping

organizations build the skills they need to adapt to a changing arts ecology.

Arts organizations are not alone in their struggles, as more and more artists are also facing increased precarity. This is especially true as it becomes more challenging to find affordable spaces to live and work in, in cities across the country. The Council is helping to tackle this pressing issue by working closely with municipal arts funders and cities through the Creative Space Initiative. This partnership is supporting pilot projects in Toronto, Vancouver, Calgary and Montréal to develop potential innovative solutions to issues around the availability and affordability of creative spaces for both artists and arts organizations in these cities.



MAKING PROGRESS ON THE 2021–26 STRATEGIC FUNDING COMMITMENTS

As at March 31, 2024

50%

On Track

or more of total funding allocated to project funding

In 2023–24:

53% project funding

47% core funding

2020–21 Baseline: 54% of total funding (base budget) allocated to project funding

20%

On Track

of project funding to first-time recipients

In 2023–24, a total of \$33.8M awarded to first-time recipients of project funding:

21% to first-time

79%

\$100M

On Track

to support Indigenous arts and culture

\$92.5M Actuals



\$200M

On Track

for the innovative rebuilding of the arts sector

\$152.2M Actuals

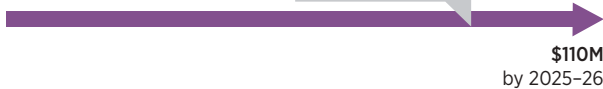


\$110M

On Track

to support international activities

\$82.8M Actuals



\$74M

On Track

investment in the Public Lending Right Program

\$44.6M Actuals



KEY ACCOMPLISHMENTS

Building connections, trust and transparency with the sector

To be more effective in supporting the arts sector, the Council has been working hard to build better relationships with stakeholders. Over the past year, the Council has engaged in many important and necessary conversations, and it is through these exchanges that the Council is working with the sector to build a shared vision for the future.

Since taking on the role of Director and CEO in June 2023, Michelle Chawla has had numerous conversations—in person and online—with hundreds of arts organizations, artists and arts funders from across the country. Every conversation has been an opportunity to reinforce the Council's commitment to listening, to better understanding and responding to the sector's needs and to working with the sector to address challenges and priorities.

The reach and impact of these conversations has been significant, building trust and strengthening the Council's relationship with the sector.

In response to feedback from many artists and arts organizations, the Council also made a commitment to being more open and transparent with the sector. To that end, the CEO published two letters to the community—the first in December 2023 and



the second in February 2024. The letters signaled a positive shift towards greater openness, providing reassurance and much-needed context to the Council's stakeholders. They are also a means for the Council to share data in a more proactive and accessible way, helping the sector better understand reductions to the Council's budget, funding competition results and the distribution of Council funding more broadly. Stakeholders have shared that communications of this kind are appreciated and necessary and are helping set the stage for a renewed relationship between the sector and the Council.

The Council is also exploring new approaches to the way it works, shifting how it reaches out and connects with communities that do not have a history with the Council, and strengthening its relationships with existing stakeholders. In 2023–24, the Council developed new approaches to outreach in order to better serve arts communities across the country, which included virtual and in-person public information sessions and workshops for underserved and marginalized communities. In response to many requests from applicants and in an effort to better connect and engage with the sector, the Council also piloted group application feedback sessions as a way to provide advice to unsuccessful applicants in the context of high application volume.

The Coming Into Sight exhibition, featuring the 50th Anniversary Art Bank Acquisitions, held at the Âjagemô Exhibition Space in the Council's offices between June 20, 2023 and May 20, 2024.



KEY ACCOMPLISHMENTS

Fostering meaningful collaborations and partnerships across regions and communities

In addition to all the ways in which the Council is improving how it reaches and supports applicants and grant recipients, it is also being more thoughtful when engaging in collaborations, partnerships and initiatives with regions and communities across Canada and around the world.

As the Council moves toward providing more equitable access to its funding across all regions, it is working closely with provincial and municipal arts funding counterparts to better understand the distinct needs and challenges in different parts of the country. As one example, over the past year the Council established a working group with arts funders in Alberta, a region that has historically received a lower share of Council funding compared to its share of artists and population in Canada. The working group includes the Alberta Foundation for the Arts, the Calgary Arts Development Authority, and the Edmonton Arts Council. The Council is working closely with these funders to exchange and analyze funding data and to gain a better

understanding of the context, issues and challenges in the province, which will help inform strategies to address artists and arts organizations' access to Council funding.

The Council is also continuing to honour its commitment to strengthening its presence and relationships in the North, with an emphasis on co-delivery and self-determination. The Council's successful co-delivery initiatives with the Inuit Art Foundation and the Government of Yukon were both renewed this past year and, in October 2023, the Council announced a new three-year co-delivery agreement with the Government of the Northwest Territories. This new agreement focuses on priorities identified by the arts sector in the Northwest

Territories, including capacity-building for Indigenous and non-Indigenous arts organizations, as well as sector development. For the Council, these co-delivery initiatives represent a different way of working, as they are administered by and for the North to meet the unique needs and priorities of the region.

Every year, the Council awards a broad range of prizes to more than 200 artists across Canada in recognition of their artistic accomplishments, such as the prestigious Governor General’s Literary Awards and the Governor General’s Visual and Media Arts Awards. In addition to its suite of annual and recurring prizes, this past year the Council recognized the achievements of a group of Indigenous cultural carriers, demonstrating its desire to foster deeper, more meaningful relationships with Indigenous communities across the country. In September 2023, the Council honoured four Indigenous

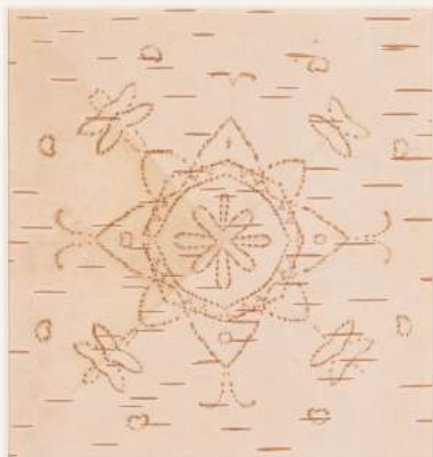
cultural carriers whose artistic and cultural contributions have furthered the use and promotion of Indigenous languages—including Blackfoot, Kwakwaka and Mi’kmaq. Each of the four honourees was awarded \$10,000 and an Honorary Recognition of Cultural Carriers. To help bring this noteworthy initiative to life, the Canadian Commission for UNESCO contributed to this award as part of its support for the United Nations International Decade of Indigenous Languages.

In addition, in early 2024, the Council honoured and reinforced its relationship with the Anishinaabe Algonquin Nation—upon whose unceded territory the Council’s offices are located—by making a concerted effort to support visual artists in the area. The Canada Council Art Bank made a significant purchase of nine works of art by seven contemporary Anishinaabe Algonquin artists for its collection. Six of the seven



Nadia Myre, [In]tangible tangles (E165022-0-A) & (E131262-0-B) (2021), digital photograph. Photo : Brandon Clarida Image Services

artists are new to the Art Bank collection, including a range of emerging, mid-career and senior artists from across the territory. The purchase not only increases the number of works by Anishinaabe Algonquin artists in the Art Bank collection, but also deepens the Council's commitment to its host nation. Moreover, in 2023–24, the *Coming into Sight* exhibition that was held in the Council's Âjagemô Exhibition Space featured works on themes ranging from a sense of community and belonging to a rejection of the status quo. The exhibition invited people to reflect on shared histories and futures.



Mairi Brascoupé, Bloom (2024), birch bark biting.
Photo : Brandon Clarida Image Services

As the Council strengthens its ties to communities and regions across Canada, it also continues to build bridges and collaborate with partners on an international scale. In September 2023, the Council sent a delegation of theatre artists from Francophone minority language communities across Canada to Les Zébrures d'automne, a festival in Limoges, France, where French-speaking Canada was the guest of honour. This initiative helped the Council reinforce its support for official language minority communities and created valuable opportunities for the selected artists to expand their international networks.

In 2023–24, the Council also continued its partnership with Arts Council Korea, in collaboration with the Department of Canadian Heritage, launching a second call for proposals for its Canada-Korea Co-creation Fund. The Fund supports projects that are focused on artistic co-creation between Canada and Korea, particularly on the themes of environmental sustainability and equity. Following a very successful first intake in 2022–23, this second call for proposals once again generated a large number of submissions. This year, 24 projects were supported with an investment of \$600,000. These funded projects are strengthening international ties and intercultural exchanges, as well as addressing some of the biggest questions and challenges that artists and societies around the world are facing today.

KEY ACCOMPLISHMENTS

Creating benefits for people across Canada

In 2023–24, the Council advanced on its strategic plan commitments and, as mentioned above, provided vital grant funding to thousands of artists, arts groups and organizations in every region of the country. It awarded hundreds of prizes, celebrating the achievements of great creators from Canada, making their works known to more people across the country. The Art Bank expanded its already impressive collection of more than 17,000 works, providing people across Canada with even more opportunities to access contemporary visual art from Canada through art rentals in offices and government

buildings, loans to museums and outreach projects. Through its Public Lending Right (PLR) Program, the Council distributed payments to over 18,000 creators from Canada as compensation for free public access to their books in public libraries in every province and territory.

All told, the Council's funding supported the arts sector's creativity and talent so that, ultimately, millions of people in Canada can enjoy and experience the arts in their communities across the country—creating connections, a shared understanding of the world and a collective vision for the future.





The Canadian Commission for UNESCO

The Canadian Commission for UNESCO (CCUNESCO) operates under the authority of the Canada Council for the Arts and has supported Canada's multilateral commitment to UNESCO since 1957. Like the Council, CCUNESCO helps advance important issues for the benefit of Canadians and people around the world. And like other National Commissions for UNESCO, the CCUNESCO ensures that UNESCO initiatives are implemented in Canada and are informed by Canadian voices.

As an active convener, the CCUNESCO brings knowledge holders together and fosters dialogue, collaboration and exchange across the fields of education, science, culture, and communication and information. One of the principal ways it does this is by mobilizing UNESCO networks in Canada, including cities, universities, regions and schools.

The work of UNESCO is more relevant now than ever. It is the leading United Nations (UN) agency on a number of urgent matters, including the ethics of science and technology, the maintenance and

revitalization of Indigenous languages, the protection of cultural and natural heritage, and education for sustainable development.

Education

In the education sector, one of the CCUNESCO's key work areas is the decolonization of education. In August 2023, the CCUNESCO published a study that examines the gaps and opportunities for improving Black history and anti-Black racism education in Canadian K-12 social

Highland Village, Iona, located in the Bras d'Or Lake Biosphere Region, in Nova Scotia. Photo: Bras d'Or Lake Biosphere Region.



studies curricula. The report includes key recommendations for ministries of education, school boards and school districts.

In partnership with the First Peoples' Cultural Foundation, the CCUNESCO published a paper titled "Toward a Better World for All: Decoding, Deconstructing, and Decolonizing Higher Education in Canada and Beyond," which highlights the systemic change needed within Canadian institutions to integrate Indigenous perspectives, knowledge and ways of knowing.

Culture

In this second year of the UN Decade of Indigenous Languages, CCUNESCO continued its collaboration with Indigenous language speakers and knowledge holders to better understand and to raise awareness of the importance of Indigenous language revitalization. In partnership with University College of the North, Grist, the Indigenous Journalist Association and Whakaata Māori, the CCUNESCO co-organized two events focused on Indigenous languages and Indigenous-owned media at the 22nd United Nations Permanent Forum on Indigenous Issues.

In addition, two international gatherings of the UNESCO Creative Cities Network were held in Canada this year. In October 2023,

Québec City hosted the annual meeting of UNESCO Creative Cities of Literature, and in March 2024, London, Ontario hosted the annual meeting of UNESCO Creative Cities of Music. Both cities hosted attendees from around the world, showcased local talent and organizations, organized presentations by other international creative cities, and offered space for discussion and exchange among participants. The CCUNESCO supported both gatherings by organizing sessions on the role of National Commissions for UNESCO, cities and culture in advancing Sustainable Development Goals.

Social and human sciences

In partnership with the Canadian Race Relations Foundation, the CCUNESCO co-organized a delegation of 24 Black Canadian civil society leaders to participate in the second session of the United Nations Permanent Forum on People of African Descent (PFPAD), held in New York City. The PFPAD was created in 2021 to engage and influence policies and practices affecting people of African descent, to serve as an advisory body, and to advance work in pursuit of equity, justice and human rights for Black communities internationally. Delegates from Canada used this global stage to share their experiences, to discuss pathways to change, and to explore international networking and collaboration opportunities.



Kayaking at Three Sisters, Cliffs of Fundy UNESCO Global Geopark. Photo: @katsteele86

Natural sciences

In partnership with Destination Canada, the CCUNESCO developed the Atlantic Canada UNESCO Tourism Corridor, which connects 13 UNESCO sites in the Atlantic Region. Stemming from the popularity of UNESCO designated sites and their ability to attract visitors, this large-scale project is the product of multi-stakeholder partnerships between governments, the

private sector, tourism organizations, and Indigenous and local communities. Through this initiative, the CCUNESCO is helping to enhance regional collaboration, boost the visibility of lesser-known sites, facilitate multi-destination regional tourism, contribute to the sustainable development of local communities, and support local efforts to celebrate, preserve and restore sites of cultural, natural and intangible heritage.

Communication and information

The CCUNESCO published a paper about the history of the UNESCO Memory of the World Programme and its mandate to safeguard and promote documentary heritage, with a particular focus on ensuring the recognition of Indigenous forms of documentary heritage.

Several new listings were added to the Canada Memory of the World and the International Memory of the World Registers, both of which document the work of notable

individuals and groups from Canada in the areas of Canadian Black history, human rights, Canadian Jewish history, Indigenous rights and health sciences.

Six new UNESCO Chairs were appointed within Canadian institutions, joining more than 950 other UNESCO Chairs in universities and colleges around the world. Each UNESCO Chair engages a team of researchers who undertake studies, share knowledge and inform public debate and policy on issues such as biodiversity conservation, migration and Francophonie in a minority context, and sustainable development.

Toponymie, an exhibition conceived and produced by Québec, UNESCO City of Literature, and showcased during the annual meeting of UNESCO Cities of Literature in October 2023.
Photo: Québec City



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

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

Highlights

In 2023–24, the Board held four meetings, during which it:

- welcomed Michelle Chawla as Director and CEO. Michelle Chawla has extensive knowledge of the Council, having held several senior level positions within the organization, in addition to significant experience working with the arts sector;
- approved changes to various Council policies, including to the *Statement of Investment Policies and Goals*, the *Delegation of Authority Policy*, the *Council's By-laws and Governance Policy*, as well as changes to the *Public Lending Right Commission Constitution and By-laws*;

- continued to exercise its oversight role over the deployment of the 2021–26 strategic plan, as well as oversight of the corporate risk profile and risk mitigation plans;
- approved an appointment to the Governance and Nominating Committee, as well as reappointments to the Investment Committee, which enhanced the overall effectiveness of the Board;
- continued to exercise its oversight role over the Council's internal digital transformation to modernize information technology infrastructure and systems, including the Customer and Grant Management System project to modernize the processes associated with the delivery of grants and prizes;
- approved the operational and capital budget, the annual financial statements and the 2024–25 to 2026–27 Rolling Risk-Based Internal Audit Plan; and
- held the Council's Annual Public Meeting on March 27, 2024.

Board independence

All members of the Board are independent. While the Director and CEO and members of the Senior Management Committee 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.

A culture of ethical business conduct

Board members, as part-time public office holders, are bound by the federal government's *Conflict of Interest Act*. 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.

Appointments to the Board

Jan-Fryderyk Pleszczynski was appointed as a member of the Board for a four-year term effective August 4, 2023 to August 3, 2027.

This appointment followed the Governor in Council application and selection process, which is open, transparent, and merit-based, to ensure the integrity of its public institutions.

As at March 31, 2024, there were no vacancies on the Board.

Onboarding program

New Board members receive a comprehensive information package prior to their first meeting. They also attend the committee meetings as observers to learn about the Council's work. Orientation sessions are also held with new Board members prior to any committee meetings to which they have been appointed.

In 2023–24, two Board members attended the Crown Corporation Orientation Session offered by the Canada School of Public Service. Although not mandatory, this orientation assists new Governor in Council appointees in carrying out their role and responsibilities and provides a better understanding of how the Government of Canada works.

Board diversity

The Council has a history of embedding values of equity and diversity within its operations. The "Board Diversity Statement of Principles" in the *Governance Policy* is intended to summarize and make public the Council's Board diversity-related values and objectives. This includes representation on the Board for Canada's official languages, regions, generations, Deaf people and people living with a disability, Indigenous Peoples, Black people and racialized people, along with gender equity and diversity.

Performance evaluation

Annually, under the direction of the Governance and Nominating Committee, the Board evaluates the performance of the full Board and its committees.

The Director and CEO's performance is assessed annually by the Board, based on the Privy Council Office's Performance Management Program for Chief Executive Officers of Crown Corporations. The Chair of the Board communicates the results

of the Director and CEO's annual performance evaluation to the Minister of Canadian Heritage.

Communications and reporting

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

Annual Public Meeting

On March 27, 2024, the Council held its Annual Public Meeting (APM) both in person and virtually to report on its recent activities and plans. The meeting was also livestreamed across the country in English, French and sign languages (ASL and LSQ), allowing for remote participation. Speeches and video recordings of the event, in fully accessible formats, are available on the Council's website.

Annual Report

According to the *Canada Council for the Arts Act*, the Council must submit an annual report after each fiscal year to the Minister of Canadian Heritage to be tabled in Parliament. The annual report presents all proceedings for the fiscal year, including the Council's financial statements.

Access to Information Act and Privacy Act

The 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 Minister of Canadian Heritage to be tabled in Parliament.

Accessible Canada Act

In accordance with the *Accessible Canada Act*, the Council has published an accessibility plan, in addition to an annual progress report. The plan aims to eliminate barriers to accessibility and to prevent new ones from being created.

Canadian Multiculturalism Act

The 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 Council is responsible for implementing Parts IV, V, VI and VII of the *Official Languages Act*. The Council presents an annual review detailing its activities under Part VII to the Department of Canadian Heritage and Treasury Board. Every other year, it also presents a report on Parts IV, V and VI.

Board committees

Board committees enhance the overall effectiveness of the Board by ensuring closer focus, oversight and monitoring of areas of 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 amendment of by-laws, policies, budgets, financial statements, grants or the annual report) in the interval between meetings of the Board. The Director and CEO is a non-voting member of the Executive Committee.

Membership: Jesse Wenté (Chair), Marie Pier Germain (Vice-Chair), Ingrid Leong (Chair of the Audit and Finance Committee) and Cheryl Hickman (Chair of the 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: Ingrid Leong (Chair), Karl Schwonik and Charlie Wall-Andrews.

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), Ben Nind, Gaëtane Verna, Stéphane Moraille and Jan-Fryderyk Pleszczynski (starting on March 28, 2024).

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: Ingrid Leong, Irfhan Rawji, external experts Michael White (Chair), Paul Robillard, Kim Shannon, Helen Kearns, Denis Larose, Jean-François Pépin, Lally Rementilla and Brenda Eaton as the Killam representative.

Advisory groups

Stephane Moraille was appointed as Board representative on the Canadian Commission for UNESCO Executive Committee, effective October 19, 2023 to October 19, 2026.

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

Jennifer Dorner served as Board representative on the Canadian Commission for UNESCO Executive Committee until August 3, 2023.

Proactive disclosure

The disclosure of grants, 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 2023–24, there were no internal disclosures of wrongdoing in the workplace.

Remuneration

The Board remuneration is fixed by the Governor in Council, pursuant to Section 6(1) of the *Canada Council for the Arts Act*. Per diem amounts are determined by the *Remuneration guidelines for part-time Governor in Council appointees in Crown corporations*, published by the Privy Council Office.

Board members' compensation is comprised of an annual retainer and per diems. Board members are also eligible for reimbursement of travel.

The annual retainer is paid on a pro-rata basis. The rates are as follows:

Chair: \$8,800

Vice-Chair: \$4,700

Board members: \$4,400

Per diems are a daily amount based on time spent on Board and Council business. The rates are as follows:

Chair: \$375

Vice-Chair: \$325

Board members: \$325

In 2023–24, the total remuneration was:

Board: \$96,017

The salary range for the Director and CEO was \$271,700 to \$319,600 (fixed by the Governor in Council), and the salary range for the executive positions was \$134,827 to \$198,939 (fixed by Treasury Board of Canada Secretariat).

Executive Management

As at March 31, 2024, the Senior Management Committee consisted of Michelle Chawla, Director and CEO; Eva Jacobs, Chief Financial, Administration and Security Officer; Lise Ann Johnson, Acting Director General, Arts Granting Programs¹; Joanne Larocque-Poirier, Director General, Communications and Arts Engagement; Yves-Gérard Méhou-Loko, Secretary General, Canadian Commission for UNESCO; Eric Sauvé, Chief Information Officer; and Sanjay Shahani, Director General, Strategy and Public Affairs.

Michelle Chawla was appointed as Director and CEO for a five-year term effective June 26, 2023 to June 25, 2028. She held the position of Director General, Strategy, Public Affairs and Arts Engagement until June 25, 2023.



At March 31, 2024, the Senior Management Committee consisted of (from left to right): Eric Sauvé, Chief Information Officer; Joanne Larocque-Poirier, Director General, Communications and Arts Engagement; Sanjay Shahani, Director General, Strategy and Public Affairs; Michelle Chawla, Director and CEO; Yves-Gérard Méhou-Loko, Secretary General, Canadian Commission for UNESCO; Lise Ann Johnson, Acting Director General, Arts Granting Programs¹; Eva Jacobs, Chief Financial, Administration and Security Officer.

¹ Carolyn Warren holds the position of Director General, Arts Granting Programs.

Board members

As at March 31, 2024, the Board consisted of:



Jesse Wente
Chair
Toronto, Ont.



Marie Pier Germain
Vice-Chair
Montréal, Que.



Cheryl Hickman
St. John's, N.L.



Ingrid Leong
Vancouver, B.C.



Stephane Moraille
Boucherville, Que.



Ben Nind
Yellowknife, N.W.T.



**Jan-Fryderyk
Pleszczyński**
Montréal, Que.



Irfhan Rawji
Calgary, Alta.



Karl Schwonik
Calgary, Alta.



Gaëtane Verna
Toronto, Ont. and
Columbus, Ohio, USA



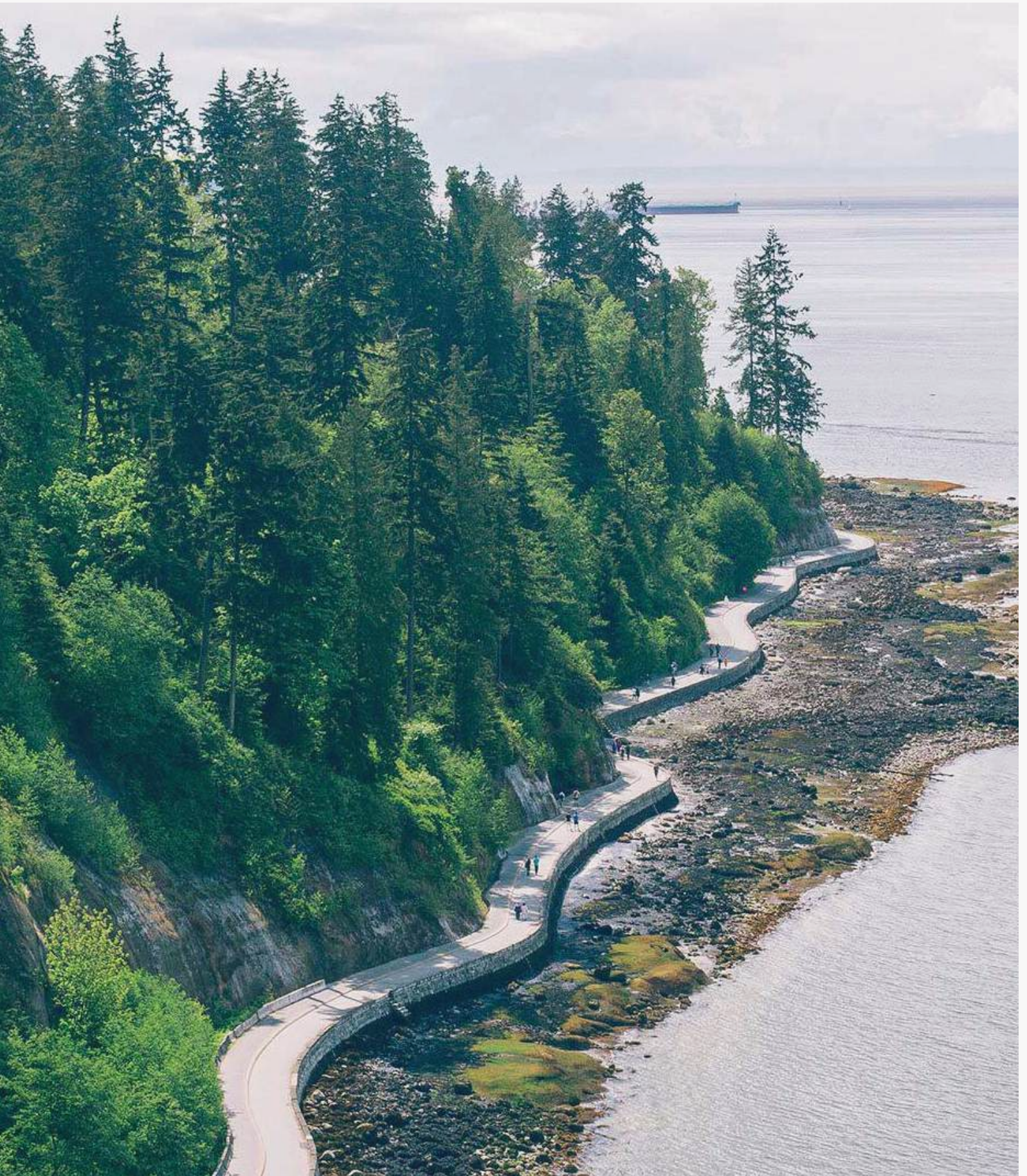
Charlie Wall-Andrews
Toronto, Ont.

Board and Committee Meetings and Attendance (April 1, 2023 to March 31, 2024)

	Board Meetings	Executive Committee	Investment Committee	Audit and Finance Committee	Governance and Nominating Committee
Total Number of Meetings	4	0	4	6	4
Jesse Wentz	4/4	--	Ex officio	Ex officio	Ex officio
Marie Pier Germain	4/4	--	Ex officio	Ex officio	Ex officio
Jennifer Dorner	1/1	N/A	N/A	N/A	N/A
Cheryl Hickman	4/4	--	N/A	N/A	4/4
Ingrid Leong	4/4	--	4/4	6/6	N/A
Stephane Moraille	4/4	N/A	N/A	N/A	4/4
Ben Nind	3/4	N/A	N/A	N/A	4/4
Jan-Fryderyk Pleszczynski	3/3	N/A	N/A	N/A	N/A
Irfhan Rawji	4/4	N/A	3/4	N/A	N/A
Karl Schwonik	4/4	N/A	--	6/6	N/A
Gaëtane Verna	3/4	N/A	N/A	N/A	3/4
Charlie Wall-Andrews	4/4	N/A	N/A	6/6	N/A

Note:

- Jennifer Dorner's term on the Board ended on August 3, 2023, Jan-Fryderyk Pleszczynski became a member of the Board on August 4, 2023, and member of the Governance and Nominating Committee on March 28, 2024.



MANAGEMENT DISCUSSION AND ANALYSIS



HIGHLIGHTS

In 2023-24, the impact of the COVID-19 pandemic began diminishing, though a lasting negative impact on the arts sector continues. For 2023-24, the \$50.0 million in supplementary funding for arts organizations and the additional \$9.2 million Council received in the prior year were both sunset.

The Council was able to maintain its efficiency in program delivery due to investments over the last few years in modernizing its technology infrastructure and systems, and by adjusting its operations.

Summary Statement of Operations for the Years Ended March 31

(in thousands of dollars)	Budget 2024	Actual 2024	Actual 2023
Total revenues and Parliamentary appropriations	384,832	397,320	450,131
Total expenses	384,838	386,038	439,978
Annual (Deficit) Surplus from operations	(6)	11,282	10,153

For the year ended March 31, 2024, the Council is reporting an annual surplus from operations of \$11.3 million.

The surplus is primarily attributable to favourable variances of \$7.2 million net realized investment income and \$5.1 million in parliamentary appropriations compared to budget, as well as savings of \$1.5 million in Arts community services and \$2.4 million in General administration expenses, offset by excess spending of \$4.3 million in Grants, author payments and prizes as well as \$1.1 million in Transfer program delivery expenses compared to budget.

(in thousands of dollars)	Budget 2024	Actual 2024	Actual 2023
Grants and contributions	305,069	308,773	366,480
Public Lending Right program	14,688	14,783	14,805
Prizes and awards	1,499	2,012	2,689
	321,256	325,568	383,974

Grants, author payments and prizes expenses amount to \$325.6 million for the year ended March 31, 2024 and are above the approved budget due to an additional \$6.0 million reallocated from administrative savings. The \$58.4 million variance compared to prior year actual is directly related to Government of Canada COVID-19 recovery funding ending, reducing the Council's parliamentary appropriations by \$59.2 million.

The Public Lending Right program (PLR) sends yearly payments to creators whose works are in Canada's public libraries. Total annual PLR payments have been stable at approximately \$15.0 million since 2019-20.

The Council also distributed \$2.0 million in prizes and awards that recognize artistic merit and innovation in Canada – a decrease of \$0.7 million compared the prior year. Since April 2022, the National Killam Program has been administered by the National Research Council of Canada through a partnership with the Council.

Transfer program delivery expenses, representing 8.2% of total spending, totaled \$31.6 million for the year ended March 31, 2024. This was \$1.1 million above budget, mostly due an extra \$1.6 million of professional and special services and 0.5 million in Information management. These were offset by savings of \$0.4 million in peer and advisory committee costs and \$0.3 million in prize presentation costs.

The overall increase of \$5.8 million in transfer program delivery costs compared to the prior year actual is attributable to an additional \$2.6 million in salaries and benefits due to retroactive adjustment following the ratification of the new collective agreement, as well as \$1.8 million in professional and special services and \$0.6 million in Information management due to the development of the new Customer and Grant Management System (CGMS).

General administrative expenses, representing 5.9% of total spending, totaled \$23.0 million for the year ended March 31, 2024. These expenses were lower than budgeted \$2.4 million, largely due to \$3.7 million of savings in Professional and special services being offset by \$1.6 million of extra Salaries and benefits expenses arising from the new collective agreement.

The overall decrease of \$2.0 million compared to prior year actual is likewise largely attributable to savings of \$1.9 million in Professional and special services and \$0.4 million in Information management offset by a \$0.5 million increase in Salaries and Benefits. The Council continues to exercise fiscal restraint and seek efficiencies regarding general administration costs.

Summary Financial Position as at March 31

(in thousands of dollars)	Actual 2024	Actual 2023
Total financial assets	603,109	601,627
Total liabilities	191,564	230,815
Net financial assets	411,545	370,812
Non-financial assets	28,221	28,228
Accumulated surplus	439,766	399,040

In 2023-24, the Canada Council Endowment and Special Funds and the Killam Fund both generated a positive annual return of 11.5% and 11.4% respectively, compared to positive annual returns of 1.7% each, in 2022-23. In comparison to the prior year, the Portfolio investments have increased by \$60.0 million with a fair value of \$550.1 million as at March 31, 2024.

The overall portfolio provided an excess of \$7.2 million of net realized investment income over the \$16.2 million budget. In accordance with the Council's *Statement of Investment Policies and Goals*, the approved budgeted amount for net realized investment income is calculated using a prescribed spending rate of 3.5% multiplied by the previous three-year average market value of the portfolio. The Council's investment accounting policy states that, at a minimum, any investment income above the allocated approved budget must be reinvested in the portfolio to preserve capital. Therefore, this year, \$10.0 million was transferred from accumulated surplus from operations to the reserve for excess investment income.

In 2023-24, the Council updated its Corporate Risk Profile, presented to the Board in January 2024, taking into consideration the context in which the Council is operating, as well as the risks faced by the sector served by the Council. The corporate risk profile is used as a key input in strategic and operational planning and prioritizing management action plans.

FINANCIAL POSITION

Financial Assets

(in thousands of dollars)	2024	2023
Financial Assets		
Cash	48,519	108,169
Accounts receivable	4,492	3,327
Portfolio investments	550,098	490,131
Total financial assets	603,109	601,627

As at March 31, 2024, total financial assets were \$603.1 million, an increase of \$1.5 million from the previous year.

The decrease of \$59.7 million in cash is explained mainly by the decrease in grants, author payments and prizes payable of \$50.3 million and by the reinvestment of dividend income of \$22.7 million reduced by the surplus from operations of \$11.3 million. Additionally, cash disbursements from purchasing portfolio investments exceeded the sale of portfolio investments by \$3.8 million.

The financial markets yielded varying returns for the different asset classes: Canadian equity (+10.2%), global equity (+20.5%), fixed income (+3.7%), real estate (-12.1%), and infrastructure (+2.3%), for an overall positive portfolio return of 11.5%. Consequently, the fair value of the Council's investment portfolio increased, even after accounting for the annual 3.5% drawdown.

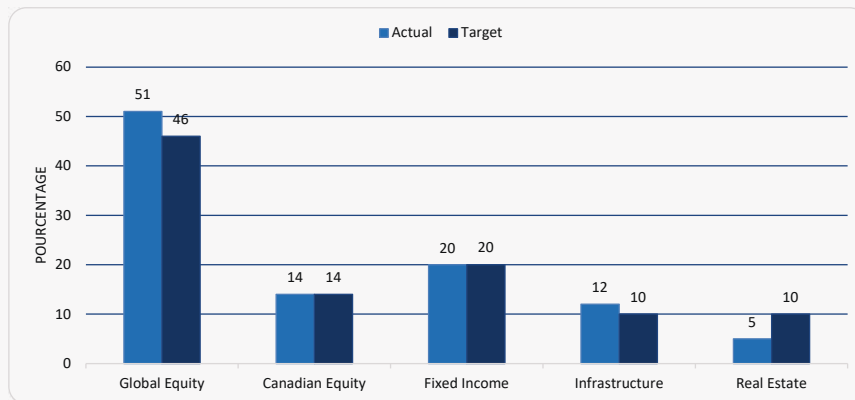
The Council invests in units of pooled funds that are managed by professional investment managers. The Council's investments are guided by a *Statement of Investment Policies and Goals* and the Board *Statement of Investment Beliefs*, which are both approved by the Board. The objective of the portfolio is to generate a real rate of return of at least 3.5% over a 10-year period to supplement the Council's funding received through 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.

The Investment Committee is 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, the Investment Committee assesses the effect of the implementation of the policy on the portfolio through regular updates from investment managers and a thorough review of the portfolio’s performance.

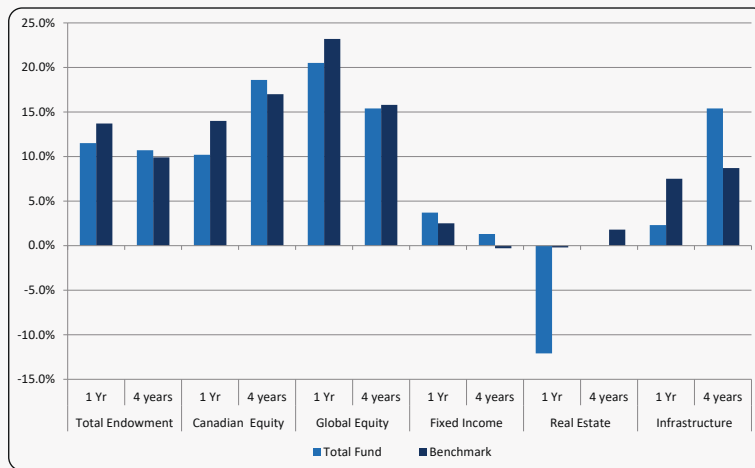
The following table shows the actual comparative asset mix and the asset mix targets for the portfolio.

Asset Mix as of March 31, 2024



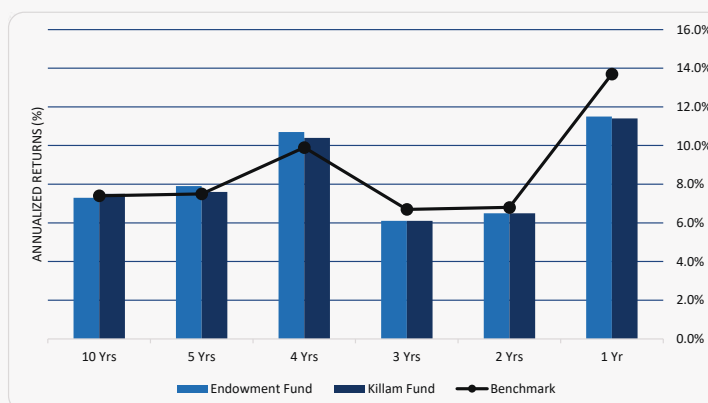
The following chart shows the returns for all the asset classes for the one- and four-year periods ending March 31, 2024.

Annual Returns by Asset Classes



The following chart shows the annualized portfolio returns for various periods for the Canada Council 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 3.5%.

Annualized Portfolio Returns



Liabilities

As at March 31, 2024, total liabilities were \$190.4 million, a decrease of \$40.4 million from the previous year as shown in the table below:

(in thousands of dollars)	2024	2023
Liabilities		
Grants, author payments and prizes payable	86,965	137,292
Accounts payable and accrued liabilities	7,206	7,674
Deferred revenues	5,049	5,461
Employee future benefits	5,955	5,721
Deferred revenues - Externally restricted contributions	86,389	74,667
Total liabilities	191,564	230,815

The decrease in total liabilities is mainly due to the \$50.3 million decrease in Grants, author payments and prizes payable compared to 2022-23, which is directly related to the decrease in government funding received relating to the pandemic.

This decrease was partially offset by an increase of \$11.7 million in Deferred revenues - Externally restricted contributions. This increase is due to an increase in market value of the portfolio investments for which a portion is externally restricted. This liability consists of externally restricted investment income and accumulated gains or losses which are deferred until the resources are used for their specified purposes. The original externally restricted endowment principal of \$37.6 million is required to be maintained and is reported under accumulated surplus.

The other liabilities include:

- Accounts payable and accrued liabilities which include payments to various suppliers/managers for services rendered, significant partnership payables and payroll liabilities incurred or accrued as at March 31, 2024;

- Deferred revenues which include the leasehold inducement at 150 Elgin Street in Ottawa which is amortized over the term of the remaining lease period, deferred rental income from the Art Bank, and other deferred income for specific initiatives; and
- Employee future benefits include the severance entitlements of the Council's employees and post-retirement benefits covering employees and retirees.

Non-Financial Assets

(in thousands of dollars)	2024	2023
Tangible capital assets	6,806	8,016
Art Bank assets	19,924	19,849
Musical instruments	1	1
Prepaid expenses	1,490	362
Total non-financial assets	28,221	28,228

Tangible capital assets include office and computer equipment, computer software that is purchased or developed, with ownership rights residing with the Council, and leasehold improvements. The net decrease of \$1.2 million in comparison to the prior year is explained by capital asset acquisitions of \$0.4 million, below budget by \$3.7 million, offset by \$1.6 million in amortization expenses.

The Council's Art Bank has the largest collection of contemporary art from Canada in the world, with 17,239 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 \$19.9 million on the Statement of Financial Position as at March 31, 2024. The total appraised value of the collection is estimated at \$73.2 million as at March 31, 2024.

The Council's Musical Instrument Bank owns or manages 24 historically important, fine stringed instruments, a fine cello bow and a fine violin 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 \$1.0 thousand as a reasonable estimate of the future benefits associated with such assets cannot be made. As at March 31, 2024, the appraised and insured value of the musical instruments was USD \$71.3 million.

Accumulated Surplus

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

(in thousands of dollars)	2024	2023
Endowment - Original contribution	50,000	50,000
Endowment principal - Externally restricted contributions	37,569	37,569
Reserve for excess investment income	271,445	261,445
Surplus	27,798	26,516
Total accumulated surplus from operations	386,812	375,530
Accumulated remeasurement gains	52,954	23,510
Accumulated surplus	439,766	399,040

The \$50.0 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 presented separately, are in effect being treated as if they had been revenues.

The reserve of \$271.4 million as at March 31, 2024 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 2024	Actual 2024	Actual 2023
Net realized investment income	16,176	23,358	20,119
Other revenues	4,417	4,623	6,589
Total Revenues	20,593	27,981	26,708
Transfer programs	356,406	360,303	412,494
Net Art Bank results	254	120	(37)
Canadian Commission for UNESCO	2,868	2,656	2,510
General administration	25,310	22,959	25,011
Total expenses	384,838	386,038	439,978
Parliamentary appropriations	364,239	369,339	423,423
Annual (Deficit) Surplus from operations	(6)	11,282	10,153

The Council's net financial results for the year are a surplus of \$11.3 million, compared to a balanced budget forecasting a deficit of \$6.0 thousand. The surplus is primarily attributable to Net realized investment income exceeding budget by \$7.2 million.

The decrease of \$2.0 million in other revenues compared to prior year is explained mainly by a decrease in grant cancellations of \$1.9 million.

The total expenses of \$386.0 million in 2023-24 are \$1.2 million more than budgeted. This variance is mainly attributable to higher transfer program and grant expenses.

Parliamentary appropriations

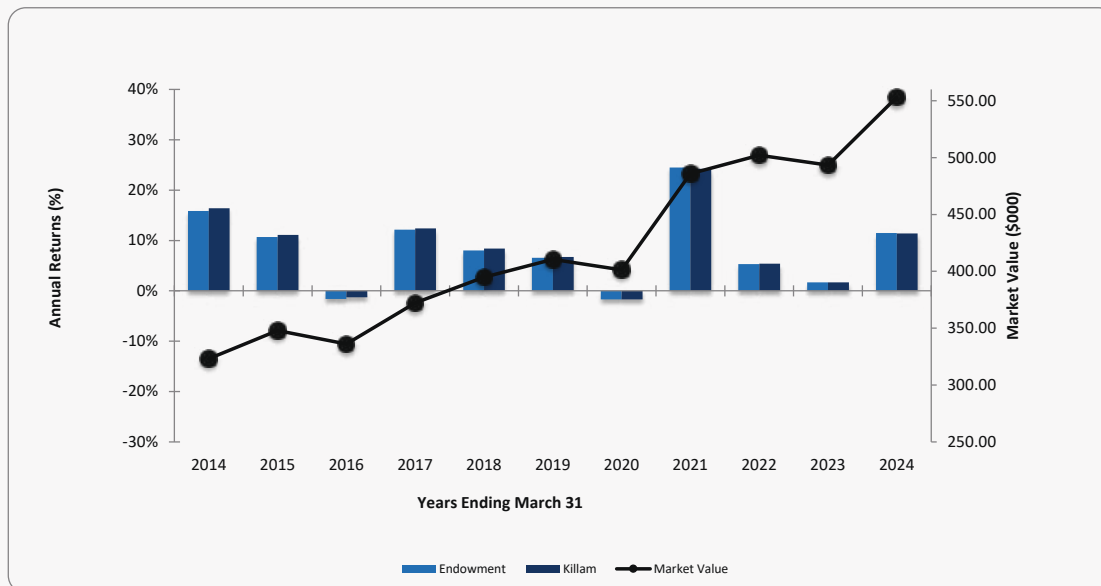
The Council receives its funding mainly through Parliamentary appropriations voted by Parliament. The Council records the Parliamentary appropriations received in the period as revenue in the Statement of Operations. The Council submits a monthly cash flow analysis to the Department of Canadian Heritage to justify its monthly drawdown cash requirements. The monthly drawdown is invested in a preferred rate account in a financial institution from which the Council draws its daily cash requirements. For the year ended March 31, 2024, the appropriations received by the Council through the Main estimates and Supplementary estimates were \$369.3 million, a decrease of \$54.0 million from 2022-23. The decrease in funding relates to decreased emergency support.

Investment income

The financial markets in which the Council invests are diversified and, in 2023-24, both the Canada Council Endowment and Special Funds and the Killam Fund generated positive annual returns of 11.5% and 11.4% respectively. The Council's investment policy prescribes 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 Canada Council 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 2014 and the corresponding effect that these returns have had on the year-end market values. The chart also demonstrates how investment market returns can fluctuate year-over-year. The Council reinvests excess investment income above the budgeted amount 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



The net realized investment income of \$23.4 million exceeded the \$16.2 million budgeted amounts this year by \$7.2 million due to dividends and other distributed income exceeding expectations.

Other revenues

Other revenues consist mainly of the cancellation in the current year of grants approved in previous years. During the year, Council recovered \$3.3 million in unused grants, \$0.2 million less than the budgeted \$3.5 million and \$1.9 million less than the previous year. These grant cancellations are mostly the result of grants impacted by the COVID-19 pandemic. In addition to the grant cancellations, other revenues include memberships to CPAF and CADAC, partnership income, donations and other miscellaneous revenues totaling \$1.3 million.

Program expenses

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

(in thousands of dollars)	Budget 2024	Actual 2024	Actual 2023
Grant, author payments and prizes	321,256	325,568	383,974
Transfer program delivery	30,501	31,605	25,761
Arts community services	4,649	3,130	2,759
Net Art Bank results	254	120	(37)
Canadian Commission for UNESCO	2,868	2,656	2,510
	359,528	363,079	414,967

In 2023-24, program expenses accounted for 94.1% of Council's total expenses of \$386.0 million, a decrease of 0.2% compared to the previous year. Overall, program expenses are \$51.9 million less than the previous year.

Program expenses relating to Grants, author payments and prizes amounted to \$325.6 million and exceeded the approved budget by \$4.3 million and the prior year by \$58.4 million. The significant decrease from the prior year is due to the decrease of \$59.2 million in COVID-19 relief funding received from the Federal government.

In addition to the supplementary appropriations allocated to the granting budget, the Council reinvested a total of \$6.0 million, compared to \$4.5 million in the previous year, into grant expenses. This reinvestment was made possible due to the redistribution of funds related to canceled grants and intra-year savings as a result of delayed partnership projects due to COVID-19.

As part of its strategic commitment to increase direct support to artists, the Council distributed \$14.8 million in payments to authors via the Public Lending Right program. The Council also distributed \$2.0 million in prizes and awards that recognize excellence and innovation in Canada, a decrease of \$0.7 million compared to the previous year.

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. These costs were \$1.1 million above budget, mostly due an extra \$1.6 million of professional and special services and 0.5 million in Information management offset by savings of \$0.4 million in peer and advisory committee costs and \$0.3 million in prize presentation costs. The overall increase of \$5.8 million in transfer program delivery costs compared to the previous year is mostly attributable to an increase in salaries and employee benefits of \$2.6 million due to retroactive pay increases with the signing of a new collective agreement with the Public Service Alliance of Canada (PSAC) employee union, as well as \$1.8 million in professional and special services and \$0.6 million in Information management due to the development of the new CGMS.

Arts community services 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 \$0.4 million and lower than the budget by \$1.5 million. The current year resulted in an increase from the previous year in every expense category. The savings from canceled or postponed partnerships and networking initiatives compared to the budget contributed to the reinvestment in grants.

Net Art Bank results were favorable at a deficit of \$120 thousand, \$134 thousand less than the budgeted deficit of \$254 thousand. The Art Bank was able to surpass its budgeted rental income by \$106 thousand, which is also \$94 thousand above the prior year. Servicing and installation fees revenues were \$14 thousand above budget, and \$6 thousand above prior year. Administrative expenses were \$10 thousand below budget and \$241 thousand higher than the prior year due to increased salaries and benefits expenses arising from the new collective agreement with the PSAC employee union.

The Canadian Commission for UNESCO (CCUNESCO), established by an Order in Council in 1957, supports UNESCO priorities, networks and activities in Canada; encourages Canada's 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. The CCUNESCO had net expenses of \$2.7 million in 2023-24, an increase of \$147 thousand in comparison to the previous year, and slightly under budget by \$201 thousand. The increase in actual expenses is mostly due \$105 thousand from increased salaries and benefits expenses from the signing of the new collective agreement.

General administration

General administration expenses include the Council Secretariat, Communications, and Corporate Services (which includes Finance, Human Resources, Administrative Services, and Information Management/Technology). Items include salaries and benefits, accommodation, professional services, travel, amortization, and others. At \$23.0 million, the general administration expenses represented 5.9% of total expenses compared to 5.7% in 2022-23. These expenses were lower than budget by \$2.4 million and were below prior year by \$2.0 million.

Actuals for salaries and benefits were \$1.6 million higher than budget due to the signing of the new collective agreement and were offset by Corporate Technology spending \$3.7 million less than budgeted in Professional Service Contracts. When the budget was set, it was intended that the expenses related to CGMS development would be reported under General administration. However, during the year management reviewed its expense classification and concluded it would be more appropriate to report these expenses under Transfer program delivery given the software is being developed to streamline Councils grants program delivery. The Council continues to exercise fiscal restraint and seek efficiencies regarding general administration costs.

REMEASUREMENT GAINS AND LOSSES

The accumulated remeasurement gains from portfolio investments for the year ended March 31, 2024, were \$53.0 million compared to \$23.5 million in 2022-23. 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 including 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.

Risk Profile

Using the Council's risk appetite as key context, a new risk management framework was created in the fall of 2018. Every year the Council reviews the identified risks which 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 risks areas and their mitigation strategies were presented to the Board in January 2024.

The risk mitigation strategies and related activities are monitored on an ongoing basis by assigned members of 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.

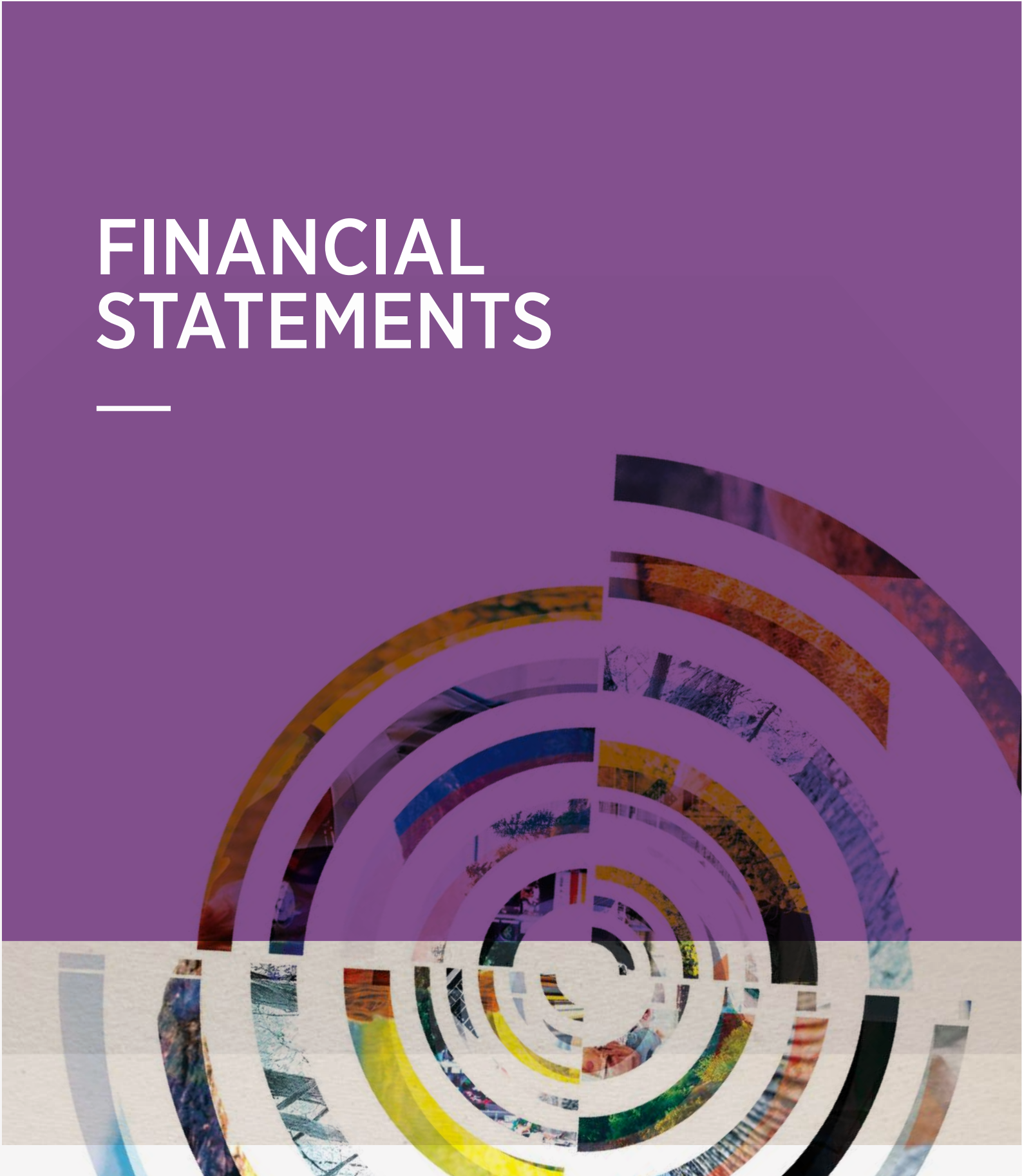
Financial Risk

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 expected to be received within 90 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 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.

Risk Category	Area of Work	Canada Council Risk Appetite
Strategic risk	Mandate and reputation	<p>The Council will avoid any situations that could adversely affect its support of the arts in Canada.</p> <p>The Council is cautious in accepting risks that could affect its ability to build and sustain reputational strength with the public.</p> <p>The 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 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 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	<p>The 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.</p>

Risk Category	Area of Work	Canada Council Risk Appetite
Information and systems risk	Services Systems	The 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	The Council will avoid any financial decisions or activities that would negatively impact its cost-effectiveness. Risk decisions for investments will be consistent with the Council's Board Statement of Investment Beliefs and Statement of Investment Policies and Goals.
Compliance risk	Legislative and corporate reporting requirements	The Council will avoid any risks that could affect its capacity to independently govern itself or its ability to meet its legislative obligations.

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 Office of 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 26, 2024



Michelle Chawla
Director and Chief Executive Officer



Eva Jacobs, CPA, CGA
Chief Financial, Administration and Security Officer



Bureau du
vérificateur général
du Canada

Office of the
Auditor General
of 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 Council), which comprise the statement of financial position as at 31 March 2024, 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 Council as at 31 March 2024, 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 Council 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.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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 Council'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 Council or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Council'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 Council'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 Council'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 Council 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 bylaws of the Canada Council for the Arts.

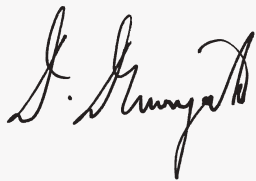
In our opinion, the transactions of the Canada Council for the Arts that came to our notice during the audit of the financial statements have complied, in all material respects, with the specified authorities referred to above. Further, as required by the *Financial Administration Act*, we report that, 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.



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

Ottawa, Canada
26 June 2024

Statement of Financial Position

As at March 31 (in thousands of dollars)	2024	2023
FINANCIAL ASSETS		
Cash	48,519	108,169
Accounts receivable	4,492	3,327
Portfolio investments (Note 4)	550,098	490,131
Total financial assets	603,109	601,627
LIABILITIES		
Grants, author payments and prizes payable	86,965	137,292
Accounts payable and accrued liabilities	7,206	7,674
Deferred revenues	5,049	5,461
Employee future benefits (Note 6)	5,955	5,721
Deferred revenues - Externally restricted contributions (Note 7)	86,389	74,667
Total liabilities	191,564	230,815
NET FINANCIAL ASSETS	411,545	370,812
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 8)	6,806	8,016
Art Bank assets (Note 9)	19,924	19,849
Musical instruments (Note 10)	1	1
Prepaid expenses	1,490	362
Total non-financial assets	28,221	28,228
ACCUMULATED SURPLUS (Note 11)	439,766	399,040
Accumulated surplus is comprised of:		
Accumulated surplus from operations	386,812	375,530
Accumulated remeasurement gains	52,954	23,510
ACCUMULATED SURPLUS	439,766	399,040

Contractual obligations and commitments (Note 16)

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

APPROVED BY THE BOARD



Jesse Wenté
Chair



Marie Pier Germain
Vice Chair

Statement of Operations

	Budget	Actual	Actual
For the year ended March 31 (in thousands of dollars)	2024	2024	2023
Revenues			
Net realized investment income (Note 12)	16,176	23,358	20,119
Other revenues	4,417	4,623	6,589
Total revenues	20,593	27,981	26,708
Expenses			
Transfer Programs			
Grants, author payments and prizes (Schedule I)	321,256	325,568	383,974
Transfer program delivery (Schedule II)	30,501	31,605	25,761
Arts community services (Schedule III)	4,649	3,130	2,759
	356,406	360,303	412,494
Net Art Bank results (Note 13)	254	120	(37)
Canadian Commission for UNESCO (Note 14)	2,868	2,656	2,510
General administration (Schedule II)	25,310	22,959	25,011
Total expenses	384,838	386,038	439,978
Deficit from operations before Parliamentary appropriations	(364,245)	(358,057)	(413,270)
Parliamentary appropriations	364,239	369,339	423,423
ANNUAL (DEFICIT) SURPLUS FROM OPERATIONS	(6)	11,282	10,153
ACCUMULATED SURPLUS FROM OPERATIONS, BEGINNING OF YEAR	375,530	375,530	365,377
ACCUMULATED SURPLUS FROM OPERATIONS, END OF YEAR	375,524	386,812	375,530

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

Statement of Remeasurement Gains and Losses

For the year ended March 31 (in thousands of dollars)	2024	2023
ACCUMULATED REMEASUREMENT GAINS, BEGINNING OF YEAR	23,510	31,594
Unrealized gains (losses) attributable to:		
Portfolio investments	29,860	(8,455)
Amounts reclassified to the Statement of Operations:		
Portfolio investments	(416)	371
NET REMEASUREMENT GAINS (LOSSES) FOR THE YEAR	29,444	(8,084)
ACCUMULATED REMEASUREMENT GAINS, END OF YEAR	52,954	23,510

Statement of Changes in Net Financial Assets

For the year ended March 31 (in thousands of dollars)	Budget 2024	Actual 2024	Actual 2023
ANNUAL (DEFICIT) SURPLUS FROM OPERATIONS	(6)	11,282	10,153
Acquisition of tangible capital assets (Note 8)	(4,286)	(422)	(1,904)
Write-down of tangible capital assets	-	15	7
Amortization of tangible capital assets (Note 8)	1,782	1,617	1,619
Acquisition of Art Bank assets (Note 9)	(100)	(77)	(542)
Disposals/donations of Art Bank assets (Note 9)	-	2	56
	(2,604)	1,135	(764)
Addition of prepaid expenses	-	(6,076)	(4,164)
Use of prepaid expenses	-	4,948	4,278
Net (increase) decrease of prepaid expense	-	(1,128)	114
	-	29,444	(8,084)
Net remeasurement gains (losses)	-	29,444	(8,084)
(DECREASE) INCREASE IN NET FINANCIAL ASSETS	(2,610)	40,733	1,419
NET FINANCIAL ASSETS, BEGINNING OF YEAR	370,812	370,812	369,393
NET FINANCIAL ASSETS, END OF YEAR	368,202	411,545	370,812

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

Statement of Cash Flows

For the year ended March 31 (in thousands of dollars)	2024	2023
Operating Transactions		
Surplus from operations	11,282	10,153
Losses (gains) from disposal and impairment of portfolio investments (Note 12)	4,611	(247)
Dividend and other distributed income - reinvested (Note 12)	(22,716)	(15,670)
Amortization of tangible capital assets (Note 8)	1,617	1,619
Write-down of tangible capital assets	15	7
Disposals/donations of Art Bank assets (Note 9)	2	56
(Increase) decrease in prepaid expenses	(1,128)	114
Increase in employee future benefits	234	370
Income transferred to Deferred revenues - Externally restricted contributions from investment income (Note 7)	3,149	1,318
Net change in other non-cash items (Note 15)	(51,838)	(22,592)
Cash used by operating activities	(54,772)	(24,872)
Capital Transactions		
Acquisition of tangible capital assets (Note 8)	(983)	(1,496)
Acquisition of Art Bank assets (Note 9)	(77)	(542)
Cash used by capital activities	(1,060)	(2,038)
Investing Transactions		
Acquisition of portfolio investments	(14,419)	(167,634)
Disposal of portfolio investments	10,601	177,778
Cash (used) provided by investing activities	(3,818)	10,144
NET DECREASE IN CASH	(59,650)	(16,766)
CASH, BEGINNING OF YEAR	108,169	124,935
CASH, END OF YEAR	48,519	108,169

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

Notes to the Financial Statements March 31, 2024

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 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 mandate is to “foster and promote the study and enjoyment of, and the production of works in, the arts”.

The Council achieves its mandate primarily through grant programs for professional artists and arts organizations from Canada. 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 people across Canada 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. Adoption of new accounting standards

Council adopted section PS 3400 Revenue, effective April 1, 2023, which establishes standards on how to account for and report on revenue. The Section sets out general guidance for how entities recognize, measure, present and disclose revenue arising from transactions that include performance obligations (exchange transactions) and transactions that do not have performance obligations (non-exchange transactions). There are two approaches to recognizing revenue with performance obligations: at a point in time or over a period of time. This determination is made based on when a performance obligation is satisfied.

Section PS 3400 has been applied prospectively to these financial statements and, as permitted by the transitional provisions, prior periods were not restated.

The implementation of this new Section did not have a material impact on the financial statements.

3. Significant accounting policies

Basis of accounting

The Council is 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.

Notes to the Financial Statements (continued)

March 31, 2024

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 instrument assets and liabilities and identifies how they are subsequently measured on the Statement of Financial Position:

<u>Financial asset or liability</u>	<u>Subsequent measurement</u>
Accounts receivable	Amortized cost
Portfolio investments	Fair value
Grants, author payments and prizes payable	Amortized cost
Accounts payable and accrued liabilities	Amortized cost

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.

In order to determine if an impairment needs to be recognized, every year Council assesses its portfolio investment funds to determine if their fair value has remained below 95% of their cost for three consecutive years.

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

Tangible capital assets

Leasehold improvements, office and computer equipment, as well as computer software 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.

Notes to the Financial Statements (continued)
March 31, 2024

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.

CLOUD COMPUTING ARRANGEMENTS

Cloud computing arrangements, also referred as Software-as-a-Service (SaaS), are service contracts providing the Council with the right to access the cloud provider's application software over the term of the contract. The Council does not generally receive a computer software asset as a result of these services and related costs are recognized as Information management expenses.

In limited circumstances, where the Council controls the intellectual property of the underlying software code, certain costs of configuration and customization activities undertaken to implement cloud computing arrangements meet the definition of, and the recognition criteria for, a tangible capital asset. These costs are recognized as a computer software asset.

In all other instances, costs will be expensed in the Statement of Operations when services are received.

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. If the cost of assets, less any estimated residual value, is greater than the appraised value, it will be amortized 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 of such assets cannot be made.

Employee future benefits

i) PENSION BENEFITS

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

ii) SEVERANCE BENEFITS

In 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 salary adjustments.

Notes to the Financial Statements (continued)
March 31, 2024

iii) RETIREE 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 (Projected 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.

REVENUES

Deferred revenues - Externally restricted contributions

Externally restricted contributions are recognized as Revenues in the Statement of Operations in the year in which the resources are used for the purpose or purposes specified. An externally restricted contribution, excluding original principal, received before the resources are used for the purpose or purposes specified is reported as a liability in the Statement of financial position.

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.

Notes to the Financial Statements (continued)
March 31, 2024

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, the externally restricted investment income and the realized and unrealized gains and losses on externally restricted investments are recorded as Deferred revenues – Externally restricted contributions until the resources are used for their specified purpose, at which time the contributions are recognized as revenues.

Unrestricted contributions are recognized as Other revenues 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 Rental revenue under Net Art Bank results when they are received.

III) ART BANK RENTAL REVENUES

Rental of Art Bank assets includes a continuing performance obligation that is satisfied over time since the Council has a continuing obligation to provide access to the Art Bank asset over the term of the rental contract. Rental revenues generated from Art Bank assets are recognized on a straight-line basis over the term of the rental contract. They are included in Net Art Bank results on the Statement of Operations. Deferred revenues reflect unearned revenues related to the remaining term of the rental contract.

IV) OTHER REVENUES

Other revenues consist mainly of the cancellation in the current year of grants approved in previous years. There are no performance obligations associated with grant cancellations and revenue is recognized when grant cancellations are identified and approved.

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 on the Statement of Operations.

Notes to the Financial Statements (continued)
March 31, 2024

Grants, author payments and prizes

Grants, author payments and prizes are considered government transfers. 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 have been communicated to the applicants.

Operating leases

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

Measurement uncertainty

The preparation of financial statements requires management to make estimates and assumptions that affect the reported and disclosed amounts of asset, liabilities, revenues and expenses in the financial statements and accompanying notes at March 31. 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 measurement of Portfolio investments are the most significant items where estimates are used.

With respect to the Portfolio investments, the level of measurement uncertainty varies based on the classification of the financial instruments in the fair value hierarchy, as described in Note 5. Due to the inherent nature of Level 3 financial instruments measured using unobservable inputs, there is a significant level of measurement uncertainty.

Actual results could differ from those estimated.

Related party transactions

i) INTER-ENTITY TRANSACTIONS

Inter-entity transactions are transactions between commonly controlled entities. Inter-entity transactions are recorded on a gross basis and are measured at the exchange amount, except for the goods or services received without charge between commonly controlled entities, which are not recorded.

ii) OTHER RELATED PARTY TRANSACTIONS

Related party transactions are undertaken on terms and conditions similar to those adopted as if the parties were dealing at arms' length and are measured at the exchange amount.

Budget

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

Notes to the Financial Statements (continued)
March 31, 2024

4. Portfolio investments

(in thousands of dollars)	2024					2023		
	Cost	Unrealized losses	Unrealized gains	Fair value	%	Cost	Fair value	%
Canada Council Endowment and Special Funds								
Pooled funds								
Canadian Equity	48,860	-	14,085	62,945	14	46,046	57,107	14
Global Equity	197,610	-	36,516	234,126	51	194,850	199,501	49
Fixed income	85,927	820	900	86,007	19	82,752	82,899	20
Real estate	22,811	2,840	937	20,908	5	17,449	18,399	5
Infrastructure	43,391	576	9,693	52,508	11	39,544	48,623	12
	398,599	4,236	62,131	456,494	100	380,641	406,529	100
Killam Fund								
Pooled funds								
Canadian Equity	10,776	30	1,855	12,601	13	11,393	12,874	15
Global Equity	40,660	-	7,155	47,815	51	40,118	40,783	49
Fixed income	17,653	182	185	17,656	19	17,001	17,017	20
Real estate	4,952	582	240	4,610	5	3,880	4,157	5
Infrastructure	9,497	173	1,598	10,922	12	7,152	8,771	11
	83,538	967	11,033	93,604	100	79,544	83,602	100
Total Portfolio investments	482,137	5,203	73,164	550,098		460,185	490,131	

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.

Notes to the Financial Statements (continued)
March 31, 2024

During the year ended March 31, 2024, Council recognized an impairment in Global Equity investments of \$4,400,000 for the Endowment fund and \$900,000 for the Killam fund. For any remaining investments where the adjusted cost is less than the fair market value as at March 31, 2024, 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, as well as 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% (2023 - 8%) of that Fund, with a total fair value of \$36,565,000 (2023 - \$32,563,000). The total fair value of the externally restricted investment including the Killam Fund is \$130,169,000 (2023 - \$116,165,000).

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 the Council as at March 31, 2024 by the Special Funds is \$4,278,000 (2023 - \$4,956,000) and owed by the Killam Fund is \$2,138,000 (2023 - \$1,265,000).

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, in fixed income pooled funds 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 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	51%	40%	46%	55%
Fixed income	19%	10%	20%	35%
Real estate	5%	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.

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

Notes to the Financial Statements (continued)
March 31, 2024

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

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

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

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

5. Fair value and financial risks

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 Portfolio 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 as at March 31 based on valuation models with unobservable inputs.

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

<i>(in thousands of dollars)</i>		2024	2023
Financial assets and liabilities	Measurement categories	Carrying amount and fair value	Carrying amount and fair value
Cash	Fair value	48,519	108,169
Accounts receivable	Amortized cost	4,492	3,327
Portfolio investments ¹	Fair value	550,098	490,131
Grants, author payments and prizes payable	Amortized cost	86,965	137,292
Accounts payable and accrued liabilities	Amortized cost	7,206	7,674

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

Notes to the Financial Statements (continued)
March 31, 2024

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:

(in thousands of dollars)	2024				2023			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Cash	48,519	-	-	48,519	108,169	-	-	108,169
Portfolio investments								
Canada Council Endowment and Special Funds								
Pooled Funds								
Canadian Equity	-	62,945	-	62,945	-	57,107	-	57,107
Global Equity	-	234,126	-	234,126	-	199,501	-	199,501
Fixed Income	-	63,893	22,114	86,007	-	61,827	21,072	82,899
Real Estate	-	-	20,908	20,908	-	-	18,399	18,399
Infrastructure	-	-	52,508	52,508	-	-	48,623	48,623
Killam Fund								
Pooled Funds								
Canadian Equity	-	12,601	-	12,601	-	12,874	-	12,874
Global Equity	-	47,815	-	47,815	-	40,783	-	40,783
Fixed Income	-	13,126	4,530	17,656	-	12,700	4,317	17,017
Real Estate	-	-	4,610	4,610	-	-	4,157	4,157
Infrastructure	-	-	10,922	10,922	-	-	8,771	8,771
	-	434,506	115,592	550,098	-	384,792	105,339	490,131
Total	48,519	434,506	115,592	598,617	108,169	384,792	105,339	598,300

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

Notes to the Financial Statements (continued)
March 31, 2024

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

(in thousands of dollars)	2024				2023			
	Fixed Income funds	Real estate funds	Infrastructure funds	Total	Fixed Income fund	Real estate funds	Infrastructure funds	Total
Canada Council Endowment and Special Funds								
Opening balance	21,072	18,399	48,623	88,094	15,663	8,709	28,539	52,911
Total gains (losses)								
Recognized in remeasurement statement	160	(2,624)	35	(2,429)	(496)	(630)	3,712	2,586
Recognized in externally restricted contributions	14	(229)	3	(212)	(43)	(55)	323	225
Purchases	868	5,362	5,774	12,004	5,948	10,648	16,943	33,539
Sales	-	-	(1,927)	(1,927)	-	(273)	(894)	(1,167)
Closing balance	22,114	20,908	52,508	95,530	21,072	18,399	48,623	88,094
Killam Fund								
Opening balance	4,317	4,157	8,771	17,245	3,606	2,234	4,561	10,401
Total gains (losses)								
Recognized in externally restricted contributions	36	(619)	(194)	(777)	(118)	(140)	830	572
Purchases	177	1,072	2,905	4,154	829	2,130	3,519	6,478
Sales	-	-	(560)	(560)	-	(67)	(139)	(206)
Closing balance	4,530	4,610	10,922	20,062	4,317	4,157	8,771	17,245

Level 3 Sensitivity analysis

In the course of measuring the 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 analysis of reasonably possible alternate assumptions for estimation of the fair value measurement of the Level 3 financial instruments is not possible.

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).

Notes to the Financial Statements (continued)
March 31, 2024

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 for the Council.

At the Statement of Financial Position date, financial assets exposed to credit risk include 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 in limited partnership units of five real estate funds and seven 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 of accounts receivable through monitoring of the outstanding balances. As at March 31, 2024, 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 appropriations from the Government of Canada. That revenue is temporarily invested in a preferred rate account in a financial institution until it is required.

Liquidity sources in the event of an immediate need to fulfil 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.

Notes to the Financial Statements (continued)
March 31, 2024

The liquidity available from either the preferred rate account in a financial institution or from the portfolio investments ensures that the Council is able to meet its obligations and commitments. The portfolio investments classified into Levels 1 and 2 of the fair value hierarchy can be redeemed within a maximum of three days. As well, the permitted and prohibited investments are governed by Board-approved short-term and long-term investment policies that 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 at up to 3.5% for the Canada Council Endowment and Special Funds, as well as for the Killam Fund (2023 - 3.5%) of the previous three-year average market value using balances as at September 30.

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

(in thousands of dollars)	Less than one year	Between one to two years	Over two years	2024 Total
Financial Liabilities				
Grants, author payments and prizes payable	67,776	10,092	9,097	86,965
Accounts payable and accrued liabilities	6,560	646	-	7,206
	74,336	10,738	9,097	94,171

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.

Measurement of market risk

The following details the Council's portfolio investments sensitivity to a 9.8% increase or decrease in market prices. The sensitivity rate is used when reporting market risk internally to key management personnel and represents management's assessment of a reasonably possible change in value in an investment or portfolio of investments as a result of fluctuations in market prices.

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

Notes to the Financial Statements (continued)
March 31, 2024

At March 31, 2024, a fluctuation of market prices of 9.8% (9.8% in 2023), with all other variables held constant, would result in a change in remeasurement gains and losses and Deferred revenues – externally restricted contributions of \$53,910,000 (\$48,033,000 in 2023) due to the increase or decrease in the fair value of the portfolio investments.

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 pooled funds and in limited partnership units of five real estate funds and seven infrastructure funds.

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 fixed income pooled funds are indirectly affected by movements in their fair value as a result of fluctuations in market interest rates. The impact of the fluctuation cannot be assessed since the 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 Portfolio investment represents \$44,045,000 (2023 - \$42,405,000). Compared with the total financial assets of the Council of \$601,947,000 (2023 - \$601,627,000), currency risk is not considered significant.

Notes to the Financial Statements (continued)
March 31, 2024

6. Employee Future Benefits

a) Pension benefits

Substantially all 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 Council's contribution rate effective at year-end was 1.02 times (2023 - 1.02) the employee's contribution; and for employment start dates after December 31, 2012, the Council's contribution rate effective at year-end was 1.00 times (2023 - 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.

<i>(in thousands of dollars)</i>	2024	2023
Employer's contributions	2,980	2,644
Employees' contributions	2,845	2,514

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 (since 2012). 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 levels.

Information about the plan benefits, measured as at March 31, is as follows:

<i>(in thousands of dollars)</i>	2024	2023
Accrued benefit obligation, beginning of year	135	134
Current service cost	-	1
Benefits paid during the year	(89)	-
Accrued benefit obligation, end of year	46	135

Notes to the Financial Statements (continued)
March 31, 2024

c) Retiree 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. The Council's independent actuary measures the accrued benefit obligation for accounting purposes as at March 31 of each year.

The obligations for March 31, 2024, were determined using valuation results based on membership data as at November 30, 2023. The obligations for March 31, 2023 were determined using the valuation results based on membership as at March 31, 2022.

(in thousands of dollars)	2024	2023
Accrued net benefit obligation, beginning of year	4,844	5,033
Current service cost	246	274
Interest cost	145	121
Benefits paid	(135)	(128)
Actuarial gains	(214)	(456)
	4,886	4,844
Unamortized net actuarial gains	1,023	742
Accrued net benefit obligation, end of year	5,909	5,586

The net actuarial gains or losses arising from experience and changes in assumptions is amortized over the expected average remaining service period of the employee group, which is 13 years.

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

	2024	2023
Discount rate for calculation of net benefit costs	3.0%	2.4%
Discount rate for calculation of accrued benefit obligation	3.4%	3.0%
Dental cost rate increase (decrease)	5.0%	(2.2%)
Initial Health care cost trend rate increase - Prescription drugs	5.4%	5.5%
Ultimate health care cost trend rate	4.0%	4.0%

Notes to the Financial Statements (continued)
March 31, 2024

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 purposes specified by the endowment. The restricted endowment principal of \$37,569,000 is required to be maintained and is reported under Accumulated surplus from operations (see Note 11).

(in thousands of dollars)	2024	2023
Balance, beginning of year	74,667	75,817
Transferred from investment income (Note 12)		
Net Investment income	5,203	4,029
Use of funds	(2,054)	(2,711)
	3,149	1,318
Unrealized gains (losses) on portfolio investments	8,781	(2,625)
Amounts reclassified to the Statement of Operations - Portfolio investments	(208)	157
Balance, end of year	86,389	74,667

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

8. Tangible capital assets

(in thousands of dollars)	Computer Software	Computer Equipment	Office Equipment	Leasehold Improvements	Total
Cost					
Opening balance at April 1, 2023	6,278	2,957	1,956	7,807	18,998
Acquisitions	237	70	43	72	422
Transfer from Work in Progress	-	-	-	-	-
Disposals	-	(75)	(18)	-	(93)
Closing balance at March 31, 2024	6,515	2,952	1,981	7,879	19,327
Accumulated Amortization					
Opening balance at April 1, 2023	3,346	2,171	1,263	4,202	10,982
Amortization expense	834	336	109	338	1,617
Disposals	-	(62)	(16)	-	(78)
Closing balance at March 31, 2024	4,180	2,445	1,356	4,540	12,521
Net carrying amount at March 31, 2023	2,932	786	693	3,605	8,016
Net carrying amount at March 31, 2024	2,335	507	625	3,339	6,806

Notes to the Financial Statements (continued)
March 31, 2024

9. Art bank assets

(in thousands of dollars)

	2024	2023
Opening balance	19,849	19,363
Acquisitions	77	542
Disposals/donations	(2)	(56)
Closing Balance	19,924	19,849

The Council's Art Bank has the largest collection of contemporary art from Canada. It includes 17,239 (2023 - 17,226) paintings, sculptures, drawings, photographs and prints by 3,245 (2023 - 3,235) artists. The Art Bank rents its assets to interested parties and, as at March 31, 2024 has 3,934 (2023 - 4,016) 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 independently appraised when management identifies significant events such as special recognition, type of artwork or artist passing, which are known to trigger a change in valuation. The total appraised value of the Art Bank assets is estimated at \$73,248,000 as at March 31, 2024 (2023 - \$73,219,000).

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 12 prestigious musical instruments. In addition, the Council manages a fine violin bow and 12 instruments on loan, seven from anonymous donors and six from five 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 Instrument Bank as at March 31, 2024, is \$96,830,000, converted from a value of US\$71,335,000 using the March 31, 2024, US exchange rate of 1.36 (2023 - \$95,729,000, converted from a value of US\$70,735,000 using the March 31, 2023, US exchange rate of 1.35).

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

Notes to the Financial Statements (continued)
March 31, 2024

11. Accumulated surplus

(in thousands of dollars)	2024	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, beginning of the year	261,445	253,445
Appropriated from the accumulated surplus during the year	10,000	8,000
Balance, end of the year	271,445	261,445
Surplus		
Balance, beginning of the year	26,516	24,363
Appropriated to the reserve for excess investment income during the year	(10,000)	(8,000)
Surplus for the year	11,282	10,153
Balance, end of the year	27,798	26,516
Total accumulated surplus from operations	386,812	375,530
Accumulated remeasurement gains (losses)		
Balance, beginning of the year	23,510	31,594
Change in fair value	29,444	(8,084)
Balance, end of the year	52,954	23,510
Balance of accumulated surplus, end of year	439,766	399,040

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

Notes to the Financial Statements (continued)
March 31, 2024

12. Net realized investment income

<u>(in thousands of dollars)</u>	2024	2023
(Losses) gains from disposal and impairment of portfolio investments	(4,611)	247
Income transferred to deferred revenues -		
Externally restricted contributions (Note 7)	(3,149)	(1,318)
Net gains on foreign exchange	43	40
Dividend and other distributed income - reinvested	22,716	15,670
Interest, dividend and other distributed income - cashed	10,039	7,402
Investment portfolio management costs	(1,680)	(1,922)
	<u>23,358</u>	<u>20,119</u>

13. Net art bank results

<u>(in thousands of dollars)</u>	2024	2023
Rental revenue	(1,762)	(1,668)
Other income	(212)	(218)
Administration expense	2,094	1,849
	<u>120</u>	<u>(37)</u>

14. Canadian Commission for UNESCO

<u>(in thousands of dollars)</u>	2024	2023
Program expenses	940	1,031
Program - contributions received	(25)	(154)
Administration expense	1,741	1,633
	<u>2,656</u>	<u>2,510</u>

Program expenses mainly represent 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 change in other non cash items

<u>(in thousands of dollars)</u>	2024	2023
(Increase) decrease in accounts receivable	(1,165)	7,431
Decrease in grants, author payments and prizes payable	(50,327)	(27,539)
Increase (decrease) in accounts payable and accrued liabilities	66	(1,777)
Decrease in deferred revenues	(412)	(707)
Net change	<u>(51,838)</u>	<u>(22,592)</u>

Notes to the Financial Statements (continued)
March 31, 2024

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, 2024 amounted to \$330,000,000. The future payments of grant commitments as of March 31, 2024, are as follows:

(in thousands of dollars)	
2025	154,854
2026	121,416
2027	36,318
2028	17,412

The commitments for future years for Grants, author payments and prizes include transactions with related parties totaling \$7,759,000.

b) Rent

The Council is party to long-term operating leases with respect to rental accommodation. Future year payments related to operating leases as at March 31, 2024 amounted to \$49,565,000. The future payments of operating leases as at March 31, 2024, are as follows:

(in thousands of dollars)	
2025	4,650
2026	4,727
2027	4,809
2028	4,888
2029	5,067
2030-2034	25,424

c) Investment commitments

The Council has committed funds with infrastructure investment managers through limited partnership funds. As it takes time for those funds to be fully invested, the balance of committed capital not yet drawn as at March 31, 2024, is \$11,641,000. These commitments will be paid through our existing cash balance with our custodian and by selling assets currently invested primarily in Equity Funds.

Notes to the Financial Statements (continued)
March 31, 2024

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 at March 31, 2024, amounted to \$8,048,000. Future annual payments as at March 31, 2024, are as follows:

(in thousands of dollars)	Less than 1 year	Less than 7 years	Total
Tangible capital assets	480	-	480
General administration	2,096	1,068	3,164
Arts community services	903	918	1,821
Transfer program delivery	1,920	40	1,960
Canadian Commission for UNESCO	156	75	231
Net Art Bank results	392	-	392

The other commitments for future years included transactions with related parties totaling \$521,000, \$311,000 under General administration, \$150,000 under Arts community services and \$60,000 under Transfer program delivery.

17. 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 has defined its key management personnel to be the members of the Senior Management Committee and the members of its Board. 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 \$6,268,000 (2023 – \$5,574,000) and recorded rental revenues for the Art Bank assets, contributions and other revenues totaling \$1,333,000 (2023 – \$1,393,000) with related parties. In addition, the Council received \$369,339,000 (2023 - \$423,423,000) from the Government of Canada through parliamentary appropriations.

During the year, the Council received audit services without charge from the Office of the Auditor General. No costs are recorded in the financial statements for these services.

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)	2024	2023
Accounts receivable	2,407	1,076
Grants, author payments and prizes payable	1,150	3,322
Accounts payable and accrued liabilities	1,198	352
Deferred revenues	280	517
Prepaid expenses	-	84

Schedule I - Grants, Author Payments and Prizes by Section

(in thousands of dollars)	2024	2023
Arts Granting Programs		
Explore and Create	100,414	119,125
Engage and Sustain	80,327	80,449
Supporting Artistic Practice	37,905	39,107
Arts Across Canada	29,776	28,138
Arts Abroad	16,650	17,982
Creating, Knowing and Sharing: The Arts and Cultures of First Nations, Inuit and Métis Peoples	18,397	15,874
Digital Strategy Fund	-	550
Strategic Innovation Fund	-	4,831
Strategic Investments	25,304	2,970
COVID-19 Recovery and Reopening Fund for events and in-person experiences	-	48,634
Canada Arts and Culture Recovery Program (CACRPs)	-	8,820
Prizes	1,011	1,079
Public Lending Right	14,783	14,805
Killam Program		
Killam Research Fellowships	80	560
Killam Prizes	500	500
Other Prizes and Awards		
Molson Prizes	100	100
Vida Peene Award	-	124
Other prizes and awards < \$100,000	321	326
	325,568	383,974

Schedule II - Other Expenses

(in thousands of dollars)

	2024			2023
	Transfer Program Delivery	General Administration	Total	Total
Salaries and employee benefits	23,110	11,992	35,102	31,968
Peers and advisory committees	3,063	-	3,063	2,328
Office accommodation	-	4,055	4,055	4,106
Professional and special services	3,215	3,506	6,721	6,821
Amortization	817	800	1,617	1,619
Information management	645	1,753	2,398	2,254
Staff travel	181	78	259	252
Prizes presentation	495	-	495	489
Printing, publications and duplicating	21	222	243	313
Communications	-	181	181	235
Office expenses and equipment	21	142	163	163
Meeting expenses including members' honoraria	28	196	224	207
Miscellaneous	9	34	43	17
	31,605	22,959	54,564	50,772

Schedule III - Arts Community Services

(in thousands of dollars)

	2024	2023
Partnership and networking	1,636	1,185
Research and consultation	1,253	1,449
Event costs	241	125
	3,130	2,759