Canada Council for the Arts | Conseil des arts du Canada

Quarterly

Financial Report

Unaudited

Period ended September 30, 2025
Published November 28, 2025

Canada Council for the Arts | Conseil des arts du Canada

Management Discussion and Analysis

Quarterly Report

Period ended September 30, 2025
Published November 28, 2025

Introduction

This narrative discussion relates to the financial results of the Canada Council for the Arts (the Canada Council) for the second quarter and the six-month period ended September 30, 2025 as set out in the accompanying unaudited quarterly financial statements. These statements are disclosed in accordance with the requirements of section 131.1 of the Financial Administration Act and are prepared in accordance with Canadian Public Sector Accounting Standards (PSAS) as promulgated by the Chartered Professional Accountants (CPA) of Canada.

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

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

Highlights

Alberta Focus Initiative

In September 2025, the Canada Council announced the two Albert based liaison consultants retained under the Alberta Focus Initiative. The initiative intends to deepen the Canada Council's collaboration and engagement with Alberta's arts community. It builds on the efforts by the Canada Council to improve upon the imbalances experienced by Alberta's arts communities.

The consultants are engaging with communities across the province to increase awareness of and access to funding opportunities and provide the Canada Council with field intelligence with an objective of ensuring impactful support to Alberta's arts sector.

Impact Reports

In August 2025, the Canada Council published on its website three new impact reports on the following topics:

- the Digital Now initiative,
- the Sector Innovation and Development component of the Supporting Artistic Practice program, and
- the Research and Creation and Concept to Realization components of the Explore and Create program.

Hill & Knowlton were engaged to analyze the results of these program components and initiative. The analyses focused on funded activities and assessed the benefits of these program components for the sector and diverse communities.

Honorary Recognition of Cultural Carriers

In August 2025, the Canada Council awarded the Honorary Recognition of Cultural Carriers to three individuals whose artistic and cultural endeavours further the use and promotion of Indigenous languages. The three awarded are the artist, curator and researcher Heather Campbell; the singer-songwriter and violist Sandrine Masse; and the independent curator and artist, Lisa Myers.

These Honorary Recognitions are given for a second year in the context of the United Nations International Decade of Indigenous Languages.

Operational Changes

Updates to Funding Opportunities and Portal

In August 2025, the Canada Council gradually reopened its modernized granting portal, which features updated programs and applicant profiles. This modernization is designed to offer a more seamless, accessible, efficient, and secure experience for the arts community, improving how users navigate, apply for, and access funding opportunities and services.

Program changes include the launch of new funding opportunities and revisions to several existing ones. In addition, a simplified and updated suite of applicant profiles has been implemented, enhancing access to funding opportunities.

The changes have been communicated to the arts communities through regular e-bulletins, webinars and the Canada Council website.

Leadership and Governance changes

Board appointment

Cheryl Hickman (St. John's, Newfoundland) was appointed as Chair of the Canada Council for the Arts for a five-year term, effective July 28, 2025. Cheryl Hickman is the Founder and General and Artistic Director of Opera on the Avalon, and has served as a member of the Canada Council Board since 2017.

Overview of the Second Quarter Net Results

(in thousands of dollars)	Three months ended September 30			Six months ended September 30		
	2025	2024	Variance	2025	2024	Variance
Revenue	4,711	5,079	(368)	14,713	10,349	4,364
Expenses	(53,252)	(50,018)	(3,234)	(240,497)	(244,443)	3,946
Government funding	110,035	113,000	(2,965)	200,071	203,939	(3,868)
Surplus (deficit) for the period	61,494	68,061	(6,567)	(25,713)	(30,155)	4,442

The surplus for the quarter was $61.5M compared to $68.1M for the same period last year. The variance of $6.6M, is primarily due to decreased parliamentary appropriations and other revenues as well as increased transfer program delivery and general administration expenses, partially offset by decreased grants, author payments and prizes and Canadian Commission for UNESCO expenses.

The deficit for the year to date was $25.7M, compared to $30.2M for the same period last year. This variance of $4.4M is largely driven by a decrease in grants, author payments and prizes and an increase in net realized investment income, offset by increases in transfer program delivery and general administration expenses and a decrease in parliamentary appropriations.

Revenues

(in thousands of dollars)	Three months ended September 30			Six months ended September 30		
	2025	2024	Increase / (Decrease)	2025	2024	Increase / (Decrease)
Net realized investment income	4,686	3,859	827	13,319	8,485	4,834
Other revenue	25	1,220	(1,195)	1,394	1,864	(470)
Total Revenues	4,711	5,079	(368)	14,713	10,349	4,364

Net realized investment income

Net realized investment income for the year to date is higher than the same period last year, principally due to an increase in realized gains from sales executed by the Canada Council in the first quarter of 2025-26 in order to rebalance its portfolio.

Expenses

(in thousands of dollars)	Three months ended September 30			Six months ended September 30		
	2025	2024	Increase / (Decrease)	2025	2024	Increase / (Decrease)
Grants, author payments and prizes	34,747	36,253	(1,506)	202,918	214,143	(11,225)
Transfer program delivery	11,508	6,814	4,694	21,480	15,363	6,117
Arts community services	534	312	222	1,260	625	635
Net Art Bank results	(44)	(69)	25	56	36	20
Canadian Commission for UNESCO	594	1,284	(690)	1,230	2,049	(819)
General administration	5,913	5,424	489	13,553	12,227	1,326
Total Expenses	53,252	50,018	3,234	240,497	244,443	(3,946)

Grants, author payments and prizes

The decrease in year-to-date grants, author payments and prizes of $11.2M is explained by the granting portal being frozen for the majority of Q2 in preparation for the launch of the updated portal. This freeze, which meant that no new grants could be processed, took place from May 26, 2025, to August 19, 2025, at which time the Canada Council began progressively re-opening the portal and processing new grant applications.

Transfer program delivery

The increase in year-to-date transfer program delivery expenses of $6.1M is due to development costs associated with the updated portal, which in the current year amounted to $4.6M while the same period from the prior year amounted to $1.7M. In addition, salaries and benefits were $1.7M higher due to compensation adjustments outlined in the current collective agreement.

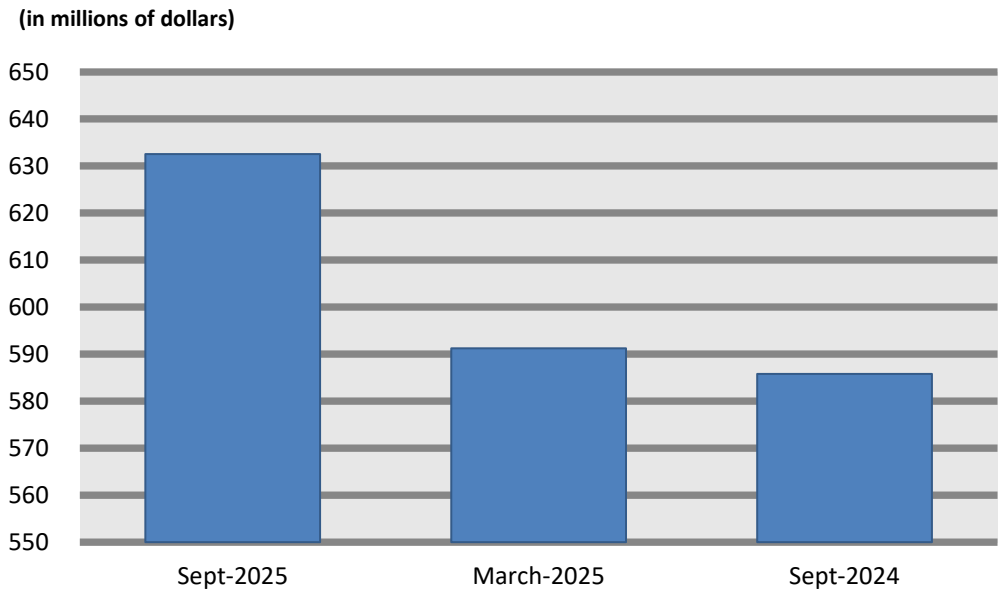
Assets

Financial Assets

(in thousands of dollars)	September 30 2025	March 31 2025	Increase / (Decrease)
Cash	89,974	42,093	47,881
Accounts receivable	2,730	3,356	(626)
Portfolio investments	632,519	591,252	41,267
Total Financial Assets	725,223	636,701	88,522

Portfolio Investments

The total market value of the portfolio as at September 30, 2025 was $632.5M. This amount represents an increase of $41.3M in market value since March 31, 2025 and an increase of $46.7M since September 30, 2024. This increase over the past 12 months is attributed to general market growth and reflects continued robust performance.



The total fund generated a positive return of 6.2% for the quarter, performing slightly below the benchmark of 6.7%. Fixed Income surpassed their benchmark by 0.2%, while Canadian equity, Infrastructure, Global equity, and Real estate underperformed relative to their benchmarks by 4.1%, 1.7%, 0.6%, and 0.1% respectively. Only Infrastructure reported a negative return for the quarter with negative 0.3%.

The total fund one-year return was 13.9% for September 2025, underperforming the benchmark of 15.1%. All asset classes generated positive one-year returns.

Liabilities

(in thousands of dollars)	September 30 2025	March 31 2025	Increase / (Decrease)
Grants, author payments and prizes payable	130,948	57,065	73,883
Accounts payable and accrued liabilities	7,335	8,658	(1,323)
Deferred revenues	6,780	7,068	(288)
Employee future benefits	6,480	6,248	232
Externally restricted contributions	110,267	96,795	13,472
Total Liabilities	261,810	175,834	85,976

Grants, author payments, and prizes payable

The increase of $73.9M since March 31, 2025, is due primarily to core and certain multi-year grants becoming payable with the new financial year. As well, the outstanding Grants, author payments and prizes payable has increased by $26.5M since June 30, 2025, due to a combination of factors including the portal being frozen for the majority of the quarter, restricting payments. In addition, with the gradual re-opening of the portal starting on August 19, 2025, new waves of grants were awarded in the final weeks of Q2 which will be paid early in Q3.

Accounts payable and accrued liabilities

The decrease of $1.3M compared to the value as at March 31, 2025 is principally explained by a decrease in accrued payroll and accrued vendor expenses of $1.2M.

Externally restricted contributions

The increase of $13.5M compared to the value at March 31, 2025 is due to positive market returns, detailed in Note 6 of the Financial Statements.

Non-Financial Assets

(in thousands of dollars)	September 30 2025	March 31 2025	Increase / (Decrease)
Tangible capital assets	5,525	6,107	(582)
Art Bank assets	19,976	19,975	1
Musical instruments	1	1	-
Prepaid expenses	5,182	1,144	4,038
Total non-financial assets	30,684	27,227	3,457

Art Bank assets

The Canada Council owns over 17,200 works of contemporary Canadian art within its Art Bank collection. The Art Bank assets are carried at a cost of $20.0M. The appraised value of the Art Bank assets at September 30, 2025 was approximately $87.7M.

Musical instruments

The Canada Council operates a Musical Instrument Bank and it currently owns a fine cello bow and 12 prestigious musical instruments. In addition, the Canada Council manages 13 instruments and a fine violin bow on loan. The appraised value of its musical instruments as at September 30, 2025 was US $72.9M. These are included on the Statement of Financial Position at a nominal value.

Prepaid expenses

The increase of $4.0M in comparison to the value as at March 31, 2025, is principally explained by a transfer of $2.8M to the National Research Canada Council for the delivery of the 2025-26 Killam program, in addition to $1.7M relating to composite multi-year grants which were paid a 35% advance prior to the freeze of the portal, which were still outstanding at Q2.

Risk Management

Effective risk management is fundamental to the success of the Canada Council in fulfilling its mandate. The Canada Council continues to develop a strong 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 Canada Council's plans, strategies and risk appetite.

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

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

Risk Governance

The Canada 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 Canada Council's key risks and related mitigation, financial performance and performance of the investment portfolio. The Canada Council's executive management is responsible for risk management under the direct oversight of the Board.

Risk Appetite

The Canada Council follows a prudent risk-taking approach in managing its activities. It defines prudent risks as those seen to contribute to the organization's capacity to better deliver its

mandate within a range of consequences that are well understood and appropriately mitigated. It manages risk within the constraints of its mandate, values, organizational culture, and both its public and internal commitments. The Canada Council's full Risk Appetite Statement is disclosed in the 2024-25 Annual Financial Statements.

Risk Profile

Using the Canada Council's risk appetite, the risk profile is reviewed and updated on an annual basis. All identified risks are ranked based on likelihood and potential impact on the Canada Council's business with a focus on potential operational, financial, and reputational dimensions. The corporate risk profile highlighting the top risk areas and their mitigation strategies was presented to the Board in January 2025.

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

Financial Risk

The Canada 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 Canada Council. A significant portion of the Canada Council's receivables are deposited within 30-60 days after quarter-end and as such the related credit risk is very low. Liquidity risk is the risk that Canada Council will not be able to meet its financial obligations as they fall due.

The Canada 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 Canada Council's investment activities are primarily exposed to price risk, interest rate risk and currency risk. The directive to the Canada Council's investment managers is to manage the Canada Council's market risks on a daily basis in accordance with the Canada Council's policies. Overall market positions are monitored quarterly by the Investment Committee and the Board.

Use of Parliamentary Appropriation

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

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

The Parliamentary appropriations approved and received by the Canada Council for the six months ended September 30 were as follows:

(in thousands of dollars)	September 30	
	2025	2024
Approved annual operating funding Vote 1 - Operating costs	360,437	363,531
Parliamentary appropriations for operating expenses recorded in the Statement of Operations for the six-month period	(200,071)	(203,939)
Balance of operating funding to be received	160,366	159,592

Canada Council for the Arts | Conseil des arts du Canada

Quarterly

Financial Statements

Unaudited

These financial statements for the quarter ended September 30, 2025 have not been audited or reviewed by our Auditor

Management's Responsibility for Financial Reporting

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

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

November 28, 2025

Michelle Chawla

Director and Chief Executive Officer

Nicole Primeau, CPA-CMA, CIA, CFE, CRMA

Chief Financial Officer

Statement of Financial Position

(Unaudited) (in thousands of dollars)	September 30 2025	March 31 2025
FINANCIAL ASSETS		
Cash	89,974	42,093
Accounts receivable	2,730	3,356
Portfolio investments (Note 4)	632,519	591,252
Total financial assets	**725,223**	**636,701**
LIABILITIES		
Grants, author payments and prizes payable	130,948	57,065
Accounts payable and accrued liabilities	7,335	8,658
Deferred revenues	6,780	7,068
Employee future benefits	6,480	6,248
Deferred revenues - Externally restricted contributions (Note 6)	110,267	96,795
Total liabilities	**261,810**	**175,834**
NET FINANCIAL ASSETS	**463,413**	**460,867**
NON-FINANCIAL ASSETS		
Tangible capital assets	5,525	6,107
Art Bank assets	19,976	19,975
Musical instruments	1	1
Prepaid expenses	5,182	1,144
Total non-financial assets	**30,684**	**27,227**
ACCUMULATED SURPLUS (Note 7)	**494,097**	**488,094**
Accumulated surplus is comprised of:		
Accumulated surplus from operations	391,044	416,757
Accumulated remeasurement gains	103,053	71,337
ACCUMULATED SURPLUS	**494,097**	**488,094**

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

Statement of Operations

(Unaudited) (in thousands of dollars)	Yearly Budget 2025 - 2026	Three months ended September 30 2025	Three months ended September 30 2024	Six months ended September 30 2025	Six months ended September 30 2024
Revenue					
Net realized investment income (Note 8)	23,955	4,686	3,859	13,319	8,485
Other revenue	3,500	25	1,220	1,394	1,864
Total revenues	27,455	4,711	5,079	14,713	10,349
Expenses					
Transfer Programs					
Grants, author payments and prizes	328,446	34,747	36,253	202,918	214,143
Transfer program delivery	37,133	11,508	6,814	21,480	15,363
Arts community services	3,820	534	312	1,260	625
	369,399	46,789	43,379	225,658	230,131
Net Art Bank results (Note 9)	161	(44)	(69)	56	36
Canadian Commission for UNESCO (Note 10)	2,877	594	1,284	1,230	2,049
General administration	29,750	5,913	5,424	13,553	12,227
Total expenses	402,187	53,252	50,018	240,497	244,443
Deficit from operations before Parliamentary appropriations for the period	(374,732)	(48,541)	(44,939)	(225,784)	(234,094)
Parliamentary appropriations	360,437	110,035	113,000	200,071	203,939
SURPLUS (DEFICIT) FROM OPERATIONS FOR THE PERIOD	(14,295)	61,494	68,061	(25,713)	(30,155)
ACCUMULATED SURPLUS FROM OPERATIONS, BEGINNING OF PERIOD	416,757	329,550	288,596	416,757	386,812
ACCUMULATED SURPLUS FROM OPERATIONS, END OF PERIOD	402,462	391,044	356,657	391,044	356,657

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

Statement of Remeasurement Gains and Losses

(Unaudited) (in thousands of dollars)	Three months ended September 30		Six months ended September 30	
	2025	2024	2025	2024
ACCUMULATED REMEASUREMENT GAINS, BEGINNING OF PERIOD	77,816	56,828	71,337	52,954
Unrealized gains attributable to:				
Portfolio investments	25,275	17,710	34,606	21,591
Amounts reclassified to the Statement of Operations:				
Portfolio investments	(38)	(276)	(2,890)	(283)
NET REMEASUREMENT GAINS FOR THE PERIOD	25,237	17,434	31,716	21,308
ACCUMULATED REMEASUREMENT GAINS, END OF PERIOD	103,053	74,262	103,053	74,262

Statement of Change in Net Financial Assets

(Unaudited) (in thousands of dollars)	Three months ended September 30		Six months ended September 30	
	2025	2024	2025	2024
SURPLUS (DEFICIT) FROM OPERATIONS FOR THE PERIOD	61,494	68,061	(25,713)	(30,155)
Acquisition of tangible capital assets	(5)	(11)	(105)	(11)
Amortization of tangible capital assets	345	312	687	624
Acquisition of Art Bank assets	(1)	-	(1)	(1)
Net decrease of tangible capital and Art Bank assets	339	301	581	612
Acquisition of prepaid expenses	(719)	(267)	(5,445)	(4,211)
Use of prepaid expenses	446	301	1,407	2,866
Net (increase) decrease of prepaid expense	(273)	34	(4,038)	(1,345)
Net remeasurement gains	25,237	17,434	31,716	21,308
INCREASE (DECREASE) IN NET FINANCIAL ASSETS	86,797	85,830	2,546	(9,580)
NET FINANCIAL ASSETS, BEGINNING OF PERIOD	376,616	316,135	460,867	411,545
NET FINANCIAL ASSETS, END OF PERIOD	463,413	401,965	463,413	401,965

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

Statement of Cash Flows

(Unaudited) (in thousands of dollars)	Three months ended September 30		Six months ended September 30	
	2025	2024	2025	2024
Operating Transactions				
Surplus (deficit) from operations for the period	61,494	68,061	(25,713)	(30,155)
Gains from disposal of portfolio investments (Note 8)	(113)	(963)	(4,337)	(1,049)
Dividend and other distributed income - reinvested (Note 8)	(5,810)	(2,634)	(12,479)	(7,678)
Amortization of tangible capital assets	345	312	687	624
(Increase) decrease in prepaid expenses	(273)	34	(4,038)	(1,345)
Decrease (increase) in grants, author payments and prizes payable	26,468	(50,247)	73,883	42,039
Income transferred (from) to Deferred revenues - Externally restricted contributions from (to) investment income (Note 6)	1,370	807	3,809	1,913
Net change in other non-cash items (Note 11)	(658)	(1,563)	(753)	92
Cash gains (losses) by operating activities	82,823	13,807	31,059	4,441
Capital Transactions				
Acquisition of tangible capital assets	(5)	(11)	(105)	(11)
Acquisition of Arts Bank assets	(1)	-	(1)	(1)
Cash used by capital activities	(6)	(11)	(106)	(12)
Investing Transactions				
Acquisition of portfolio investments	16	(339)	(29)	(733)
Disposal of portfolio investments	270	1,570	16,957	1,725
Cash provided by investing activities	286	1,231	16,928	992
NET INCREASE IN CASH	83,103	15,027	47,881	5,421
CASH, BEGINNING OF PERIOD	6,871	38,913	42,093	48,519
CASH, END OF PERIOD	89,974	53,940	89,974	53,940

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

1. Authority, Mandate and Activities

The Canada Council for the Arts (the "Canada 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 Canada 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 Canada Council is a Crown corporation whose objectives are to foster and promote the study and enjoyment of, and the production of works in, the arts.

The Canada Council achieves its objectives primarily through grant programs to professional Canadian artists and arts organizations. The Canada 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 Canada Council's mandate. General administration costs represent the costs related to corporate management, communications, human resources, information management, finance, accommodation and amortization.

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

2. Significant Accounting Policies

Basis of accounting

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

Basis of preparation

These interim financial statements are intended to provide an update on the latest complete set of audited annual financial statements for the year ended March 31, 2025. Accordingly, they should be read in conjunction with the audited annual financial statements. The interim financial statements are unaudited for all periods presented. The accounting policies used in the preparation of these interim condensed financial statements are consistent with those disclosed in the Canada Council's last audited annual financial statements.

Measurement uncertainty

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

Budgeted figures

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

3. Restatement of the Statement of Operations

The Canada Council reports its board approved budget figures as reference on the statement of operations. During the second quarter, the Canada Council's Board approved an increase in the budget for Grants, author payments and prizes of $14.3 million in order to carry forward unspent Grants, author payments and prizes from 2024-25.

The impact of the restatement of the comparative budgeted figures are as follows:

Notes to the Financial Statements
For the period ended September 30, 2025
(Unaudited)

(Unaudited) (in thousands of dollars)	Annual Budget 2025-26 Reported at June 30	Annual Budget 2025-26 Updated Board approval	Annual Budget 2025-26 Variance
Revenue			
Net realized investment income (Note 8)	23,955	23,955	-
Other revenue	3,500	3,500	-
Total revenues	27,455	27,455	-
Expenses			
Transfer Programs			
Grants, author payments and prizes	314,146	328,446	14,300
Transfer program delivery	37,133	37,133	-
Arts community services	3,820	3,820	-
	355,099	369,399	14,300
Net Art Bank results (Note 9)	161	161	-
Canadian Commission for UNESCO (Note 10)	2,877	2,877	-
General administration	29,750	29,750	-
Total expenses	387,887	402,187	14,300
Deficit from operations before Parliamentary appropriations for the period	(360,432)	(374,732)	(14,300)
Parliamentary appropriations	360,437	360,437	-
SURPLUS (DEFICIT) FROM OPERATIONS FOR THE PERIOD	5	(14,295)	(14,300)

4. Portfolio investments

	Year-to-date September 30, 2025					Year-end March 31, 2025		
	Cost	Unrealized losses	Unrealized gains	Fair value		Cost	Fair value	
(in thousands of dollars)	$	$	$	$	%	$	$	%
Canada Council Endowment and Special Funds								
Pooled funds								
Canadian Equity	63,561		17,191	80,752	15	56,743	68,190	14
Global Equity	192,592		80,048	272,640	52	201,423	252,422	52
Fixed income	91,084		3,436	94,520	18	89,331	93,055	19
Real estate	21,948	(2,176)	604	20,376	4	21,771	20,842	4
Infrastructure	43,755	(20)	13,273	57,008	11	43,703	56,342	11
	412,940	(2,196)	114,552	525,296	100	412,971	490,851	100
Killam Fund								
Pooled funds								
Canadian Equity	13,427		2,823	16,250	15	12,053	13,722	14
Global Equity	39,197		15,790	54,987	52	41,095	51,078	52
Fixed income	18,712		691	19,403	18	18,353	19,102	19
Real estate	4,768	(471)	154	4,451	4	4,732	4,551	4
Infrastructure	9,769	(4)	2,367	12,132	11	9,720	11,948	11
	85,873	(475)	21,825	107,223	100	85,953	100,401	100
Total investments	498,813	(2,671)	136,377	632,519		498,924	591,252	

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 Canada Council assesses each of its investment instruments against specific criteria to determine whether there is objective evidence that the adjusted cost may not be recovered and is therefore impaired. The Canada Council does not consider these investments to be other-than-temporarily impaired.

The Canada Council manages two separate portfolios, the Canada Council Endowment and Special Funds and the Killam Fund. The Killam will requested that their donation be invested separately. Apart from the Killam Fund, all other externally restricted contributions are consolidated into the Canada Council Endowment and Special Funds and represent 8% (March 31, 2025 - 8%) of that Fund with a total fair value of $42,076,000 (March 31, 2025 - $39,317,000). The total fair value of the externally restricted investment including the Killam Fund is $149,299,000 (March 31, 2025 - $139,718,000).

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

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

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

Asset Classes	Market Value	Minimum	Benchmark	Maximum
Canadian Equities	15%	10%	14%	20%
Global Equities	52%	40%	46%	55%
Fixed Income	18%	10%	20%	35%
Real Estate	4%	0%	10%	15%
Infrastructure	11%	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.

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. Financial risks and fair value

a) **Establishing fair value**

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

The fair values of the investments are determined as follows:

- Canadian Equity, Global Equity, Fixed Income and Money Market pooled fund investments are valued at the unit values supplied by the pooled fund external managers, which represent the Canada Council's proportionate share of the underlying net assets at fair values, determined using closing market prices.
- Real estate and Infrastructure investment values are supplied by the external fund managers using internally determined appraisals based on valuation models with unobservable inputs.

The measurement categories of the Canada Council's financial instruments, as well as their

carrying amounts and fair values are as follows:

(in thousands of dollars)		Year-to-date September 30, 2025	Year-end March 31, 2025
Financial assets and liabilities and classifications	Measurement categories	Carrying amount and fair value ($)	Carrying amount and fair value ($)
Cash	Fair value	89,974	42,093
Accounts receivable	Amortized cost	2,730	3,356
Portfolio Investments[1]	Fair value	632,519	591,252
Grants, author payments and prizes payable	Amortized cost	130,948	57,065
Accounts payable and accrued liabilities	Amortized cost	7,335	8,658

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

b) **Fair value hierarchy**

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

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

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

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

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

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

Financial assets at fair value

	Year-to-date September 30, 2025				Year-end March 31, 2025			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
(in thousands of dollars)	$	$	$	$	$	$	$	$
Cash	89,974	-	-	89,974	42,093	-	-	42,093
Portfolio Investments								
Canada Council Endowment and Special Funds								
Pooled Funds								
Canadian Equity	-	80,752	-	80,752	-	67,718	-	67,718
Global Equity	-	272,640	-	272,640	-	252,619	-	252,619
Fixed Income	-	70,107	24,413	94,520	-	67,631	23,282	90,913
Real Estate	-	-	20,376	20,376	-	-	20,392	20,392
Infrastructure	-	-	57,008	57,008	-	-	54,397	54,397
Killam Fund								
Pooled Funds								
Canadian Equity	-	16,249	-	16,249	-	13,579	-	13,579
Global Equity	-	54,988	-	54,988	-	51,575	-	51,575
Fixed Income	-	14,401	5,002	19,403	-	13,892	4,770	18,662
Real Estate	-	-	4,451	4,451	-	-	4,480	4,480
Infrastructure	-	-	12,132	12,132	-	-	11,486	11,486
	-	509,137	123,382	632,519	-	467,014	118,807	585,821
Total	89,974	509,137	123,382	722,493	42,093	467,014	118,807	627,914

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

6. Deferred revenues – Externally restricted contributions

The deferred revenues from externally restricted contributions consist of accumulated income received which has been deferred until the resources have been used for the purpose or purposes specified by the endowment. The original contribution endowment of $50,000,000 and the restricted endowment principal of $37,569,000 are required to be maintained intact and are reported under accumulated surplus from operations (see Note 7).

(in thousands of dollars)	Year-to-date September 30, 2025	Year-end March 31, 2025
Balance, beginning of period	96,795	86,389
Transferred from net investment income (Note 8)		
Net Investment income	3,974	7,503
Use of funds	(165)	(3,081)
	3,809	4,422
Unrealized gains on portfolio investments	10,565	7,424
Reclassified to statement of operations - portfolio investments	(902)	(1,440)
Balance at end of period	110,267	96,795

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

7. Accumulated surplus

(in thousands of dollars)	Year-to-date September 30, 2025		Year-end March 31, 2025	
Accumulated surplus from operations				
Endowment principal – Original contribution		50,000		50,000
Endowment principal – Externally restricted contributions		37,569		37,569
Reserve for excess investment income				
Balance at beginning of period	300,445		271,445	
Appropriated from the accumulated surplus during the period	-		29,000	
Balance at end of period		300,445		300,445
Surplus				
Balance at beginning of period	28,743		27,798	
Appropriated to the reserve for excess investment income during the period	-		(29,000)	
Surplus (deficit) for the period	(25,713)		29,945	
Balance at end of period		3,030		28,743
Total accumulated surplus from operations		391,044		416,757
Accumulated remeasurement gains (losses)				
Balance at beginning of period	71,337		52,954	
Change in fair value	31,716		18,383	
Balance at end of period		103,053		71,337
Balance of accumulated surplus at end of period		494,097		488,094

8. Net realized investment income

(in thousands of dollars)	Three months ended September 30		Six months ended September 30	
	2025	2024	2025	2024
Gains from disposal of portfolio investments	113	963	4,337	1,049
Transfer from (to) deferred revenues -				
Externally restricted contributions (Note 6)	(1,371)	(807)	(3,809)	(1,913)
Net gains (losses) on foreign exchange	19	42	25	40
Dividend and other distributed income - reinvested	5,810	2,634	12,479	7,678
Interest, dividend and other distributed income - cashed	563	1,057	1,168	2,076
Investment portfolio management costs	(448)	(30)	(881)	(445)
	4,686	3,859	13,319	8,485

9. Net Art Bank results

(in thousands of dollars)	Three months ended September 30		Six months ended September 30	
	2025	2024	2025	2024
Rental revenue	(435)	(448)	(879)	(891)
Other income	(39)	(58)	(82)	(97)
Administration expense	430	437	1,017	1,024
Amortization of other capital assets	-	-	-	-
	(44)	(69)	56	36

10. Canadian Commission for UNESCO

(in thousands of dollars)	Three months ended September 30		Six months ended September 30	
	2025	2024	2025	2024
Program expenses	246	987	353	1,306
Program - contributions received	-	(40)	-	(40)
Administration expense	348	337	877	783
	594	1,284	1,230	2,049

11. Net change in other non-cash items

(in thousands of dollars)	Three months ended September 30		Six months ended September 30	
	2025	2024	2025	2024
Decrease (increase) in accounts receivable	387	(408)	626	80
Increase in employee future benefits	116	110	232	219
Decrease in accounts payable and accrued liabilities	(983)	(1,611)	(1,323)	(2,407)
(Decrease) increase in deferred revenues	(178)	346	(288)	2,200
Net change	(658)	(1,563)	(753)	92

12. Related party transactions

The Canada Council is related in terms of common ownership to all Government of Canada departments, agencies and Crown corporations. Other related parties of the Canada 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 Canada 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.