



Canada Council
for the Arts

Conseil des arts
du Canada

Quarterly

Financial Report

Unaudited

Period ended December 31, 2025
Published February 27, 2026



Canada Council
for the Arts

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du Canada

Management Discussion and Analysis

Quarterly Report

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Introduction

This narrative discussion relates to the financial results of the Canada Council for the Arts (the Canada Council) for the third quarter and the nine-month period ended December 31, 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

Report on the Socio-Economic Impacts of the Arts

In October 2025, the Canadian Chamber of Commerce released the report [Artworks: The Economic and Social Dividends from Canada's Arts and Culture Sector](#), commissioned by the Canada Council for the Arts and Business / Arts. The report highlights the sector's significant economic and social impact, noting that in 2024 it contributed \$131 billion to Canada's economy, supported 1.1 million jobs, and generated \$17 billion in tax revenues. Over the past three years, the sector's GDP grew nearly 8%, outpacing overall economic growth. Despite these gains, the report warns that funding challenges threaten the sector's continued growth, including declining support from both public and private sources.

2025 GGBooks Winners

On November 6, 2025, the Canada Council announced the [2025 winners of the Governor General's Literary Awards \(GGBooks\)](#). These awards celebrate outstanding literary works published in Canada, in both official languages, across seven categories, and include books for readers of all ages.

The winning books were chosen by 14 peer assessment committees convened to select the 35 English-language and 35 French-language finalists announced in October. The peer assessment committees selected the winners from among the over 1,500 nominated books published in Canada in 2024-25.

Operational Changes

Updates to Funding Opportunities and Portal

The Canada Council continues to support the rollout of the modernized granting portal. Notably, it is supporting applicants in the transition to the granting portal, including by offering demonstrations and webinars.

Leadership and Governance changes

Board Reappointments

Marie Pier Germain was reappointed Vice-Chair of the Board for a four-year term beginning on December 17, 2025.

Board member Ingrid Leong was reappointed for a four-year term from December 13, 2025, to December 12, 2029.

Senior Management Appointment

In December 2025, Isabelle Ringuet joined the Canada Council as the new Director General of Strategy, Public Affairs and Arts Engagement.

Overview of the Third Quarter Net Results

| | Three months ended December 31 | | | Nine months ended December 31 | | |
|----------------------------------|-----------------------------------|----------|--------------------------|----------------------------------|-----------|--------------------------|
| | 2025 | 2024 | Increase / (Decrease) | 2025 | 2024 | Increase / (Decrease) |
| <i>(in thousands of dollars)</i> | | | | | | |
| Revenue | 14,737 | 12,589 | 2,148 | 29,450 | 22,938 | 6,512 |
| Expenses | (49,835) | (56,338) | 6,503 | (290,366) | (300,781) | 10,415 |
| Government Funding | 82,036 | 94,000 | (11,964) | 282,107 | 297,939 | (15,832) |
| Surplus for the period | 46,938 | 50,251 | (3,313) | 21,191 | 20,096 | 1,095 |

The surplus for the quarter was \$46.9M compared to \$50.3M for the same period last year. The variance of \$3.3M is primarily due to decreased parliamentary appropriations largely offset by decreased Grants, author payments and prizes, while savings in transfer program delivery were offset by increases in general administration expenses.

The surplus for the year to date was \$21.2M, compared to \$20.1M for the same period last year. This variance of \$1.1M is largely driven by a decrease in grants, author payments and prizes, offset by a decrease in parliamentary appropriations and an increase in net realized investment income.

Revenues

| (in thousands of dollars) | Three months ended December 31 | | | Nine months ended December 31 | | |
|--------------------------------|-----------------------------------|---------------|--------------------------|----------------------------------|---------------|--------------------------|
| | 2025 | 2024 | Increase / (Decrease) | 2025 | 2024 | Increase / (Decrease) |
| Net realized investment income | 14,208 | 12,081 | 2,127 | 27,527 | 20,566 | 6,961 |
| Other revenue | 529 | 508 | 21 | 1,923 | 2,372 | (449) |
| Total Revenues | 14,737 | 12,589 | 2,148 | 29,450 | 22,938 | 6,512 |

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 the asset mix in its portfolio. The increase of \$2.1M in the current quarter is largely due to increases in dividends.

Expenses

| (in thousands of dollars) | Three months ended December 31 | | | Nine months ended December 31 | | |
|------------------------------------|-----------------------------------|---------------|--------------------------|----------------------------------|----------------|--------------------------|
| | 2025 | 2024 | Increase / (Decrease) | 2025 | 2024 | Increase / (Decrease) |
| Grants, author payments and prizes | 33,985 | 40,341 | (6,356) | 236,903 | 254,484 | (17,581) |
| Transfer program delivery | 7,769 | 8,951 | (1,182) | 29,285 | 24,314 | 4,971 |
| Arts community services | 561 | 1,089 | (528) | 1,820 | 1,714 | 106 |
| Net Art Bank results | (12) | (14) | 2 | 44 | 22 | 22 |
| Canadian Commission for UNESCO | 763 | 564 | 199 | 1,993 | 2,613 | (620) |
| General administration | 6,803 | 5,407 | 1,396 | 20,321 | 17,634 | 2,687 |
| Total Expenses | 49,869 | 56,338 | (6,469) | 290,366 | 300,781 | (10,415) |

Grants, author payments and prizes

The decrease in year-to-date grants, author payments and prizes of \$17.6M is explained by the launch of the modernized granting portal in late Q2. During the transition process, the Canada Council was unable to award new grants from late Q1 through to late Q2. Since going live, the Canada Council has resumed running granting competitions, some of which closed in late Q3 while others will close in Q4.

Transfer program delivery

The increase in year-to-date transfer program delivery expenses of \$5.0M is due to development costs associated with the modernized granting portal, which in the current year amounted to \$5.5M while the same period from the prior year amounted to \$3.4M. Additionally, peer expenses increased by \$0.9M due to core competitions in the current year while salaries and benefits were \$1.5M higher due to compensation adjustments outlined in the current collective agreement.

General Administration

The increase in year-to-date general administration expenses of \$2.7M is largely due to salaries and benefits, which were \$1.0M higher due to compensation adjustments outlined in the current collective agreement.

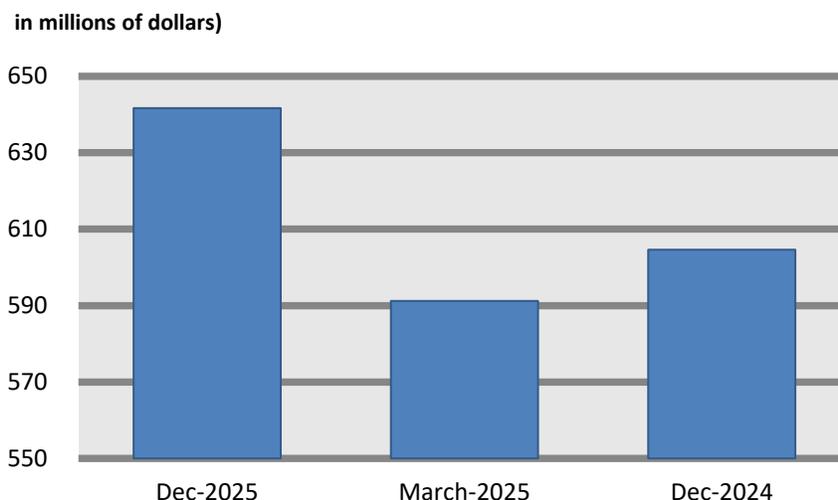
Assets

Financial Assets

| (in thousands of dollars) | December 31 2025 | March 31 2025 | Increase / (Decrease) |
|-------------------------------|---------------------|------------------|--------------------------|
| Cash | 58,425 | 42,093 | 16,332 |
| Accounts receivable | 2,484 | 3,356 | (872) |
| Portfolio investments | 641,663 | 591,252 | 50,411 |
| Total Financial Assets | 702,572 | 636,701 | 65,871 |

Portfolio Investments

The total market value of the portfolio as at December 31, 2025, was \$641.7M. This amount represents an increase of \$50.4M in market value since March 31, 2025, and an increase of \$37.1M since December 31, 2024. This increase over the past 12 months is attributable to general market growth.



The total fund generated a positive return of 1.6% for the quarter, performing slightly below the benchmark of 1.7%. Infrastructure, Real estate, and Fixed income surpassed their benchmarks by 1.6%, 0.4%, and 0.2% respectively, while Canadian equity and Global equity underperformed relative to their benchmarks by 1.6% and 0.7% respectively. The only asset class with a negative one quarter return was Real estate, reporting negative 0.1% against a benchmark of negative 0.5%.

The total fund one-year return was 12.4% for December 2025, underperforming the benchmark of 13.0%.

Liabilities

| (in thousands of dollars) | December 31 2025 | March 31 2025 | Increase / (Decrease) |
|--|---------------------|------------------|--------------------------|
| Grants, author payments and prizes payable | 68,126 | 57,065 | 11,061 |
| Accounts payable and accrued liabilities | 5,680 | 8,658 | (2,978) |
| Deferred revenues | 6,739 | 7,068 | (329) |
| Employee future benefits | 6,596 | 6,248 | 348 |
| Externally restricted contributions | 112,108 | 96,795 | 15,313 |
| Total Liabilities | 199,249 | 175,834 | 23,415 |

Grants, author payments, and prizes payable

The increase of \$11.1M since March 31, 2025, is due primarily to core and certain multi-year grants becoming payable with the new fiscal year. The outstanding Grants, author payments and prizes payable have decreased by \$62.8M since September 30, 2025, as a result of the opening of the modernized granting portal, allowing the Canada Council to issue payments on outstanding grants payable.

Accounts payable and accrued liabilities

The decrease of \$3.0M compared to the value as at March 31, 2025, is principally explained by a decrease in accrued payroll liabilities and accrued vendor expenses.

Externally restricted contributions

The increase of \$15.3M compared to the value at March 31, 2025, is due to positive market returns, detailed in Note 5 of the Financial Statements.

Non-Financial Assets

| (in thousands of dollars) | December 31 2025 | March 31 2025 | Increase / (Decrease) |
|-----------------------------------|---------------------|------------------|--------------------------|
| Tangible capital assets | 5,288 | 6,107 | (819) |
| Art Bank assets | 19,976 | 19,975 | 1 |
| Musical instruments | 1 | 1 | - |
| Prepaid expenses | 5,366 | 1,144 | 4,222 |
| Total non-financial assets | 30,631 | 27,227 | 3,404 |

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 December 31, 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 14 instruments and a fine violin bow on loan. The insured value of its musical instruments as at December 31, 2025, was US \$76.0M. These are included on the Statement of Financial Position at a nominal value.

Prepaid expenses

The increase of \$4.2M 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, much of which was still outstanding at Q3.

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 2026.

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 nine months ended December 31 were as follows:

| | December 31 | |
|---|---------------|---------------|
| | 2025 | 2024 |
| <i>(in thousands of dollars)</i> | | |
| Approved annual operating funding | | |
| Vote 1 - Operating costs | 360,437 | 363,531 |
| Supplementary Estimates | 179 | - |
| Total annual operating funding | 360,616 | 363,531 |
| Parliamentary appropriations for operating expenses recorded in the Statement of Operations for the nine-month period | (282,107) | (297,939) |
| Balance of operating funding to be received | 78,509 | 65,592 |



Canada Council
for the Arts

Conseil des arts
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Quarterly

Financial Statements

Unaudited

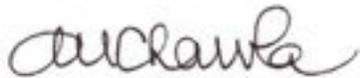
These financial statements for the quarter ended December 31, 2025
have not been audited or reviewed by our Auditor

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.

February 27, 2026



Michelle Chawla
Director and Chief Executive Officer



Sloane Mask, CPA
Chief Financial Officer

Statement of Financial Position

| (Unaudited) (in thousands of dollars) | December 31 2025 | March 31 2025 |
|--|---------------------|------------------|
| FINANCIAL ASSETS | | |
| Cash | 58,425 | 42,093 |
| Accounts receivable | 2,484 | 3,356 |
| Portfolio investments (Note 3) | 641,663 | 591,252 |
| Total financial assets | 702,572 | 636,701 |
| LIABILITIES | | |
| Grants, author payments and prizes payable | 68,126 | 57,065 |
| Accounts payable and accrued liabilities | 5,680 | 8,658 |
| Deferred revenues | 6,739 | 7,068 |
| Employee future benefits | 6,596 | 6,248 |
| Deferred revenues - Externally restricted contributions (Note 5) | 112,108 | 96,795 |
| Total liabilities | 199,249 | 175,834 |
| NET FINANCIAL ASSETS | 503,323 | 460,867 |
| NON-FINANCIAL ASSETS | | |
| Tangible capital assets | 5,288 | 6,107 |
| Art Bank assets | 19,976 | 19,975 |
| Musical instruments | 1 | 1 |
| Prepaid expenses | 5,366 | 1,144 |
| Total non-financial assets | 30,631 | 27,227 |
| ACCUMULATED SURPLUS (Note 6) | 533,954 | 488,094 |
| Accumulated surplus is comprised of: | | |
| Accumulated surplus from operations | 437,948 | 416,757 |
| Accumulated remeasurement gains | 96,006 | 71,337 |
| ACCUMULATED SURPLUS | 533,954 | 488,094 |

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

Statement of Operations

| (Unaudited) | Yearly Budget | Three months ended December 31 | | Nine months ended December 31 | |
|--|-----------------|-----------------------------------|---------------|----------------------------------|----------------|
| | 2025 - 2026 | 2025 | 2024 | 2025 | 2024 |
| (in thousands of dollars) | | | | | |
| Revenue | | | | | |
| Net realized investment income (Note 7) | 23,955 | 14,208 | 12,081 | 27,527 | 20,566 |
| Other revenue | 3,500 | 529 | 508 | 1,923 | 2,372 |
| Total revenues | 27,455 | 14,737 | 12,589 | 29,450 | 22,938 |
| Expenses | | | | | |
| Transfer Programs | | | | | |
| Grants, author payments and prizes | 328,446 | 33,985 | 40,341 | 236,903 | 254,484 |
| Transfer program delivery | 37,133 | 7,769 | 8,951 | 29,285 | 24,314 |
| Arts community services | 3,820 | 561 | 1,089 | 1,820 | 1,714 |
| | 369,399 | 42,315 | 50,381 | 268,008 | 280,512 |
| Net Art Bank results (Note 8) | 161 | (12) | (14) | 44 | 22 |
| Canadian Commission for UNESCO (Note 9) | 2,877 | 763 | 564 | 1,993 | 2,613 |
| General administration | 29,750 | 6,803 | 5,407 | 20,321 | 17,634 |
| Total expenses | 402,187 | 49,869 | 56,338 | 290,366 | 300,781 |
| Deficit from operations before Parliamentary appropriations for the period | (374,732) | (35,132) | (43,749) | (260,916) | (277,843) |
| Parliamentary appropriations | 360,437 | 82,036 | 94,000 | 282,107 | 297,939 |
| SURPLUS (DEFICIT) FROM OPERATIONS FOR THE PERIOD | (14,295) | 46,904 | 50,251 | 21,191 | 20,096 |
| ACCUMULATED SURPLUS FROM OPERATIONS, BEGINNING OF PERIOD | 416,757 | 391,010 | 356,657 | 416,757 | 386,812 |
| ACCUMULATED SURPLUS FROM OPERATIONS, END OF PERIOD | 402,462 | 437,948 | 406,908 | 437,948 | 406,908 |

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

Statement of Remeasurement Gains and Losses

| (Unaudited) | Three months ended December 31 | | Nine months ended December 31 | |
|---|-----------------------------------|--------|----------------------------------|--------|
| | 2025 | 2024 | 2025 | 2024 |
| (in thousands of dollars) | | | | |
| ACCUMULATED REMEASUREMENT GAINS, BEGINNING OF PERIOD | 103,053 | 74,262 | 71,337 | 52,954 |
| Unrealized gains attributable to: | | | | |
| Portfolio investments | (6,984) | 4,404 | 27,622 | 25,995 |
| Amounts reclassified to the Statement of Operations: Portfolio investments | (63) | (200) | (2,953) | (483) |
| NET REMEASUREMENT GAINS FOR THE PERIOD | (7,047) | 4,204 | 24,669 | 25,512 |
| ACCUMULATED REMEASUREMENT GAINS, END OF PERIOD | 96,006 | 78,466 | 96,006 | 78,466 |

Statement of Change in Net Financial Assets

| (Unaudited) | Three months ended December 31 | | Nine months ended December 31 | |
|--|-----------------------------------|---------|----------------------------------|---------|
| | 2025 | 2024 | 2025 | 2024 |
| (in thousands of dollars) | | | | |
| SURPLUS (DEFICIT) FROM OPERATIONS FOR THE PERIOD | 46,904 | 50,251 | 21,191 | 20,096 |
| Acquisition of tangible capital assets | (59) | (8) | (164) | (20) |
| Amortization of tangible capital assets | 296 | 309 | 983 | 934 |
| Acquisition of Art Bank assets | - | (39) | (1) | (40) |
| Net decrease of tangible capital and Art Bank assets | 237 | 262 | 818 | 874 |
| Acquisition of prepaid expenses | (1,117) | (1,113) | (6,562) | (5,324) |
| Use of prepaid expenses | 933 | 358 | 2,340 | 3,224 |
| Net increase of prepaid expense | (184) | (755) | (4,222) | (2,100) |
| Net remeasurement (losses) gains | (7,047) | 4,204 | 24,669 | 25,512 |
| INCREASE IN NET FINANCIAL ASSETS | 39,944 | 53,962 | 42,456 | 44,382 |
| NET FINANCIAL ASSETS, BEGINNING OF PERIOD | 463,379 | 401,965 | 460,867 | 411,545 |
| NET FINANCIAL ASSETS, END OF PERIOD | 503,323 | 455,927 | 503,323 | 455,927 |

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 December 31 | | Nine months ended December 31 | |
|---|-----------------------------------|---------------|----------------------------------|---------------|
| | 2025 | 2024 | 2025 | 2024 |
| Operating Transactions | | | | |
| Surplus from operations for the period | 46,904 | 50,251 | 21,191 | 20,096 |
| Gains from disposal of portfolio investments (Note 7) | (240) | (450) | (4,577) | (1,499) |
| Dividend and other distributed income - reinvested (Note 7) | (17,658) | (13,663) | (30,137) | (21,341) |
| Amortization of tangible capital assets | 296 | 309 | 983 | 934 |
| (Increase) decrease in prepaid expenses | (184) | (755) | (4,222) | (2,100) |
| Decrease (increase) in grants, author payments and prizes payable | (62,822) | (33,659) | 11,061 | 8,380 |
| Income transferred (from) to Deferred revenues - Externally restricted contributions from (to) investment income (Note 5) | 4,023 | 3,465 | 7,832 | 5,378 |
| Net change in other non-cash items (Note 10) | (1,334) | 1,333 | (2,087) | 1,425 |
| Cash (used) provided by operating activities | (31,015) | 6,831 | 44 | 11,273 |
| Capital Transactions | | | | |
| Acquisition of tangible capital assets | (59) | (8) | (164) | (20) |
| Acquisition of Arts Bank assets | - | (40) | (1) | (41) |
| Cash used by capital activities | (59) | (48) | (165) | (61) |
| Investing Transactions | | | | |
| Acquisition of portfolio investments | (1,423) | 276 | (1,487) | (456) |
| Disposal of portfolio investments | 948 | 572 | 17,940 | 2,296 |
| Cash (used) provided by investing activities | (475) | 848 | 16,453 | 1,840 |
| NET (DECREASE) INCREASE IN CASH | (31,549) | 7,631 | 16,332 | 13,052 |
| CASH, BEGINNING OF PERIOD | 89,974 | 53,940 | 42,093 | 48,519 |
| CASH, END OF PERIOD | 58,425 | 61,571 | 58,425 | 61,571 |

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.

Notes to the Financial Statements
For the period ended December 31, 2025
(Unaudited)

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.

Notes to the Financial Statements

For the period ended December 31, 2025

(Unaudited)

3. Portfolio investments

| | Year-to-date December 31, 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 | 65,735 | | 18,758 | 84,493 | 16 | 56,743 | 68,190 | 14 |
| Global Equity | 204,139 | (841) | 72,233 | 275,531 | 52 | 201,423 | 252,421 | 52 |
| Fixed income | 91,954 | | 2,601 | 94,555 | 17 | 89,331 | 93,054 | 19 |
| Real estate | 21,983 | (2,379) | 578 | 20,182 | 4 | 21,771 | 20,842 | 4 |
| Infrastructure | 44,330 | (244) | 13,991 | 58,077 | 11 | 43,703 | 56,343 | 11 |
| | 428,141 | (3,464) | 108,161 | 532,838 | 100 | 412,971 | 490,850 | 100 |

Killam Fund

| | | | | | | | | |
|-------------------|---------|---------|---------|---------|-----|---------|---------|-----|
| Pooled funds | | | | | | | | |
| Canadian Equity | 13,864 | | 3,137 | 17,001 | 16 | 12,053 | 13,722 | 14 |
| Global Equity | 41,527 | (230) | 14,264 | 55,561 | 51 | 41,095 | 51,078 | 52 |
| Fixed income | 18,890 | (6) | 526 | 19,410 | 18 | 18,353 | 19,103 | 19 |
| Real estate | 4,773 | (514) | 147 | 4,406 | 4 | 4,732 | 4,551 | 4 |
| Infrastructure | 9,989 | (60) | 2,518 | 12,447 | 11 | 9,720 | 11,948 | 11 |
| | 89,043 | (810) | 20,592 | 108,825 | 100 | 85,953 | 100,402 | 100 |
| Total investments | 517,184 | (4,274) | 128,753 | 641,663 | | 498,924 | 591,252 | |

Notes to the Financial Statements
For the period ended December 31, 2025
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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 \$42,680,000 (March 31, 2025 - \$39,317,000). The total fair value of the externally restricted investment including the Killam Fund is \$151,505,000 (March 31, 2025 - \$139,719,000).

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 | 16% | 10% | 14% | 20% |
| Global Equities | 51% | 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% |

Notes to the Financial Statements
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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%.

4. 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

Notes to the Financial Statements
For the period ended December 31, 2025
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carrying amounts and fair values are as follows:

| (in thousands of dollars) | | Year-to-date December 31, 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 | 58,425 | 42,093 |
| Accounts receivable | Amortized cost | 2,484 | 3,356 |
| Portfolio Investments ¹ | Fair value | 641,663 | 591,252 |
| Grants, author payments and prizes payable | Amortized cost | 68,126 | 57,065 |
| Accounts payable and accrued liabilities | Amortized cost | 5,680 | 8,658 |

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

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:

Notes to the Financial Statements

For the period ended December 31, 2025

(Unaudited)

Financial assets at fair value

| | Year-to-date December 31, 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 | 58,425 | - | - | 58,425 | 42,093 | - | - | 42,093 |
| Portfolio Investments | | | | | | | | |
| Canada Council Endowment and Special Funds | | | | | | | | |
| Pooled Funds | | | | | | | | |
| Canadian | | | | | | | | |
| Equity | - | 84,495 | - | 84,495 | - | 68,190 | - | 68,190 |
| Global Equity | - | 275,531 | - | 275,531 | - | 252,421 | - | 252,421 |
| Fixed Income | - | 70,008 | 24,546 | 94,554 | - | 69,109 | 23,945 | 93,054 |
| Real Estate | - | - | 20,181 | 20,181 | - | - | 20,842 | 20,842 |
| Infrastructure | - | - | 58,077 | 58,077 | - | - | 56,343 | 56,343 |
| Killam Fund | | | | | | | | |
| Pooled Funds | | | | | | | | |
| Canadian | | | | | | | | |
| Equity | - | 17,002 | - | 17,002 | - | 13,722 | - | 13,722 |
| Global Equity | - | 55,561 | - | 55,561 | - | 51,078 | - | 51,078 |
| Fixed Income | - | 14,381 | 5,029 | 19,410 | - | 14,197 | 4,906 | 19,103 |
| Real Estate | - | - | 4,405 | 4,405 | - | - | 4,551 | 4,551 |
| Infrastructure | - | - | 12,447 | 12,447 | - | - | 11,948 | 11,948 |
| | - | 516,978 | 124,685 | 641,663 | - | 468,717 | 122,535 | 591,252 |
| Total | 58,425 | 516,978 | 124,685 | 700,088 | 42,093 | 468,717 | 122,535 | 633,345 |

Notes to the Financial Statements
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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.

5. Deferred revenues – Externally restricted contributions

The deferred revenues from externally restricted contributions consist of accumulated income received which has been deferred until the resources have been used for the purpose or purposes specified by the endowment. The 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 6).

| <u>(in thousands of dollars)</u> | Year-to-date December 31, 2025 | Year-end March 31, 2025 |
|---|-----------------------------------|----------------------------|
| Balance, beginning of period | 96,795 | 86,389 |
| Transferred from net investment income (Note 7) | | |
| Net Investment income | 8,084 | 7,503 |
| Use of funds | (252) | (3,081) |
| | 7,832 | 4,422 |
| Unrealized gains on portfolio investments | 8,395 | 7,424 |
| Reclassified to statement of operations - portfolio investments | (914) | (1,440) |
| Balance at end of period | 112,108 | 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.

Notes to the Financial Statements
For the period ended December 31, 2025
(Unaudited)

6. Accumulated surplus

| <u>(in thousands of dollars)</u> | Year-to-date December 31, 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 | 21,191 | 29,945 |
| Balance at end of period | 49,934 | 28,743 |
| Total accumulated surplus from operations | 437,948 | 416,757 |
| Accumulated remeasurement gains (losses) | | |
| Balance at beginning of period | 71,337 | 52,954 |
| Change in fair value | 24,669 | 18,383 |
| Balance at end of period | 96,006 | 71,337 |
| Balance of accumulated surplus at end of period | 533,954 | 488,094 |

Notes to the Financial Statements
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(Unaudited)

7. Net realized investment income

| (in thousands of dollars) | Three months ended December 31 | | Nine months ended December 31 | |
|--|-----------------------------------|---------|----------------------------------|---------|
| | 2025 | 2024 | 2025 | 2024 |
| Gains from disposal of portfolio investments | 240 | 450 | 4,577 | 1,499 |
| Transfer from (to) deferred revenues - | | | | |
| Externally restricted contributions (Note 5) | (4,023) | (3,465) | (7,832) | (5,378) |
| Net gains (losses) on foreign exchange | 5 | 38 | 30 | 78 |
| Dividend and other distributed income - reinvested | 17,658 | 13,663 | 30,137 | 21,341 |
| Interest, dividend and other distributed income - cashed | 763 | 2,205 | 1,931 | 4,281 |
| Investment portfolio management costs | (435) | (810) | (1,316) | (1,255) |
| | 14,208 | 12,081 | 27,527 | 20,566 |

8. Net Art Bank results

| (in thousands of dollars) | Three months ended December 31 | | Nine months ended December 31 | |
|---------------------------|-----------------------------------|-------|----------------------------------|---------|
| | 2025 | 2024 | 2025 | 2024 |
| Rental revenue | (446) | (445) | (1,325) | (1,336) |
| Other income | (53) | (100) | (135) | (197) |
| Administration expense | 487 | 531 | 1,504 | 1,555 |
| | (12) | (14) | 44 | 22 |

9. Canadian Commission for UNESCO

| (in thousands of dollars) | Three months ended December 31 | | Nine months ended December 31 | |
|----------------------------------|-----------------------------------|------|----------------------------------|-------|
| | 2025 | 2024 | 2025 | 2024 |
| Program expenses | 361 | 175 | 714 | 1,481 |
| Program - contributions received | (22) | - | (22) | (40) |
| Administration expense | 424 | 389 | 1,301 | 1,172 |
| | 763 | 564 | 1,993 | 2,613 |

Notes to the Financial Statements
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(Unaudited)

10. Net change in other non-cash items

| (in thousands of dollars) | Three months ended December 31 | | Nine months ended December 31 | |
|---|-----------------------------------|-------|----------------------------------|---------|
| | 2025 | 2024 | 2025 | 2024 |
| Decrease (increase) in accounts receivable | 246 | 309 | 872 | 80 |
| Increase in employee future benefits | 116 | 110 | 348 | 219 |
| (Decrease) increase in accounts payable and accrued liabilities | (1,655) | 911 | (2,978) | (2,407) |
| (Decrease) increase in deferred revenues | (41) | 3 | (329) | 2,200 |
| Net change | (1,334) | 1,333 | (2,087) | 92 |

11. 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.