



# BUILDING MOMENTUM

ANNUAL REPORT 2017-18



Canada Council  
for the Arts

Conseil des arts  
du Canada

# BUILDING MOMENTUM



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for the Arts

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Cover: Mia Amir's *Geologic Formations* premiered at the rEvolver Theatre Festival; at The Clutch Greenhouse in Vancouver, in 2018. It is a bold blend of immersive multidisciplinary performance, intimate personal narration and theory. Photo: Javier R. Sotres

Inside front cover: Still from *Queer Coolitudes: Indo-Caribbean Diasporas* (release planned in the fall 2018) by Michelle Mohabeer. *Queer Coolitudes: Indo-Caribbean Diasporas* is a daring, inventive and experimental feature-length documentary (80 minutes), which is the first media work of its kind created in Canada about often under-represented and largely-invisible Queer Indo-Caribbean diasporic communities.

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

Canada

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The 61<sup>st</sup> Annual Report of the Canada Council for the Arts and supplementary information on grants, services and prizes are available on the Council's website.

## MANDATE

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

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

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

peaceful, equitable and sustainable future. The Canada Council Art Bank operates art rental programs and helps further public engagement with contemporary arts.

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

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

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**“OUR BOARD NOW BOASTS  
A STRONGER ARTS PROFILE  
AND ONE THAT IS MORE  
REPRESENTATIVE OF  
CANADA’S DIVERSITY.”**

**Pierre Lassonde**



## Message from the Chair

When new members join a group, they often bring a contagious energy with them. That's exactly what happened this year with the arrival of six new members on the Canada Council for the Arts Board. As a result, our Board now boasts a stronger arts profile and one that is more representative of Canada's diversity. From the outset, the new Board members have demonstrated their commitment to the arts. As public stewards, they are also keenly conscious of the publicly-funded arts community's responsibilities towards society as a whole. In this regard, the Board has shown the kind of intelligence and wisdom in governance that is expected now more than ever at the federal level.

The Board plays a key role in monitoring the sound management of the public funds entrusted to the Council. It must ensure the governance of the Council is dynamic, responsible and transparent. Our members closely monitor the strategic work underway within the organization, especially in terms of how well we are delivering on our major commitments. In particular, they recognize the importance of strategically and responsibly managing the Council's additional funds and then being accountable for the impact of its investment in the arts through the use of reliable performance indicators.

Our members have also supported the progress made during this first year of the new granting programs, particularly with initiatives to increase the exposure of our artists abroad and Canadian leadership on the international scene. Over the past year, many projects and initiatives have been carried out on that front. *Punctured Landscape*, an exhibition initially launched in Ottawa, has become the most important exhibition devoted to Canadian artists in the history of the Art Museum of the Americas in Washington, D.C. The Council's contribution to the success of the Games of La Francophonie and to the work of the Salzburg Global Seminar enabled young Canadians to showcase their performances and ideas to the world. In order to more fully grasp the scope of what the Council does, it is necessary to look at its various components, including the Canadian Commission for UNESCO, whose initiatives in the field have made a remarkable contribution to Canada's international influence. The Commission has also pursued activities related to reconciliation between Indigenous and non-Indigenous peoples, especially through its popular film screenings and discussions initiative in libraries across the country.

In the past year, the matter of making a digital shift was an important topic of discussion with the Board. In March 2018, members attended a retreat to better understand the various challenges that digital represents for the arts community in Canada and for the Council itself. Digital culture and its many complex ramifications will be central to the Board's oversight of the Council's progress on this front.

The Council has helped to bring about an unprecedented transformation in the Canadian arts community: it now provides increased support to artistic creation and underpins the flourishing of an innovative and diversified arts scene that is attracting ever-growing audiences. I would like to commend the architects of this transformation —the Council's employees and management, especially the inspiring and courageous Simon Brault, for not only pursuing the fulfillment of commitments put forward, but also for often exceeding them, all the while maintaining the arts community's trust.

The fact that the arts occupy an important place in our lives is also due to the efforts of all the Canadians who support the arts and culture and their central role in our lives. I thank them all, and assure them that the Council will continue to live up to their expectations and those of the Government of Canada whose confidence in us we deeply value.

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



**“THE CANADA COUNCIL’S  
WORK AND INVESTMENTS  
CONTRIBUTE TO A  
TRAJECTORY FOR THE  
ARTS SECTOR.”**

**Simon Brault**



## Message from the Director and CEO

In the second year of the Canada Council for the Arts' five-year strategic plan, *Shaping a New Future*, our New Funding Model came into operation.

In this same year, the Council received the second instalment towards the progressive doubling of its budget—and our annual contribution to the arts rose to \$218.9 million accordingly. With this, our strategic commitments are taking shape.

This year, we achieved a split of 57.5% to 42.5% between core and project funding—and we're aiming to achieve a 50/50 split by 2020-21. Our investments in support of Indigenous artists and arts organizations more than doubled, in keeping with our commitment to triple this support by 2021. Our investment in the international exposure of Canadian artists and works has already doubled, even though we only expected to achieve this goal in 2020-21. We also strengthened Canada's international arts leadership in various ways, including by organizing the first Americas Cultural Summit (2018), by being the principal funder for the official Canadian representation at the 2018 Venice Biennale in Architecture (where this participation was directed for the first time by Indigenous architects and designers), and by working to help Canada shine at the 2020 Frankfurt Book Fair.

In terms of equity and accessibility, a comparison of figures for the latest financial year with those for 2015-16 (the year prior to the progressive doubling of our budget) indicates that our funding to artists and organizations from culturally diverse communities or operating in the Deaf and disability arts field has doubled, while our grants to artists and organizations from official-language minority communities have increased by 50%. We are also slightly ahead in terms of our objective to have 25% of our new funding go to first-time Council recipients. In addition, around two-thirds of the organizations supported by the Council this year received an increase in their core grants. Through our Digital Strategy Fund we also distributed a total of \$6 million to support the arts community in its digital transition and we've added \$4 million to the 2018-19 budget of this fund for projects likely to produce significant results.

Over such a short period of time, this overall investment represents the largest public investment in Canada towards accelerating the professional arts sector's engagement with diversity. This investment is meant to increase the sector's potential for innovation and creation, and widen the reach of its achievements to Canadians.

As we continue to support progress in the arts sector, we have also taken note of growing public conversations around diversity, inclusion, gender equality (with particular attention to gender parity) and gender diversity, the rejection of sexual harassment and misconduct, the predominance of corporate giants in the digital sector, and the cultural appropriation. As these conversations came to the fore this year, we clearly and firmly articulated our position with regards to both sexual harassment and misconduct, and the appropriation of Indigenous cultures. We also began to revise our grant-awarding policies and processes to fairly and effectively address any problematic situations that could arise with grant recipients.

In addition, we continued to develop our capacity to better guide and support the artists, groups and organizations that seek our support in pursuit of their various projects and mandates. To do so, we drew on the talents, areas of expertise and passion found within our internal teams, while also upgrading our IT systems and implementing solutions for greater efficacy. We also welcomed Carolyn Warren, our new Director General of Arts Granting Programs, who swiftly devoted herself to operations in this large division at the Council—a division that is in daily contact with the arts community across the country. I would also like to pay tribute to her predecessor, Jacques Vézina, the principal architect of the Council's New Funding Model.

The Council's work and investments contribute to a trajectory for the arts sector in Canada—and this trajectory runs parallel to the development of a society in which all peoples can benefit from the powers of inclusion, expression and emancipation that are inherent in the arts and culture.

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



# MANAGEMENT'S DISCUSSION AND ANALYSIS

## OUR COMMITMENTS

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

1



### Arts Support

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

2



### Digital

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

3



### Indigenous

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

4



### International

Raise the international profile of Canadian art and artists.

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

# MAKING PROGRESS ON STRATEGIC FUNDING COMMITMENTS

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

## \$550M

### additional investment over 5 years

21% or \$115M received



As of 2017-18 the Council has received 21% of the new investment (or \$115M of \$550M)

\$550M  
total investment 2016-21

## \$487M

### additional investment to the arts sector

\$100.8M invested



2017-18 target: \$102M or 88.5% of the \$115M received

\$487M  
total cumulative investment by 2020-21

## 2X

### to support international activities

\$20.7M in 2017-18



\$10M  
2015-16 baseline

\$20M  
targeted annual investment by 2020-21

# 3X

## to support Indigenous creation

\$13.1M in 2017-18

\$6.3M

2015-16 baseline

\$18.9M

targeted annual investment by 2020-21

# 25%

## of new funds to first-time recipients

\$38.1M invested

2017-18 target: \$28.8M  
or 25% of the \$115M received

\$137.5M

targeted cumulative investment by 2020-21

# \$88.5M

## to a digital fund

\$6.0M invested

2017-18 target: \$10M

\$88.5M

targeted cumulative investment by 2020-21

# 50% / 50%

## split between project and core funding

in 2017-18

42.5% project funding

57.5% core funding

36% / 64%

2015-16 baseline

50% / 50%

by 2020-21

**1,898**

ARTS ORGANIZATIONS RECEIVED \$158.3M IN FUNDING, OF WHICH 287 WERE FIRST-TIME RECIPIENTS AWARDED A TOTAL OF \$8.8M

**346**

GROUPS RECEIVED \$8.3M IN FUNDING, OF WHICH 199 WERE FIRST-TIME RECIPIENTS AWARDED A TOTAL OF \$3.6M

**2,305**

ARTISTS RECEIVED \$40.5M IN FUNDING, OF WHICH 801 WERE FIRST-TIME RECIPIENTS AWARDED A TOTAL OF \$10.4M

**17,553**

CREATORS RECEIVED PUBLIC LENDING RIGHT PAYMENTS TOTALING \$9.8M

**1,909**

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

**664**

ARTISTS AND ARTS PROFESSIONALS SERVED AS PEER ASSESSORS

# HIGHLIGHTS

## THE LAUNCH OF THE NEW FUNDING MODEL



In June 2017, the Canada Council opened its online portal for artists, groups and organizations to apply to its New Funding Model programs: six new outcome-oriented programs that replaced more than 140 artistic disciplinary-based programs. Alongside these new programs, the Council also launched new strategic funds, including the Digital Strategy Fund.

## CREATING, KNOWING AND SHARING



With the launch of the New Funding Model, the Council also launched Creating, Knowing and Sharing: The Arts and Cultures of First Nations, Inuit and Métis Peoples. This program acknowledges the cultural sovereignty of Indigenous peoples and respects the concept of First Nations, Inuit and Métis self-determination.

# TOWARDS THE PROGRESSIVE DOUBLING OF THE COUNCIL'S BUDGET



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Between 2016 and 2021, the Council's direct annual investment in the arts will increase from \$150 million to \$310 million. 2017-18 marked the second year in this progressive doubling of the budget, during which the Council invested \$218.9M in the arts.

## NEW CHAPTER



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In 2017, Canada marked its sesquicentennial. For this occasion, the Council created its New Chapter program (2016-17), a one-year initiative that funded the creation and sharing of 200 exceptional artistic and literary works to provide a lasting legacy for Canadians. This year, Canadians across the country enjoyed the results of many of these projects.

On the occasion of the 150<sup>th</sup> anniversary, the Council toured the exhibition *Punctured Landscape* to the Art Museum of the Americas in Washington D.C. It also supported the publication of *The Roots of Culture, the Power of Arts: The First Sixty Years of the Canada Council for the Arts* by Monica Gattinger, a book which recounts the history of the Council on its 60<sup>th</sup> anniversary and details its contribution to the development of the arts in Canada.

# AN EVOLVING ENVIRONMENT

The Canada Council analyses the wider environment—in terms of evolving public discourse, emerging ideas, and possible future challenges. In turn, the Council is better able to understand its activities, their impact, and potential changes it may need to make in order to achieve its goals.

This past year involved many important moments for the arts, Canada, and the wider global community—especially in the areas of the Council’s strategic commitments.

## Support to the Arts

In September 2017, the Minister of Canadian Heritage, the Honourable Mélanie Joly, announced *Creative Canada*, a policy framework meant to guide the Government of Canada towards the modernization of its cultural programs, policies, institutions and legislation in light of digital realities.

## International

This past year, several Western leaders articulated plans to strengthen borders against the movement of both people and goods. Related to this, Canada engaged in the ongoing renegotiation of the North American Free Trade Agreement (NAFTA) with the United States and Mexico.

## Digital

Rapid technological change continued to pose both challenges and opportunities for the arts sector, as it did for many other industries, and wider society. Of particular note, a public discussion emerged around the threats posed to individual privacy, journalistic integrity, and wider democracy by social media and other digital platforms.

## Equity

The movements #MeToo and Time’s Up engaged governments, media and wider society in a conversation around sexual harassment and assault. These movements have drawn greater attention to gender inequalities—and the Government of Canada released its 2018 budget with a gender-based analysis and several gender-related measures.

## Indigenous

On Canada’s 150<sup>th</sup> anniversary, some Indigenous peoples called for a boycott of related celebrations while others used this moment as an opportunity to raise awareness among non-Indigenous peoples—in Canada and around the world—about Indigenous histories, cultures and ways of life. In this same year, the National Inquiry into Missing and Murdered Indigenous Women continued its work to examine and report on, “the systemic causes behind the violence that Indigenous women and girls experience, and their greater vulnerability to violence.”

# RESULTS FOR CANADIANS

The Canada Council invests in the creation, production and dissemination of arts and literature and fosters excellence and diversity in artistic practice. This investment encourages Canadians to appreciate, participate in, and engage with the arts.

A look at Canadians' engagement with the arts in 2016 reveals<sup>1</sup>:

- **87% of Canadians** attended a performance or arts event.
- **2 out of 3 Canadians** engaged in some way with arts and culture in an online environment.
- **53% of Canadians** have been personally involved in an arts activity—such as singing, dancing, visual art or creative writing.
- **7 out of 10 Canadians** believe the arts and culture are important to their quality of life.
- **62% of Canadians** believe the arts make their communities a better place to live.

The Canada Council's investment in the arts is also an investment in the economy and jobs:

- There were **652,406 cultural jobs** in 2016, or **3.5%** of total jobs.
- The culture Gross Domestic Product was **\$53.8 billion** in 2016, or 2.5% of Canada's total GDP.
- Canada exported **\$16 billion** in culture products in 2016—or 2.5% of total economy exports and almost 30% of culture GDP.

<sup>1</sup> Data taken from the Arts and Heritage Access and Availability Survey, 2016-17; and from the Provincial and Territorial Culture Indicators (PTCI), which are derived directly from the Canadian Culture Satellite Account (CSA), an accounting framework developed to measure the economic importance of culture, the arts, heritage, and sport to the Canadian economy.



## COMMITMENT

# INCREASED ARTS SUPPORT

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

### Increased Support

With the launch of its New Funding Model, the Council made many notable increases in its support to the arts:

- Overall funding to first-time recipients totaled \$22.8M in 2017-18.
- Overall funding increased from \$196.8M in 2016-17 to \$218.9M in 2017-18—an increase of 11%.

In terms of increases to core funding (grants that have multiple payments and cover a broad array of expenditures):

- 111 organizations received core funding for the first time, totaling \$5.5M in 2017-18. These recipients represent 10% of all 1,129 organizations that received core funding.
- 1,129 organizations in total received core funding, totaling \$117.4M in 2017-18. This compares to a total of \$91.7M in core funding in 2016-17, for an increase in core funding of 28%.

In terms of increases to project funding:

- Project funding totaled \$87M in 2017-18.
- The Council is aiming to shift the share of core and project funding to a 50/50 split by 2020-21. In 2017-18, the split is 57.5% to 42.5% compared to 64% to 36% in 2015-16, which represents an important move towards the Council's goal.

### The Public Lending Right Program

The Public Lending Right (PLR) Program administers yearly payments to creators whose works are in Canada's public libraries. In 2017-18, the Council launched a new website for the PLR Program and announced a progressive additional investment of \$5 million in new funds to the creator payment budget by 2020.



Photo: Tom Quirk

Neighbourhood Sketchbook Project by Gallery Gachet



Neighbourhood Sketchbook Project features hand-bound and art-filled sketchbooks from members of ten Downtown Eastside organizations in Vancouver. Each sketchbook tells the story of the person who created it—the pages resonating with the joy, wisdom, and resilience of its artist and of their community. The project was presented in March 2018.

## Increased access, increased funding

The Canada Council for the Arts has made a commitment to increase funding for the arts through additional support on a number of fronts—experimentation, next generation artists and organizations, organizational capacity, and engagement with the arts by an ever more diverse public. This year, artists and arts organizations awarded grants from the Council for the first time collectively received \$22.8 million.

Gachet Gallery, an artist-run centre in Vancouver's Downtown Eastside, makes a real social impact through its mobile gallery, multimedia presence, residencies, exhibitions, and other activities. In particular, the gallery offers space to marginalized artists or artists with mental illness, who are often systematically excluded from the mainstream. The gallery undertakes awareness-raising work based on collaboration and dialogue. They received a multi-year grant from the Council.

*Booby Hatch (Wo)manifesto: A Feminine Perspective of Century Manor*, a multimedia project proposed by Manitoban

artist Susan Abbott, envisages the use of drawing, painting, sculpture, and video to address the multi-faceted impacts of mental illness—direct or indirect—on people. Her project will take shape during residencies in Ontario and Manitoba. She is pursuing this project with her first Council grant.

Mile Zero Dance (MZD) wants to make dance accessible to everyone. Their multidisciplinary vision of dance inspires them to collaborate with artists in other disciplines such as music, cinema, theatre, and visual arts. As a thriving cultural hub in Edmonton, Alberta, MZD regularly hosts artists-in-residence. It also maintains solid ties with the community as well as with Indigenous artists who regularly participate in its performances. MZD received a multi-year grant from the Council.

Increased Council funding gives a steadily growing number of Canadians access to artistic projects that embody and reflect their rich diversity.

# COMMITMENT

# DIGITAL

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



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## Launch of the Digital Strategy Fund

In August 2017, the Council launched its Digital Strategy Fund. The Fund supports Canadian artists, groups and arts organizations in understanding the digital world, engaging with it, and responding to the cultural and social changes it produces. Between 2017 and 2021, the Council will invest \$88.5M through this Fund.

In 2017-18, the Council awarded \$6M in support to artists, artistic groups, and organizations through 45 grants towards the development of digital initiatives that aim at fostering a user-centred culture of innovation, a rethinking of organizational culture, work procedures and leadership styles, and the adoption and deployment of available technological solutions.



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## Digital Gatherings

Building on the momentum of last year's Arts in a Digital World Summit, in 2017-18 the Council began to host a series of gatherings across Canada that will bring together artists and arts professionals with digital experts to consider current digital realities as an opportunity to develop innovative approaches, re-imagine how artists and arts organizations engage with citizens, and seed collaborations within the arts community and with other sectors. The gatherings also provide an opportunity for those working in the arts to share knowledge, mobilize,

and incubate potential projects. This year's gatherings were partnerships with the Ontario Arts Council, the Saskatchewan Arts Board, and the Government of Yukon Department of Tourism and Culture. The Council also continued to plan digital gatherings to take place in cities, provinces, and territories across Canada in 2018-19.



A participant testing a virtual reality headset at the Council's Arts in the Digital World Summit.

## The digital shift continues...

While the Canada Council for the Arts' 2016-17 fiscal year ended with the mobilization of participants at the Arts in a Digital World Summit, the digital shift that everyone anticipated at the Summit truly began in 2017-18. In fall 2017, the first Digital Strategy Fund competition was launched, giving the arts community the financial support to seize opportunities presented by digital realities and boldly pursue innovative trajectories.

The Ottawa-based *IN:DIG:BRIDGE*, (Indigenous Digital Bridge) project, conceived by Monique Manatch, Executive Director of Indigenous Culture and Media Innovations (an artist-run multi-arts organization), features multi-sectoral collaboration among Indigenous Elders and artists, digital strategists from the P2P Foundation, and a partnership with Carleton University's Digital Humanities Summer Institute. The goal of the project is to develop an Indigenous digital arts strategy in harmony with traditional Indigenous values and knowledge as it takes inspiration from the traditional Indigenous medicine wheel, which follows the seasons in a creative one-year cycle.

The Centre for Art Tapes (in Halifax, Nova Scotia) joined forces with the Film and Video Arts Association of Alberta to create a mobile app for artists and arts organizations that helps them connect with each other and with their audiences via social networks and an interactive map. The app allows online users to post and share digital works such as panoramic videos, or audio- or video-guided tours designed for dissemination on a website.

The Regroupement des éditeurs franco-canadiens created a project to digitally disseminate literary works by francophone writers outside Quebec to Canada's Francophone elementary and high schools. An annual online subscription gives subscribers access to digital books via streaming. By enabling content to be accessed from computers or smartphones, the project reaches today's young readers on the platforms they regularly use. This innovation will significantly improve the reader experience for school-age students and make access to literary works much easier.

Digital realities have reconfigured how we relate to one another—they rely on collaboration and reach out to users. The second Digital Strategy Fund competition will accept a new wave of proposals beginning in fall 2018.

# COMMITMENT

# INDIGENOUS

We commit to supporting the renewal of the relationship between Indigenous artists, and Indigenous and non-Indigenous audiences, for a shared future.

## Creating, Knowing and Sharing

With its New Funding Model, the Council also launched its Creating Knowing and Sharing: The Arts and Culture of First Nations, Inuit and Métis Peoples program. In the first year of this program, the Council reached 209 artists, groups, and arts organizations with \$9.4M in grants—of which 40% (or 84) of these recipients received a grant for the first time. Beyond the Creating, Knowing and Sharing program, the Council's overall funding to Indigenous artists and arts organizations totaled \$13.1M in 2017-18—a 12% increase from the overall amount of \$11.7M in 2016-17, and has more than doubled since 2015-16.

## Taking a Stand against Appropriation


In September 2017, the Council published op-eds in both *Le Devoir* and *The Globe and Mail* against the appropriation of Indigenous cultures in the arts. Through the op-eds, the Council articulated a strong leadership position on this issue and stated it "recognizes that both the traditional and contemporary cultural and artistic practices of Indigenous peoples are their property, as spelled out in the United Nations Declaration on the Rights of Indigenous Peoples." These op-eds coincided with

the publication of a position paper on the Council's website, which explains that when artists and organizations seek Council grants for projects that address, deal with, incorporate, comment on, interpret or depict distinctive aspects of First Nations, Inuit or Métis culture, they must demonstrate genuine respect and regard for Indigenous art and culture in their artistic process.

*The Raven*, 2018. Theresa Vander Meer-Chasse and Nicole Baumgartner took the crow as their theme in designing works created from tires found along the highway between the Yukon and Alaska. They plan to exhibit these works on completing the project.



Photo: Theresa Vander Meer-Chasse



Jeanette Kotowich in *Salmon Girl*, a story about our relationship to the natural world told through theatre, dance, music and puppetry. This visually stunning work presented by Young People's Theatre in Toronto offers an Indigenous view of how we share the world with all living things. It was performed in May 2018.

## Indigenous art: awarding grants in a spirit of cultural self-determination

The Canada Council for the Arts is committed to a renewed relationship between Indigenous artists and both Indigenous and non-Indigenous audiences for a shared future. When the discussion around cultural appropriation was at its height in May 2017, the Council issued a statement on the importance of supporting Indigenous art in a spirit of cultural self-determination and opposing cultural appropriation. In this way, the Council is pursuing reconciliation and decolonization—activities at the heart of its strategic plan.

Artists and arts organizations are now working towards reconciliation and decolonization—and this vision of a common future—in their own remarkably concrete ways.

Ludovic Boney presented *NSPSLL ! (Ne Sautez Pas Sur Les Lits ! – Don't jump on the beds!)*, an immersive installation that awakens the senses and disrupts common perceptions. The installation, consisting of a veritable thicket of different objects connected by wires and featuring mattresses on the floor, encourages spectators to do quite the opposite of 'not jumping on the beds': their passage through the installation activates mechanisms, triggers noises, and sets objects in motion. The installation, which is on display at the Action Art Actuel centre, in Saint-Jean-sur-Richelieu, Quebec until April 2018, takes spectators on a journey between the forbidden and the permissible—between fantasy and reality. Ludovic Boney recently received his first Council grant.

Teresa Vander Meer-Chasse and Nicole Bauberger drew on their range of both Indigenous and non-Indigenous experiences to create *Scavengers Are We: an exhibition and collaboration opportunity*. The two Whitehorse artists took the crow as the theme in designing works created from tires found along the highway between the Yukon and Alaska. This unusual encounter of theme and material generates a number of different ideas, particularly about respect for the animal world and recycling. In 2018, this exhibition will tour in the Yukon, and then to various Canadian cities.

Raven Spirit Dance, a Vancouver-based dance company that is connected to the Yukon through its projects, pursues a contemporary dance practice grounded in both traditional and contemporary views of the Indigenous world. The company's works, which draw not only on dance, but also on theatre, puppets and multimedia, and which have been presented both nationally and internationally, create remarkable platforms for telling Indigenous stories and stimulating dialogue. As an active community member, Raven Spirit also offers classes to encourage audience participation and engagement. In 2017, Raven Spirit received its first major multi-year grant from the Council.

In this first year of the New Funding Model, funding to Indigenous artists and arts organizations has more than doubled since 2016-17, and the Council is committed to tripling its investment by 2020-21.

## COMMITMENT

# INTERNATIONAL

We will raise the international profile of Canadian artists and arts organizations, giving them the opportunity to share the best of the arts created in Canada with global audiences. With the help of partners here and abroad, we will help grow Canada's international presence and complement the efforts of other public funders to support Canadian artists abroad. We will also foster reciprocity by welcoming international artists to Canada, and by supporting bilateral and multilateral co-productions and artistic residencies.

### International Support

In 2017-18, the Council directed \$20.7M in support to international activities. This included \$12.8M in grants to 1,157 artists, groups and arts organizations through the Arts Abroad program.

Americas Cultural Summit, a gathering of public arts and culture funders from across the Americas (May 2018) to reimagine and advance the rise of cultural citizenship.

Agencies (IFACCA) board meetings in Argentina and in Malaysia. With arts council and culture ministry members in over 70 countries, IFACCA is a valuable global network and platform for the Council to share expertise, resources, and innovative practices in arts research and financing, advance reciprocity, and increase its influence over key issues and values in the global cultural context. This year, Simon Brault also participated in the Hong Kong International Arts Leadership Roundtable and attended the Venice Biennale in Italy. Within Canada, he also spoke at the International Society for the Performing Arts (ISPA) Congress in Montréal.

### Frankfurt 2020

In 2020, Canada will be the Guest of Honour at the Frankfurt Book Fair—the largest global marketplace for publishers, retailers, librarians, editors and authors. For this occasion, the Council has partnered with Canadian Heritage in the creation of a new funding initiative to support the translation of Canadian literary and non-literary works into German, and to contribute to associated promotional and production costs. The initiative opened to applications in March 2018.

### Collaboration for Canadian Arts in the World

This year, the Council worked with the departments of Canadian Heritage and Global Affairs Canada to launch a framework that commits all three partners to active and targeted collaboration. This framework will, in turn, result in the development of new markets and international leadership opportunities for Canadian artists and creators, support the projection of Canadian excellence around the world, and reinforce cultural diplomacy. This partnership has been especially important this past year in supporting the Council's work towards hosting the first

### The Council's Leadership in the World

In addition to its investment in bringing the work of Canadian artists and arts organizations to the world, the Council also actively promotes and advances the invaluable role of the arts in the international arena. This past year, the Council's Director and CEO, Simon Brault, participated in several important international forums where he championed the transformative power of the arts vis-à-vis many global challenges. Notably, this included his attendance at the International Federation of Arts Councils and Culture

# Canada in the international spotlight

The Canada Council for the Arts is committed to promoting the work and creations of Canadian artists on the international stage in order to broaden their audiences and develop new markets for their work, and to share the best of Canada with the world.


This past year, for example, the Council supported Montréal's ECM+ (Ensemble contemporain de Montréal)—an ensemble which produces multidisciplinary concerts and showcases Canadian musical creation. With funding from the Council, ECM+ will produce and tour their show, *Hockey Noir, the Opera*, to cities in Canada, the United States and Europe. Presented in the film-noir style of the 1950s with graphic novel visuals, *Hockey Noir* centers on the classic hockey rivalry between Toronto and Montréal—with an extra dash of organized-crime drama. With this tour, ECM+ will build the appetite of international audiences for Canadian contemporary music while also connecting them with Canada's beloved national sport.

With a grant from the Council, mother and son duo Teresa Doyle and Patrick Bunston of Prince Edward Island travelled to Queensland Australia to perform at the Woodford Folk Festival. The Festival—which has previously programmed artists from PEI towards developing an Australian following—

brings together 2,000 performers on 35 stages for over 120,000 festival-goers. At the festival, Doyle and Bunston performed six unique shows ranging from children's music to chanting—demonstrating the breadth of their practice to new audiences Down Under.

The Council's international support also reaches many individual artists. This past year, for example, Sameer Farooq received support from the Council for his project *Terma*. For this project, Farooq will collaborate with Nevada-based poet Jared Stanley to build an imaginary museum that bridges two distinct regions: Cape Breton Island—the artist's birthplace—and the Great Basin Desert in Nevada. The project will culminate in an exhibition at the University Galleries at the University of Nevada Reno and will also travel to the Art Gallery of Cape Breton University.

These recipients exemplify how the Council's support helps develop the creative capacity of Canadian artists and arts organizations, offers Canadian audiences the opportunity to experience international artists, and, ultimately, builds connections between Canada and communities around the world.



Created by the Ensemble Contemporain de Montréal, and conducted by Véronique Lacroix, *Hockey Noir, the Opera* is a multimedia chamber opera that takes its inspiration from hockey and film noir as it combines music, video, and comic strips. They performed the opera in Canada in May 2018 and have plans for an international tour later in the year.



## COMMITMENT

# AN ONGOING FOCUS ON EQUITY AND INCLUSION

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

### A Global Forum Welcomes Canada's Young Cultural Innovators

In October 2017, the Canada Council announced that it had selected five individuals to represent Canada at the Salzburg Global Forum for Young Cultural Innovators (YCI). Each year, the YCI Forum brings together over 50 individuals from varying geographic and cultural backgrounds with the goal of developing their practical skills, reflecting on their leadership, building their networks on a global scale, and developing strategies for innovation and social

transformation in their own cities and communities. This was the first year Canada has been represented at the YCI.

### Partnerships for a More Diverse Sector

The Council holds several partnerships which seek to deepen its commitment to equity. In May 2017, for example, the Council announced the first two recipients of the Carrefour residency for emerging, culturally diverse or Indigenous composers. This new residency is part of a 5-year partnership between the Council and the National

Arts Centre (NAC), which will support professional development in composition for Canadian orchestras. During their residency, the composers will work with and be mentored by music director Alexander Shelley, the NAC Orchestra musicians, and administration, and will have access to its creative production and performance environment.

Cultural Human Resources Council, which supports workers and employers to build better workplace environments within the cultural sector. This contribution—along with an additional \$252,000 from the Department of Canadian Heritage—will be used to support a series of initiatives to equip the cultural sector with the tools, practices and training to build and maintain respectful workplaces. These new tools and resources will be made available to over 1,750 arts organizations across Canada.

### Healthy, Respectful and Harassment-Free Work Environments in the Arts

This past year, the Council contributed \$300,000 to the

## Equity and Inclusion in the New Funding Model

In 2017-18, the Council provided the following support to its designated priority groups:

	Distinct recipients	Amount awarded (In thousands)
Indigenous	287	\$13,097
Culturally Diverse	667	\$20,682
Deaf and Disability	192	\$4,721
Official Language Minority <sup>1</sup> Community – Anglophone	274	\$8,636
Official Language Minority <sup>1</sup> Community – Francophone	161	\$6,194

In addition, in 2017-18 the Council's support by gender was as follows:

	Distinct recipients	Amount awarded (In thousands)
Support to women	1,093	\$18,007
Support to men	888	\$16,453
Support to transgender and other	44	\$951
<b>Total</b>	<b>2,025</b>	<b>\$35,411</b>

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

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

# An arts milieu that engages everyone

The Canada Council for the Arts is committed to deepening its longstanding commitment to equity, inclusion and official languages, and to creating opportunities for youth. Related to this, the Council's New Funding Model is designed to be more flexible and inclusive. In turn, grant recipients reflect the many communities across Canada—including artists who are culturally diverse, Deaf, have a disability, and/or who belong to official-language minority communities.

Amanda Richer, a Deaf actor based in Cambridge, Ontario, is writing a film script for a feature film titled *Sound Within*. The film will centre on a Deaf woman and the challenges she faces in the legal and prison systems after she fatally shoots her abusive husband. Richer hopes the film will inspire Deaf artists to create their own work where their stories are shared, while also drawing attention to the ways in which Deaf people are impacted by abuse and marginalized by the law.

Montréal's *Corpuscule Danse* is driven by a mandate to promote integrated dance, a practice that unites dance artists with and without disabilities. Over the next two years, they will further develop their *Quadriptyque* project—which was initiated in 2016 as a means of introducing four new choreographers to integrated dance practice—and remount

the initially created works in Montréal, while also preparing for a possible international tour.

Artist Lou Sheppard of Halifax, Nova Scotia, translated aspects of the Diagnostic and Statistical Manual of Mental Disorders' (DSM) diagnostic criteria for gender dysphoria into a series of shapes and choreography for a dancer. This work, which Sheppard plans to record and turn into a video installation, emphasizes the historical connections between mental health, gender and sexuality within the field of psychiatry.

The Galerie d'Art Louise-et-Reuben-Cohen at the University of Moncton in New Brunswick presents a yearly program of contemporary art exhibitions, guided tours, creation activities, films, conferences and artist performances. Since the 1960s, the Galerie has been an important element in the Acadian renaissance—serving both the local official-language minority community, and reaching audiences around the world.

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

France Geoffroy, Roya Hosini and Georges-Nicolas Tremblay in *Quadriptyque*. France Geoffroy is the Artistic Director of *Corpuscule Danse*, based in Montréal, and a pioneer of integrated dance in Canada. In 2018, she was awarded the Michael J. Fox Prize for her work in Deaf and Disability Arts.



# THE ART BANK

## EVEN MORE ART FOR EVERYONE!

The Canada Council Art Bank is the largest collection of contemporary Canadian art in the world. The primary role of the Bank is to rent these artworks to organizations with a view to continually expanding the exposure of Canadian art and enabling as many Canadians as possible to enjoy them. Thanks to many new clients in both the private and public sectors, the Bank's revenues have jumped by more than 10 per cent. Two of the most high-profile new clients are Natural Resources Canada and the National Film Board.



Jimmy Sloan, *Juicy* (2017), acrylic on canvas



Katharine Harvey, *The Catch* (2017), acrylic on canvas on board

## NEW WORKS!

The Art Bank took advantage of its presence at Art Toronto, an international fair for modern and contemporary art, by publicizing its programs and works and acquiring works by five emerging or mid-career artists not yet featured in its collection: Katharine Harvey, Laurent Lamarche, Judy D. Shane, Jimmy Sloan, and Kelly Wallace. The new acquisitions are in great demand and three of them have, in fact, been rented to clients in Ottawa and Toronto.

# THE ART BANK ABROAD

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*Punctured Landscape*, the exhibition initially presented in the Council's Âjagemô space, traveled to the Art Museum of the Americas (AMA) in Washington D.C. from April 27 to July 30, 2017 for what turned out to be that institution's largest exhibition of Canadian works in its history. The Art Bank also subsequently donated 150 works to the AMA in August 2017; each of the donated works is a copy of a work that remains in the Art Bank collection. These works by 99 artists from across the country are the first works from Canada to become part of the AMA's permanent collection.

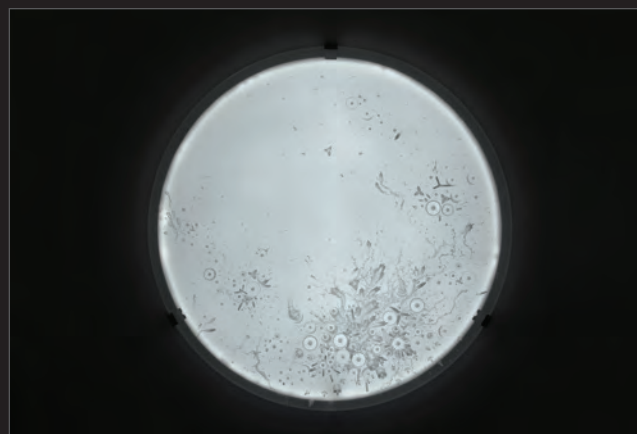
# ART MADE ACCESSIBLE TO EVERYONE

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In a sense the Canada Council Art Bank belongs to everyone. In the spirit of this idea, the Bank welcomed the general public at no charge to view its works during Doors Open Ottawa in 2017. The event was an enormous success, with more than 1,000 visitors coming to admire the collection.

In 2017-18, the Art Bank continued to raise its profile both within Canada and abroad. It was a successful year, with even more art for everyone!



Laurent Lamarche, *Fossile Pétri 10* (2017), engraved plexiglass, aluminium, LED lighting



Judy D. Shane, *The Painted Photograph: Remnants, Remnant #475 v1* (2017), inkjet print



Kelly Wallace, *Turning Squares* (2016), pencil drawing on paper

## THE CANADIAN COMMISSION FOR UNESCO

# THE COMMISSION'S COMMITMENTS

As the primary promoter of UNESCO values in Canada, the Canadian Commission for UNESCO (CCUNESCO) mobilizes its extensive networks and many partners to take action along three major themes: building inclusive communities, protecting heritage and the biosphere, and encouraging innovation. CCUNESCO operates within the Canada Council for the Arts. The renewed importance and relevance of the joint presence of the Council and CCUNESCO in the field, combined with the impact of their often-convergent activities and initiatives, make a real contribution to a future of peace, equity, and sustainable development for all.

The Commission's work in 2017-18 was exceptional for the number of partnership projects carried out, and the number of new entities officially registered in UNESCO programmes and designations in Canada. The new CCUNESCO website provides detailed information about the Commission's objectives and showcases the activities of its networks and partners.



### **Encouraging the Reconciliation Efforts of Private Citizens**

To help all Canadians pursue reconciliation, CCUNESCO has launched many initiatives with various partners.

For example, it partnered with an international event organized by the Assembly of First Nations Quebec-Labrador to celebrate the 10<sup>th</sup> anniversary of the historic adoption of the UN Declaration on the Rights of Indigenous Peoples. During two days of activities in Montréal in September 2017, many Indigenous representatives participated in a conference

and panel discussions that were open to the public. The event generated fruitful exchanges about the issues that Indigenous peoples face around the world. The gathering concluded with a musical celebration that featured Indigenous drumming, dancing and singing.

The goal of the Commission's Let's Talk about Reconciliation initiative is to make non-Indigenous people more aware of Indigenous rights, aspirations, histories, and cultures by attending screenings of films by Indigenous artists. More than 280 films have been offered

to libraries that would like to organize a screening-and-discussion event. Over 30 libraries from across Canada have already expressed interest in participating in this project that will run until 2021. The Commission created this initiative in partnership with the National Centre for Truth and Reconciliation, Library and Archives Canada, the Canadian Federation of Library Associations' Indigenous Matters Committee, the National Film Board of Canada, Wapikoni Mobile, and Canada's national network of public libraries.



Photo: Sylvain Légaré

The Buffalo Hat Singers, 10<sup>th</sup> anniversary of the United Nations Declaration on the Rights of Indigenous Peoples, Montréal, September 2017.

## Creation of the Canada Memory of the World Register

In 2017, three sets of Canadian documents that contribute to humanity's heritage were added to the four already included in the international Memory of the World Register. This year, CCUNESCO also launched the Canada Memory of the World Register to complement its international counterparts with important documents of specifically Canadian relevance. In addition to the Canadian

entries officially included in the international Memory of the World Register, the new Canadian Register showcases six sets of documents that are significant for Canadian history, culture, and society:

- **The Ida Halpern Fonds**—a remarkable collection of Indigenous songs, ceremonies, and culture of the peoples of Canada's Northwest Coast.
- **The Vancouver Island Treaties**—previously known as the Douglas Treaties, these are the only treaties from the colonial era to have been

signed with the communities of the Northwest Coast of British North America.

- **The Canadian Pacific Railway Company Fonds**—these archives document the building of the Canadian Pacific Railway and, in a sense, of Canada itself.
- **Witnesses of Founding Cultures: Early Books in Aboriginal Languages (1556-1900)**—this collection of 146 early books in several Indigenous languages is a unique reflection of First Nations' linguistic heritage.

- **Images of Quebec City and the surrounding area (1860 to 1965): Photo archives of the J. E. Livernois Ltée fonds**—four generations of the Livernois family have left us these photographic portraits and stories.
- **The Scrapbook Debates**—these newspaper clippings are the only record of the debates in Canada's Parliament during the years immediately following Confederation.

## AWARENESS CAMPAIGNS AND EVENTS

CCUNESCO mobilizes its networks and partners to make Canadians more aware of the issues that fall within its mandate. This year, the Commission organized several major campaigns that reached millions of people via online social networks: #ItStartsWithMe, to involve everyone in the effort to combat racial discrimination; #WhatIfIWasWrong, to encourage young people to question overly premature ideological convictions and pre-empt radicalization; #MotherTongue, to protect endangered languages, especially Indigenous ones, and; #GirlsInScience and #WomenInScience, to encourage females to pursue careers in STEM (science, technology, engineering and mathematics).

\* A detailed report of the Canadian Commission for UNESCO's activities is available on ccunesco.ca as well as on canadacouncil.ca.

# FINANCIAL OVERVIEW

# HIGHLIGHTS

2017-18 marked the second year of the progressive doubling of the Council's budget, originally announced in Budget 2016. This year, an additional \$35 million was included in Council's Parliamentary appropriations, on top of the \$40 million increase in ongoing funding provided in 2016-17. Cumulatively, over the two years since the start of the progressive doubling of the Council's appropriation, 87.7% of new funding has been directly injected into the arts sector.

In 2017-18, the Council launched its New Funding Model, shifting from 140 disciplinary-based programs to six new outcome-oriented granting programs, in addition to strategic funds, such as the Digital Strategy Fund.

Summary Statement of Operations for the Years Ended March 31

(in thousands of dollars)	Budget 2018	Actual 2018	Actual 2017
Total revenue and Parliamentary appropriations	\$ 269,125	\$ 312,001	\$ 239,237
Total expenses	269,109	262,742	234,394
<b>Surplus from operations</b>	<b>\$ 16</b>	<b>\$ 49,259</b>	<b>\$ 4,843</b>

For the year ended March 31, 2018, the Council is reporting a surplus from operations of \$49.3 million. The current surplus is primarily attributable to a \$41.6 million positive variance in net realized investment income compared to budgeted income, and savings in transfer program delivery expenses of \$3.5 million, in addition to a carry-forward of \$3.9 million in grants committed to the Digital Strategy Fund to 2018-19.

(in thousands of dollars)	Budget 2018	Actual 2018	Actual 2017
Grants and contributions	\$ 209,238	\$ 206,364	\$ 184,045
Public Lending Right program	9,688	9,775	9,774
Prizes and awards	3,013	2,753	2,974
	<b>\$ 221,939</b>	<b>\$ 218,892</b>	<b>\$ 196,793</b>

Compared with \$196.8 million in the previous year, total grants, author payments and prizes in 2017-18 were \$218.9 million, below the approved budget of \$221.9 million, including a reinvestment of \$0.9 million from identified savings in operations.

Of the total budget of \$10 million for the Digital Strategy Fund, \$6.1 million was provided to 45 exciting projects, with the remaining budget added to this innovative fund for 2018-19. New outreach strategies to the arts community will increase awareness and improve application success rates for the Fund in 2018-19.

In addition to its granting programs, the Council allocated \$2.8 million for prizes and awards programs that recognize excellence and innovation in Canada. It also provided payments to authors through the Public Lending Right program amounting to \$9.8 million.

The costs of transfer program delivery totaled \$19.8 million for the year ending March 31, 2018, \$3.5 million below the budgeted amount. This was due to under spending of \$1.7 million in peer costs and also savings in salaries and benefits totaling \$0.9 million due to staffing delays.

The overall increase of \$2.9 million in transfer program delivery costs compared to last year is directly related to the number of new positions that were projected with the new funding to deliver on the Council's commitments.

General administrative expenses were \$2.8 million more than the previous year, and slightly over budget by \$0.5 million due to higher professional services and information management costs required to invest in the modernization of the Council's legacy systems. They represent, nevertheless, 7% of total expenses, the same as in 2016-17.

Summary Financial Position as at March 31

(in thousands of dollars)	2018	2017
Total financial assets	\$ 431,745	\$ 396,537
Total liabilities	136,204	121,398
Net financial assets	295,541	275,139
Non-financial assets	28,713	27,710
<b>Accumulated surplus</b>	<b>\$ 324,254</b>	<b>\$ 302,849</b>

In 2017-18, the Endowment and Special Funds and the Killam Fund had strong annual returns of 8.0% (12.1% in 2016-17) and 8.4% (12.4% in 2016-17) respectively. In comparison to the prior year, the investment portfolio has increased by \$19.8 million with a fair value of \$389.4 million as at March 31, 2018. The annual results are attributable to very strong performance both in the Canadian and Global markets.

In accordance with the Council's Statement of Investment Policies and Goals, the \$10.3 million approved budgeted amount for net realized investment income is calculated using a prescribed spending rate of 3.5% times the previous three-year average market value of the portfolio. This year, the Council recorded \$51.9 million in net realized investment income due to a significant realized gain during a transition of Global Equity managers and a high distribution of income with the positive annual performance of its portfolio. The Council's investment policy states that as a minimum any investment income above the allocated approved budget must be reinvested in the portfolio in order to preserve capital. Therefore, this year \$45.0 million was transferred from accumulated surplus from operations to the reserve for excess investment income. This consists mainly of the \$41.6 million excess in net investment income and of the \$3.5 million underspent in transfer program delivery for 2017-18.

In 2017-18, the Council updated its Corporate Risk Profile, taking into consideration changes in the Council's risk environment. This included re-assessment of the risks and updates to potential risks to the Council as well as mitigation strategies. This revised corporate risk profile is used as a key input in strategic and operational planning, resource allocation decisions, and organizing and prioritizing management action plans.



# FINANCIAL POSITION

## Financial Assets

As at March 31, 2018, total financial assets were \$431.7 million, an increase of \$35.2 million from the previous year. Financial assets include the portfolio investments as well as cash, cash equivalents and accounts receivable.

As at March 31, 2018, the fair value of the Council's investments was \$389.4 million, an increase of \$19.8 million from the prior year.

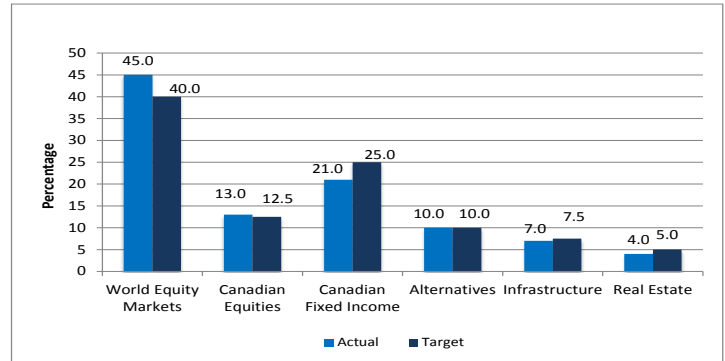
The Council invests in units of pooled funds and a segregated fund that are managed by professional investment managers. The Council's investments are guided by a *Statement of Investment Policies and Goals* and the *Board Statement of Investment Beliefs*, which are both approved by the Board. The objectives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

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

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

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

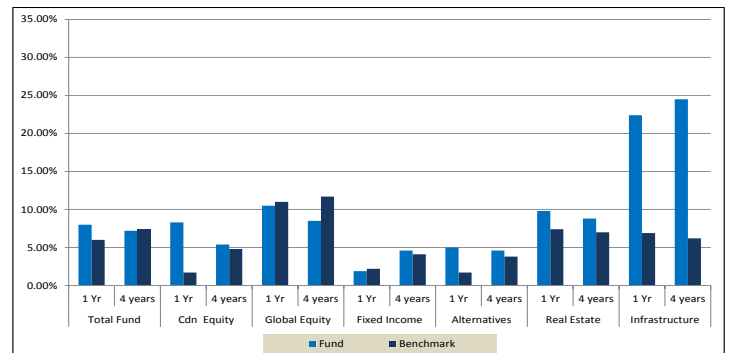
## Asset Mix as of March 31, 2018



The Investment Committee and senior management monitors closely the level of risk within the portfolio. The 10 year standard deviation was at 7.3% as at March 31, 2018 compared to 6.8% for the benchmark. The Investment Committee reviewed its asset allocation strategies in Fall 2017 and concluded that the current allocation was the most efficient to achieve the long-term 4.5% real rate of return over the 10 year-period.

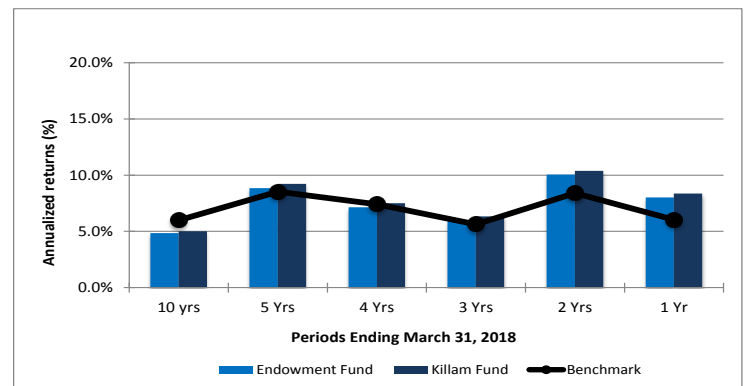
The following chart shows the returns for the various asset classes for the one and four year periods ending March 31, 2018. It shows that the portfolio's asset mix is well diversified and the performance of its other asset classes such as Real Estate and Infrastructure, helped the portfolio compensate for the low return in Fixed Income.

## Annual Returns by Asset Classes



The following chart shows the annualized portfolio returns for various periods of the Endowment and Special Funds and the Killam Fund against the benchmark return. It shows the strong performance of the portfolio compared to its benchmark mostly due to the recent transitions in investment managers. The fund's performance ranked in the top quartile this year compared to its peer group.

## Annualized Portfolio Returns



## Liabilities

As at March 31, 2018, total liabilities were \$136.2 million, an increase of \$14.8 million from the previous year as shown in the table below:

(in thousands of dollars)	2018	2017
<b>Liabilities</b>		
Grant, author payments and prizes payable	\$ 69,547	\$ 59,354
Accounts payable and accrued liabilities	3,782	4,609
Deferred revenues	7,728	7,435
Employee future benefits	3,482	3,232
Deferred revenues - Externally restricted contributions	51,665	46,768
<b>Total liabilities</b>	<b>\$ 136,204</b>	<b>\$ 121,398</b>

The main increase is due to the \$10.2 million increase in Grants, author payments and prizes payable compared to last year directly related to the change in application deadlines with the New Funding Model resulting in a much higher number of applications assessed in the later part of the year and not being paid out by year end. The Deferred revenues from externally restricted contributions also increased by \$4.9 million directly linked to the increase in market value of the portfolio for which a portion is externally restricted. This liability consists of externally restricted investment income and accumulated gains which are being deferred until the resources are used for the specified purposes. The original externally restricted endowment principal of \$37.6 million is required to be maintained intact and is reported under accumulated surplus.

The other liabilities include:

- deferred revenues which are mostly related to the leasehold inducement at 150 Elgin, Ottawa, which is being amortized over the lease period of 20 years;
- accounts payable and accrued liabilities which represent outstanding payments to various suppliers/managers for services rendered and some payroll liabilities incurred as of March 31, 2018; and
- employee future benefits representing the severance entitlements of the Council's employees and post-retirement benefits covering employees and retirees.

## Non-Financial Assets

Tangible capital assets include office equipment, leasehold improvements and work in progress related to the development of a new information management system. The net increase in this asset category of \$0.9 million in comparison to the prior year is mainly attributable to an investment of \$2.6 million in the Council's technology infrastructure and its new Portal offset by a \$1.7 million in amortization.

The Council's Art Bank has the largest collection of contemporary Canadian art in Canada, with over 17,100 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 \$19.4 million on the Statement of Financial Position as at March 31, 2018. The total appraised value of the collection is estimated at \$71 million as at March 31, 2018.

The Council's Musical Instrument Bank owns or manages 22 historically important, fine stringed instruments and a fine cello bow, which are loaned to gifted young musicians for three-year terms. Musical instruments appear on the Council's Statement of Financial Position at a nominal value of \$1,000 as a reasonable estimate of the future benefits associated with such assets cannot be made. At March 31, 2018, the appraised and insured value of the musical instruments was US\$41.8 million.

## Accumulated Surplus

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

(in thousands of dollars)	2018	2017
<b>Accumulated surplus</b>		
Endowment - Original contribution	\$ 50,000	\$ 50,000
Endowment principal - Externally restricted contributions	37,569	37,569
Reserve for excess investment income	186,445	141,445
Surplus	29,675	25,416
<b>Total accumulated surplus from operations</b>	<b>\$ 303,689</b>	<b>\$ 254,430</b>
Accumulated rereasurement gains	20,565	48,419
<b>Accumulated surplus</b>	<b>\$ 324,254</b>	<b>\$ 302,849</b>

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

The total reserve of \$186.4 million at March 31, 2018 represents the sum of excess investment income relating to the original endowment principal since the establishment of the Council.

# OPERATIONS

Summary Statement of Operations for the Years Ended March 31

(in thousands of dollars)	Budget 2018	Actual 2018	Actual 2017
Parliamentary appropriations	\$ 257,572	\$ 258,514	\$ 222,574
Net realized investment income	10,282	51,871	14,878
Other revenues	1,271	1,616	1,785
<b>Total Revenues</b>	<b>269,125</b>	<b>312,001</b>	<b>239,237</b>
Transfer programs	248,182	241,131	215,930
Net Art Bank results	275	253	182
Canadian Commission for UNESCO	2,406	2,638	2,326
General administration	18,246	18,720	15,956
<b>Total expenses</b>	<b>269,109</b>	<b>262,742</b>	<b>234,394</b>
<b>Surplus from operations</b>	<b>\$ 16</b>	<b>\$ 49,259</b>	<b>\$ 4,843</b>

The Council's net financial results for the year is a surplus of \$49.3 million, compared to a balanced budget forecast of a surplus of \$16 thousand. In 2016-17 the Council's surplus was \$4.8 million.

The current surplus is primarily attributable to a \$41.6 million positive variance in net realized investment income compared to budgeted income and less than expected transfer program delivery costs of \$3.5 million. The Digital Strategy Fund spent \$3.9 million less in grants than originally planned, which has been carried over to the Fund in 2018-19.

The total expenses of \$262.7 million in 2017-18 is \$6.4 million less than budgeted. The first part is due to underspending of \$3.0 million in grants expenses which is due to the carry-over of \$3.9 million from the Digital Strategy Fund to 2018-19 offset by \$0.9 million of intra-year savings which was reinvested in grants in 2017-18. Due to the uncertainty related to the volume of applications in the first year of the New Funding Model, only a portion of savings was reinvested in grants. The second part is primarily attributable to underspending of \$3.5 million in transfer program delivery costs. In addition, there was \$0.5 million in savings in arts community services, however, these savings are offset by the overspending of \$0.5 million in general administration expenses.

## Parliamentary Appropriations

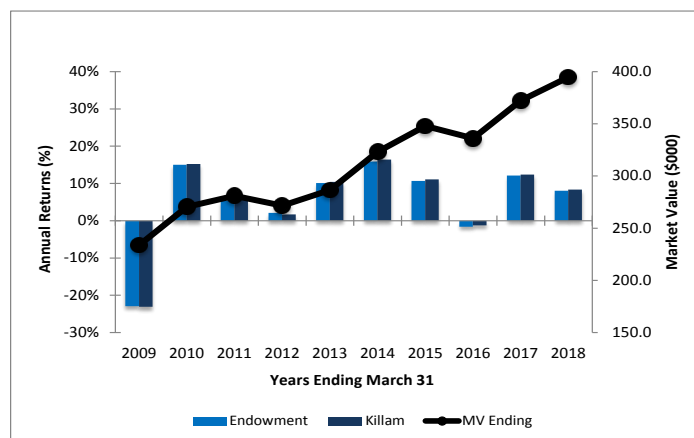
The Council receives its main funding through Parliamentary appropriations voted by Parliament. The Council records the Parliamentary appropriations received in the period as revenue in the Statement of Operations. The Council submits a monthly cash flow analysis to the Department of Canadian Heritage to justify its monthly drawdown cash requirements. The monthly drawdown is invested in a short-term pooled fund managed by a professional investment manager from which the Council draws its daily cash requirements. For the year ended March 31, 2018, the appropriations received by the Council were \$258.5 million, an increase of \$35.9 million over 2016-17, of which \$35.0 million was from the 2016 Federal Budget announcement and the balance of \$0.9 million through supplementary estimates.

## Investment Income

The financial markets in which the Council invests are diversified and, in 2017-18, the Endowment and Special Funds and the Killam Fund were in the top quartile of their peer group with strong annual returns of 8.0% (12.1% in 2016-17) and 8.4% (12.4% in 2016-17) respectively. The annual returns for the Endowment and Special Funds and the Killam Fund are, respectively, 2.0% and 2.4% above the benchmark of 6.0%.

The Council's investment policy prescribes for 2017-18 that cash can be withdrawn from the portfolio at a rate of up to 3.5% of the previous three-year average market value for both the Endowment and Special Funds and the Killam Fund. This approach recognizes the need to balance returns with the long-term preservation of capital.

The following chart shows the annual portfolio returns for the Council in each year since 2008 and the corresponding effect that those returns have had on the year-end market value. The chart also demonstrates how the investment market returns can fluctuate year over year. The Council reinvests excess investment income above the budgeted amount in order to ensure the continued growth of the funds. This proactive approach is intended to bring additional stability and long-term growth for the Council's investment portfolio.



This year, with the positive annual performance of its portfolio, the Council recorded \$51.9 million in net realized investment income due to a significant realized gain incurred during a transition of Global Equity managers and a high distribution of income with the positive annual performance of its portfolio.

## Other revenues

Other revenues include the cancellation of grants awarded in previous years, boardroom rental fees, donations, tax rebates, hosting fees and other sources of revenues received. During the year, Council received unexpected revenues such as two donations, from Michael J. Fox and Barbara Helen Green, and a higher than expected transfer from deferred membership revenues to cover the costs of a technical and functional review of the CADAC web application. These explain the positive variance of \$0.3 million compared to budgeted amounts.

## Program expenses

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

(in thousands of dollars)	Budget 2018	Actual 2018	Actual 2017
Grant, author payments and prizes	\$ 221,939	\$ 218,892	\$ 196,793
Transfer program delivery	23,266	19,764	16,886
Arts community services	2,977	2,475	2,251
Net Art Bank results	275	253	182
Canadian Commission for UNESCO	2,406	2,638	2,326
	<b>\$ 250,863</b>	<b>\$ 244,022</b>	<b>\$ 218,438</b>

In 2017-18, program expenses accounted for 93% of Council's total expenses of \$262.7 million, the same ratio as previous year. Overall, program expenses are \$25.6 million more than the previous year due to a combination of the additional funding received from government and operational savings or underspending.

The vast majority of the program expenses relate to grants, author payments and prizes at \$218.9 million which were \$3.0 million below budget, even with a \$1.0 million reinvestment from identified savings in operations, due to the carry-forward of \$3.9 million in grants from the Digital Strategy Fund into the next fiscal year. The \$22.1 million increase compared to the previous year is explained mostly by an inflow in grants budget this year of \$30.9 million, which represents 88% of the \$35.0 million increase in new fund this year, less the \$3.9 million carried over to next year for the Digital Strategy Fund. Another contributor to this variance is that last year the Council was able to reinvest a total of \$5.8 million into grants expenses from savings compared to only \$0.9 million this 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 are \$3.5 million below budget demonstrating the Council's constant efforts to exercise fiscal restraint and seek economies regarding these costs but also include \$1.7 million in savings from program adjudication mostly due to a lower volume of applications to assess than anticipated this year because of the transition to the New Funding Model. Additional savings of \$0.9 million in salaries and benefits are due to delays in staffing various positions. The Council will continue to review and simplify processes by modernizing its current systems over the next fiscal years.

Services provided for the arts community include other types of financial support such as partnerships (which provide funding to support the arts), research, workshop expenses, event costs and program evaluation. These costs were higher than the previous year by \$0.2 million but lower than budget by \$0.5 million. This year the Council embarked in new partnerships such as a \$0.3 million for the

rental of the Arsenale Area in Venice for the 16th International Architecture Exhibition and \$0.3 million in support for an initiative from the Cultural Human Resources Council to equip the cultural sector with tools, practices and training for building and maintaining respectful workplaces. The Council also engaged in a new qualitative research project on impact assessment of the arts for cost of \$0.2 million this year.

Net Art Bank results were \$22 thousand below budget in 2017-18 due to higher than forecast rental revenues of \$187 thousand which were offset by unanticipated costs such as \$32 thousand in the donation of artworks removed from inventory, and \$67 thousand in additional resources to support the growth in artwork rentals. That growth is a result of promoting the Art Bank and its services through outreach activities such as exhibitions and loans, and also being more active in the private sector.

The Canadian Commission for UNESCO (CCUNESCO) had net expenses of \$2.6 million in 2017-18, an increase of \$0.3 million in comparison to last year, but slightly over budget by \$0.2 million. The increase in expenses this year compared to budget is due to two collaborations with the Department of Canadian Heritage, one for \$0.2 million to UNESCO Heritage Emergency Fund and another one for \$0.1 million to the Coalition for Cultural Diversity. CCUNESCO, established by an Order in Council in 1957, coordinates UNESCO program activities in Canada; encourages Canadian participation in UNESCO activities abroad, including the provision of expert advice and assistance from both governmental and non-governmental organizations; and provides advice about future UNESCO programs and budgets to the Department of Global Affairs Canada.

## General Administration

General administration expenses include the cost of the Council Secretariat, Communications, and Corporate Services (which includes Finance, Human Resources, Information Management/Technology and Administrative Services). Items include salaries and benefits, travel, accommodation, professional services, amortization, and others. At \$18.7 million, these costs were higher than anticipated by \$0.5 million and represented 7% of total expenses, the same percentage as in 2016-17. The Council will continue to exercise fiscal restraint and seek efficiencies regarding general administration costs in the next fiscal years.

## REMEASUREMENT GAINS AND LOSSES

The accumulated remeasurement gains from portfolio investments as at March 31, 2018 were \$20.6 million. These are the accumulated unrealized gains, net of reclassification to the Statement of Operations upon realization, for changes in fair value of the Council's unrestricted portfolio investments.

# RISK MANAGEMENT

Effective risk management is fundamental to the success of the Council in fulfilling its mandate. The Council continues to develop a strong risk management culture where risk management is a responsibility shared by all of its employees. The primary goals of enterprise risk management are 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 Appetite

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

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

## Risk Governance

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

In February 2017, the Council reviewed its Corporate Risk Profile taking into consideration changes in the Council's risk environment. This included a re-assessment of the risks and updates to the Council's significant potential risks as well as mitigation strategies.

## Risk Profile

Using the Council's risk appetite as key context, the following risks, as identified and assessed during the risk assessment process in February 2017, are considered to be outside of the Council's appetite:

- 1) Workload levels; and
- 2) Inadequate technology tools and systems.

Consequently, for these, focused updated risk mitigation strategies have been developed and action plans implemented and monitored by assigned members of the executive management to reduce the risk exposure. Regular updates on these risks are provided to the Audit & Finance committee to ensure continuous oversight and that effective mitigation strategies 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 Council's receivables were deposited within 30-60 days after year-end and as such the related credit risk is very low. Liquidity risk is the risk that Council will not be able to meet its financial obligations as they fall due. The Council currently receives most of its revenues by way of Parliamentary appropriations drawn down monthly. That revenue is invested in a short-term pooled fund or in a preferred rate account at a financial institution bank until it is required. The Council's investment activities are primarily exposed to price risk, interest rate risk and currency risk. The directive to the Council's investment managers is to manage the Council's market risks on a daily basis in accordance with the Council's policies. Overall market positions are monitored quarterly by the Investment Committee and the Board.

# GOVERNANCE

## Board Mandate

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

As stewards of the Council, the Board oversees the organization's governance. It conducts the Council's business, directs Management and ensures that all major issues affecting the organization are given proper consideration. 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 2017-18, the Board held four meetings in Ottawa and three teleconferences, during which it:

- welcomed six new Board members from across Canada who brought a wide range of significant experience, knowledge and expertise;
- approved nominations of new members on the Audit and Finance Committee, the Governance and Nominating Committee and the Investment Committee which enhanced the overall effectiveness of the Board;
- continued to exercise its oversight role over the development of the Council's New Funding Model and the Digital Strategy Fund;
- exercised oversight on the Council's budgets and various policies, including changes to the Board Statement on Investment Beliefs and the Delegation of Authority;
- approved the revised Council By-laws, Governance Policy, and Public Lending Right Commission Constitution and By-laws;
- approved grants and contracts over \$500,000 and;
- held the Annual Public Meeting at the Council's offices at 150 Elgin Street, Ottawa, on January 23, 2018.

## Board Independence

All members of the Board are independent members. While the Director and CEO and Executive Management attend Board meetings to provide information and report on activities, only Board members may vote and make decisions. Board committees are composed of Board members, with some including external experts selected for their knowledge and expertise.

## Culture of Ethical Business Conduct

Board members, as public office holders, are bound by the federal government's *Conflict of Interest Act* and the *Ethical Guidelines and Statutory Standards of Conduct*. The Board is required to disclose any real, apparent or potential conflicts of interest on an annual basis, and as they occur throughout the year.

## Corporate Social Responsibility

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

In an effort to fulfill this commitment, the Council:

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

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

## Appointments

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

In 2017-18, six new Board members were appointed and two were reappointed by the Governor in Council. The Board Vice-Chair's term ended on March 30, 2018. The Notice of Opportunity for the Vice-Chair position on the Board of the Council was posted by the Privy Council on the Governor in Council website from January 31, 2018 to February 16, 2018.

At March 31, 2018, there was one Board vacancy.



## Board Diversity

The Canada Council has a history of embedding values of equity within its operations. The Board Diversity Statement of Principles is intended to summarize and make public the Council's values and objectives related to Board diversity. This includes representation on the Board of Canada's official languages, regions, generations, Indigenous peoples, cultural diversity and gender equity.

## Board Orientation and Continuing Education

All new Board members are required to attend the Orientation for Directors of Crown Corporations offered by the Canada School of Public Service. This program has been designed to provide Board members with information on their basic roles and accountabilities and the unique circumstances of Crown corporation governance. A total of six Board members attended this course in 2017-18.

New Board members receive a comprehensive information package prior to their first meeting. They also have an orientation session with Executive Management and sit in on committee meetings to learn about the Council's work. Orientation sessions are held with new members appointed to Board committees before the first committee meeting that a newly-appointed Board member is scheduled to attend.

## Performance Evaluation

Annually, under the direction of the Governance and Nominating Committee, the Board evaluates the performance of the full Board and its committees. Work was undertaken throughout 2017-18 to implement the recommendations resulting from the previous year's Board evaluation.

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

## Communications and Reporting

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

### Annual Public Meeting

On January 23, 2018, the Council held its Annual Public Meeting (APM) in Ottawa. It reported on its recent activities and plans for the future, and engaged with interested stakeholders. The Director and CEO, Chair, Vice-Chair, Board members and senior staff were present. The meeting was live-streamed across the country in English, French and Sign Languages (ASL and LSQ).

The APM reached a large audience, including approximately 100 guests on site and over 500 online via the livestream that day. The conversation continued on social media, notably with hashtags #Council18 and #Conseil18 on Twitter. As part of the APM, guests were invited to enjoy the opening reception of *Constructed Identities*, an exhibition from Tangled Art + Disability, in the Ajagemô space.

Speeches, a video of the APM, questions and answers, and a full list of news coverage were made available on the Council's website.

### Access to Information Act and Privacy Act (ATIP)

An annual ATIP report, including statistical data on the Council's administration of the Acts, is submitted to the Department of Canadian Heritage and tabled in Parliament.

### Canadian Multiculturalism Act

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

### Employment Equity Act

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

### Official Languages Act

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

## Board Committees

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

### Executive Committee

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

Membership: Pierre Lassonde (Chair), Nathalie Bondil (Vice-Chair until March 30, 2018), Beverley K. Foy, Isabelle Hudon (until September 30, 2017), Cheryl Hickman (as of October 1, 2017).

### 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 Council's financial reporting, control systems, integrated risk management processes and audit functions.

Membership: Beverley K. Foy (Chair), Isabelle Hudon (until September 30, 2017), David Binet (as of June 15, 2017) and Cheryl Sharfe.

### 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: Isabelle Hudon (Chair until September 30, 2017), Cheryl Hickman (Chair as of October 1, 2017) Cheryl Sharfe, and Jesse Wenthe (as of June 15, 2017).

### Investment Committee

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

Membership: Beverley K. Foy, David Binet (as of June 15, 2017) and the following external experts: George Mavroudis (Chair), Kiki Delaney, Ann Marshall, John Montalbano, Paul Robillard, Kim Shannon (as of March 27, 2018) and Michael White.



Photo: Della McCreary

*flicker doll* from Persimmon Blackbridge. *Constructed Identities* exhibition. Curator: Tangled Art + Disability. Presented at the Âjagemô space at the beginning of 2018. Persimmon Blackbridge's figurines redefine the way disability is presented and perceived in our society.

## THE 2018 APM: SPEAKING OPENLY ABOUT ART

At its Annual Public Meeting (APM), the Canada Council for the Arts reports on its activities over the year and discusses specific projects and current issues. In January 2018, more than 100 people attended the APM in person; over 500 people from across Canada participated via the webcast. This year's APM generated a record number of questions from the public that produced vibrant discussions. After the meeting, discussions in both English and French continued to generate interest via social media.

Each year's APM also gives the Council a chance to showcase artistic excellence and this year the focus was on arts practice by artists with disabilities—in particular with the screening of a video by Propeller Dance of Ottawa, an organization that received a grant increase in 2017. Dancers Sami Elkout and Sylvain Bouchard (who performs in a wheelchair) presented an excerpt from *Circuit*, with choreography by Shara Weaver and music by Larry Graves.

The APM ended with the launch of the *Constructed Identities*, an exhibition from Tangled Art + Disability in the Council's Âjagemô space. This exhibition of works by Persimmon Blackbridge—also in the field of disability arts—featured a series of figurines made of combinations of sculpted wood and found objects meant to inspire reflections about how disability is presented in our society. For the first time at Ajagemô, the exhibition was fully accessible via audio description, descriptive videos in sign language, and tactile devices.

## Advisory Groups

Jennifer Dörner serves as Board representative on the Canadian Commission for UNESCO Executive Committee since June 15, 2017.

Ben Nind serves as Board representative on the Canadian Public Arts Funders since June 15, 2017.

## Proactive Disclosure

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

## Remuneration

Board: \$92,050

Director and CEO: \$214,900-\$252,800 (fixed by Governor in Council)

Executive positions: \$106,900-\$157,500

## 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 2017-18, there were no internal disclosures of wrongdoing in the workplace.

## Executive Management Committee



Photo: Martin Lipman

As at March 31, 2018, the Executive Management Committee consisted of (from left to right): Joanne Larocque-Poirier, Chief of Staff and Corporate Secretary; Ian Lovsin, Chief Information Officer; Carolyn Warren, Director General, Arts Granting Programs; Michelle Chawla, Director General, Strategy and Public Affairs; Simon Brault, Director and CEO; Carole Boileau, Chief Financial Officer and Chief Security Officer; Tammy Scott, Director General, Communications and Public Engagement.

## Board Members



**Pierre Lassonde**  
Chair (Toronto, ON)



**Nathalie Bondil**  
Vice-Chair (Montréal, QC)



**David Binet**  
(Toronto, ON)



**Beverley K. Foy**  
(Calgary, AB)



**Jennifer Dorner**  
(Montréal, QC)



**Cheryl Hickman**  
(St. John's, NL)



**Ben Nind**  
(Yellowknife, NT)



**Yann Martel**  
(Saskatoon, SK)



**Cheryl Sharfe**  
(Winnipeg, MB)



**Jesse Wenté**  
(Toronto, ON)

### Board and Committee Meetings and Attendance (April 1, 2017 to March 31, 2018)

	Board Meetings	Executive Committee	Investment Committee	Audit and Finance Committee	Governance and Nominating Committee
<b>Total # of Meetings</b>	<b>7</b>	<b>0</b>	<b>4</b>	<b>7</b>	<b>4</b>
Pierre Lassonde, Chair	7/7	--	Ex officio	Ex officio	Ex officio
Nathalie Bondil, Vice-Chair	4/7	--	Ex officio	Ex officio	Ex officio
David Binet	5/7	N/A	2/3	5/7	N/A
Jennifer Dorner	7/7	N/A	N/A	N/A	N/A
Beverley Foy	7/7	--	4/4	7/7	N/A
Cheryl Hickman	7/7	--	N/A	N/A	4/4
Isabelle Hudon	1/1	--	N/A	2/2	1/1
Ben Nind	6/7	N/A	N/A	N/A	N/A
Yann Martel	5/7	N/A	N/A	N/A	N/A
Cheryl Sharfe	6/7	N/A	N/A	7/7	4/4
Jesse Wenté	6/7	N/A	N/A	N/A	4/4

#### Notes:

- Nathalie Bondil's term as Vice-Chair ended on March 30, 2018. She became a Board member on March 31, 2018.
- David Binet was appointed to the Board on April 5, 2017. He became a member of Audit and Finance Committee and the Investment Committee on June 15, 2017.
- Jennifer Dorner was appointed to the Board on June 6, 2017. She became the Board representative on the CCUNESCO Executive Committee on June 15, 2017.
- Beverley Foy's term was renewed for four years, effective June 6, 2017.
- Cheryl Hickman was appointed to the Board on April 5, 2017. She became the Chair of the Governance and Nominating Committee on October 1, 2017.
- Isabelle Hudon's term ended on September 30, 2017.
- Ben Nind was appointed to the Board on April 5, 2017. He became the Board representative on the Canadian Public Arts Funders on June 15, 2017.
- Yann Martel was appointed to the Board on April 5, 2017.
- Jesse Wenté was appointed to the Board on April 5, 2017. He became a member of the Governance and Nominating Committee on June 15, 2017.

# FINANCIAL STATEMENTS

# MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

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

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

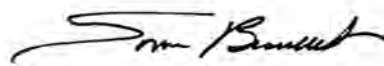
The Council maintains systems of internal accounting and administrative controls of high quality, consistent with reasonable cost. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and that the organization's assets are appropriately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

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

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

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

June 14, 2018



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



**Carole Boileau, CPA, CA**  
Chief Financial Officer



Office of the  
Auditor General  
of Canada

Bureau du  
vérificateur général  
du Canada

## INDEPENDENT AUDITOR'S REPORT

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

### Report on the Financial Statements

I have audited the accompanying financial statements of the Canada Council for the Arts, which comprise the statement of financial position as at 31 March 2018, and the statement of operations, statement of remeasurement gains and losses, statement of change in net financial assets and statement of cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

#### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these 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.

#### *Auditor's Responsibility*

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

### *Opinion*

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Canada Council for the Arts as at 31 March 2018, 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.

### **Report on Other Legal and Regulatory Requirements**

As required by the *Financial Administration Act*, I report that, in my opinion, the accounting principles in Canadian public sector accounting standards have been applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the Canada Council for the Arts that have come to my notice during my audit of the financial statements have, in all significant respects, been in accordance with the applicable provisions of Part X of the *Financial Administration Act* and regulations, the *Canada Council for the Arts Act* and the by-laws of the Canada Council for the Arts.



Riowen Yves Abgrall, CPA, CA  
Principal  
for the Auditor General of Canada

14 June 2018  
Ottawa, Canada



## Statement of Financial Position

As at March 31 (in thousands of dollars)	2018	2017
<b>FINANCIAL ASSETS</b>		
Cash and cash equivalents (Note 4)	\$ 39,245	\$ 23,490
Accounts receivable	3,080	3,424
Portfolio investments (Note 5)	389,420	369,623
<b>Total financial assets</b>	<b>431,745</b>	<b>396,537</b>
<b>LIABILITIES</b>		
Grants, author payments and prizes payable	69,547	59,354
Accounts payable and accrued liabilities	3,782	4,609
Deferred revenues	7,728	7,435
Employee future benefits (Note 7)	3,482	3,232
Deferred revenues - Externally restricted contributions (Note 8)	51,665	46,768
<b>Total liabilities</b>	<b>136,204</b>	<b>121,398</b>
<b>NET FINANCIAL ASSETS</b>	<b>\$ 295,541</b>	<b>\$ 275,139</b>
<b>NON-FINANCIAL ASSETS</b>		
Tangible capital assets (Note 9)	9,021	8,132
Art Bank assets (Note 10)	19,421	19,415
Musical instruments (Note 11)	1	1
Prepaid expenses	270	162
<b>Total non-financial assets</b>	<b>28,713</b>	<b>27,710</b>
<b>ACCUMULATED SURPLUS</b> (Note 12)	<b>\$ 324,254</b>	<b>\$ 302,849</b>
Accumulated surplus is comprised of:		
Accumulated surplus from operations	303,689	254,430
Accumulated remeasurement gains	20,565	48,419
<b>ACCUMULATED SURPLUS</b>	<b>\$ 324,254</b>	<b>\$ 302,849</b>

Contractual obligations and commitments (Note 17)

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

APPROVED BY THE BOARD



Chair



Vice-Chair

## Statement of Operations

For the year ended March 31 (in thousands of dollars)	Budget 2018	Actual 2018	Actual 2017
<b>Revenues</b>			
Net realized investment income (Note 13)	\$ 10,282	\$ 51,871	\$ 14,878
Other revenues	1,271	1,616	1,785
<b>Total revenues</b>	<b>11,553</b>	<b>53,487</b>	<b>16,663</b>
<b>Expenses</b>			
Transfer Programs			
Grants, author payments and prizes (Schedule I)	221,939	218,892	196,793
Transfer program delivery (Schedule II)	23,266	19,764	16,886
Arts community services (Schedule III)	2,977	2,475	2,251
	248,182	241,131	215,930
Net Art Bank results (Note 14)	275	253	182
Canadian Commission for UNESCO (Note 15)	2,406	2,638	2,326
General administration (Schedule II)	18,246	18,720	15,956
<b>Total expenses</b>	<b>269,109</b>	<b>262,742</b>	<b>234,394</b>
Deficit from operations before Parliamentary appropriations	(257,556)	(209,255)	(217,731)
Parliamentary appropriations	257,572	258,514	222,574
<b>SURPLUS FROM OPERATIONS</b>	<b>16</b>	<b>49,259</b>	<b>4,843</b>
ACCUMULATED SURPLUS FROM OPERATIONS, BEGINNING OF YEAR	254,430	254,430	249,587
<b>ACCUMULATED SURPLUS FROM OPERATIONS, END OF YEAR</b>	<b>\$ 254,446</b>	<b>\$ 303,689</b>	<b>\$ 254,430</b>

## Statement of Remeasurement Gains and Losses

For the year ended March 31 (in thousands of dollars)	2018	2017
ACCUMULATED REMEASUREMENT GAINS, BEGINNING OF YEAR	\$ 48,419	\$ 31,158
<b>Unrealized gains (losses) attributable to:</b>		
Portfolio investments	(2,157)	20,912
<b>Amounts reclassified to the Statement of Operations:</b>		
Portfolio investments	(25,697)	(3,651)
<b>NET REMEASUREMENT (LOSSES) GAINS FOR THE YEAR</b>	<b>(27,854)</b>	<b>17,261</b>
<b>ACCUMULATED REMEASUREMENT GAINS, END OF YEAR</b>	<b>\$ 20,565</b>	<b>\$ 48,419</b>

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

## Statement of Change in Net Financial Assets

For the year ended March 31 (in thousands of dollars)	Budget 2018	Actual 2018	Actual 2017
ANNUAL SURPLUS FROM OPERATIONS	\$ 16	\$ 49,259	\$ 4,843
Acquisition of tangible capital assets (Note 9)	(2,700)	(2,542)	(2,000)
Amortization of tangible capital assets (Note 9)	1,563	1,653	1,216
Acquisition of Art Bank assets (Note 10)	-	(38)	(31)
Disposal of Art Bank assets (Note 10)	-	32	-
	(1,137)	(895)	(815)
Acquisition of prepaid expenses	-	(308)	(199)
Use of prepaid expenses	-	200	221
	-	(108)	22
Net remeasurement (losses) gains	-	(27,854)	17,261
INCREASE (DECREASE) IN NET FINANCIAL ASSETS	(1,121)	20,402	21,311
NET FINANCIAL ASSETS, BEGINNING OF YEAR	275,139	275,139	253,828
<b>NET FINANCIAL ASSETS, END OF YEAR</b>	<b>\$ 274,018</b>	<b>\$ 295,541</b>	<b>\$ 275,139</b>

## Statement of Cash Flow

For the year ended March 31 (in thousands of dollars)	2018	2017
<b>Operating Transactions</b>		
Surplus from operations	\$ 49,259	\$ 4,843
Gains from disposal of portfolio investments (Note 13)	(33,227)	(5,570)
Amortization of tangible capital assets (Note 9)	1,653	1,216
Donations of Art Bank assets (Note 10)	32	-
(Increase) decrease in prepaid expenses	(108)	22
Increase in employee future benefits	250	323
Income transferred to Deferred revenues - Externally restricted contributions from investment income (Note 8)	13,273	2,083
Net change in other non-cash items (Note 16)	10,718	31,737
Cash provided by operating activities	41,850	34,654
<b>Capital Transactions</b>		
Acquisition of tangible capital assets (Note 9)	(2,951)	(1,387)
Acquisition of Art Bank assets (Note 10)	(38)	(31)
Cash used by capital activities	(2,989)	(1,418)
<b>Investing Transactions</b>		
Acquisition of portfolio investments	(110,539)	(68,102)
Disposal of portfolio investments	86,310	59,746
Cash used by investing activities	(24,229)	(8,356)
NET INCREASE IN CASH AND CASH EQUIVALENTS	14,632	24,880
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	24,729	(151)
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>39,361</b>	<b>24,729</b>
<b>Represented by:</b>		
Cash	25,435	292
Cash equivalents (Note 4)	13,810	23,198
	39,245	23,490
Cash held for investment purposes included in the portfolio investments	116	1,239
	<b>\$ 39,361</b>	<b>\$ 24,729</b>

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

# Notes to the Financial Statements

## March 31, 2018

### 1. AUTHORITY, MANDATE AND ACTIVITIES

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

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

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

### 2. ADOPTION OF NEW ACCOUNTING STANDARDS

The Public Sector Accounting Board (PSAB) issued new accounting standards effective for fiscal years beginning on or after 1 April 2017.

As a result, the Council adopted an accounting policy for Inter-entity transactions (PS 3420). This new Section establishes standards on how to account for and report transactions between public sector entities that comprise a government's reporting entity from both a provider and recipient perspective. The adoption of this new standard did not result in any financial impact on the Council's financial statements. See Note 3 for the Council's Inter-entity transactions accounting policy.

The Council also adopted the new accounting standards for Related party disclosures (PS 2200), Assets (PS 3210), Contingent assets (PS 3320) and Contractual rights (PS 3380). These new accounting standards only impact note disclosures. The adoption of PS 2200, PS 3210, PS 3320 and PS 3380 did not result in a significant impact on the disclosures included in the Council's financial statements.

### 3. SIGNIFICANT ACCOUNTING POLICIES

#### Basis of accounting

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

The Council's significant accounting policies are as follows:

#### Financial Instruments

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

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

#### Cash equivalents

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

#### Portfolio investments

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

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

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

#### Tangible capital assets

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

Office equipment	5 years
Leasehold improvements	remaining term of the lease

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

#### Art Bank assets

The Art Bank assets are carried at cost less accumulated amortization. The cost, less any estimated residual value, is amortized using a straight line method over the estimated useful lives of these assets which is 50 years.

#### Musical Instruments

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

# Notes to the Financial Statements (continued)

## March 31, 2018

### Employee future benefits

#### i) PENSION BENEFITS

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

#### ii) SEVERANCE BENEFITS

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

#### iii) RETIREES' BENEFITS

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

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

### Deferred revenues - Externally restricted contributions

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

### Endowment principal - Externally restricted contributions

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

### Reserve for excess investment income

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

### Revenue recognition

#### i) PARLIAMENTARY APPROPRIATIONS

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

#### ii) RESTRICTED AND UNRESTRICTED CONTRIBUTIONS

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

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

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

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

#### iii) ART BANK RENTAL REVENUES

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

#### iv) OTHER REVENUES

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

#### v) FOREIGN CURRENCY TRANSLATION

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

### Grants, author payments and prizes

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

### Operating leases

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

**Notes to the Financial Statements (continued)**  
**March 31, 2018**

**Measurement uncertainty**

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

**Inter-entity transactions**

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

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

**5. PORTFOLIO INVESTMENTS**

(in thousands of dollars)	2018					2017		
	Cost	Unrealized losses	Unrealized gains	Fair value		Cost	Fair value	
	\$	\$	\$	\$	%	\$	\$	%
<b>Canada Council Endowment and Special Funds</b>								
Pooled funds								
Canadian Equity	7,544	124	-	7,420	2	7,190	7,293	2
Global Equity	143,170	1,219	2,672	144,623	45	97,274	130,706	43
Fixed income	70,269	637	-	69,632	22	70,269	72,256	24
Alternatives	20,630	-	9,641	30,271	9	20,630	28,821	10
Money market	1,325	-	-	1,325	0	1,312	1,312	0
Canadian Equity	32,142	-	2,623	34,765	11	30,572	31,559	10
Real estate	10,129	-	2,214	12,343	4	11,037	13,497	5
Infrastructure	13,462	-	7,518	20,980	7	13,387	19,194	6
	298,671	1,980	24,668	321,359	100	251,671	304,638	100
<b>Killam Fund</b>								
Pooled funds								
Canadian Equity	7,840	18	600	8,422	12	7,931	8,243	13
Global Equity	29,179	255	526	29,450	44	19,847	26,615	41
Fixed income	13,690	130	-	13,560	20	13,690	14,071	22
Alternatives	5,298	-	2,469	7,767	11	5,298	7,394	11
Real estate	2,697	-	601	3,298	5	2,927	3,585	5
Infrastructure	3,434	-	2,130	5,564	8	3,418	5,077	8
	62,138	403	6,326	68,061	100	53,111	64,985	100
<b>Total investments</b>	<b>360,809</b>	<b>2,383</b>	<b>30,994</b>	<b>389,420</b>		<b>304,782</b>	<b>369,623</b>	

**Other related party transactions**

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

**Budgeted figures**

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

**4. CASH EQUIVALENTS**

The Council invests its cash in excess of daily requirements in a short-term pooled fund managed by State Street Global Advisors. All instruments held in the pooled funds are rated R1 (low) or A (low) or better as rated by a recognized bond rating agency. These funds are comprised of securities issued by different levels of government, chartered banks and corporate issuers. Except for instruments guaranteed by governments, no more than 10% of the short-term portfolio is invested with any one issuer. The Council's cash equivalents invested in the pooled fund was \$13,810,000 at March 31, 2018 (2017 - \$23,198,000).

## Notes to the Financial Statements (continued)

### March 31, 2018

Unrealized gains/losses on investments are primarily due to the timing of the market prices, foreign exchange movements, or the early years in the business cycle for some investments. Annually, the Council assesses each of its investment instruments against specific criteria to determine whether there is objective evidence that the adjusted cost may not be recovered and is therefore impaired. The Council does not consider these investments to be other-than-temporarily impaired as at March 31, 2018.

The Council manages two separate portfolios, the Canada Council Endowment and Special Funds as well as the Killam Fund. The Killam's will requested that their donation be invested separately. Apart from the Killam Fund, all other externally restricted contributions are consolidated into the Canada Council Endowment and Special Funds and represent 8% (2017 - 8%) of that Fund with a total fair value of \$25,741,000 (2017 - \$24,402,000). The total fair value of the externally restricted investment including the Killam Fund is \$93,802,000 (2017 - \$89,387,000).

All transactions for the externally restricted contributions are originally paid by or received in the Council's general bank account thus creating temporary interfund balances. The interfund balance of externally restricted contributions owed to Council at March 31, 2018 by the Special Funds is \$3,268,000 (2017 - \$3,501,000) and owed by the Killam Fund is \$2,211,000 (2017 - \$787,000).

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

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

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

Asset Classes	Market Value	Minimum	Benchmark	Maximum
Canadian equities	13%	5%	12.5%	20%
Global equities	45%	35%	40%	45%
Fixed income	21%	15%	25%	35%
Alternatives	10%	5%	10%	15%
Real estate	4%	0%	5%	10%
Infrastructure	7%	0%	7.5%	10%
Money market	0%	0%	0%	10%

The money market asset class includes short-term pooled funds used for future investments in alternatives and capital commitments in limited partnership units of real estate and infrastructure funds. These funds had a balance of \$1,325,000 (2017 - \$1,312,000). For the year ended March 31, 2018, these funds earned a return of 0.97% (2017 - 0.77%) and the underlying investments had an average weighted term to maturity of 23 days (2017 - 36 days).

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

## 6. FINANCIAL RISKS AND FAIR VALUE

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

(in thousands of dollars)

		2018	2017
	Measurement categories	Carrying amount and fair value (\$)	Carrying amount and fair value (\$)
<b>Financial assets and liabilities</b>			
Cash and cash equivalents	Fair value	39,245	23,490
Accounts receivable	Amortized cost	3,080	3,424
Portfolio Investments <sup>1</sup>	Fair value	389,420	369,623
Grants, author payments and prizes payable	Amortized cost	69,547	59,354
Accounts payable and accrued liabilities	Amortized cost	3,782	4,609

<sup>1</sup> The detailed fair value for the investments is listed in Note 5.

### a) Establishing fair value

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

The fair values of the investments are determined as follows:

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

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

**Notes to the Financial Statements (continued)**  
**March 31, 2018**

**b) Fair value hierarchy**

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

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

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

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

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

**Financial assets at fair value as at March 31**

(in thousands of dollars)	2018				2017			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$	\$	\$	\$	\$
Cash and cash equivalents	25,435	13,810	-	39,245	292	23,198	-	23,490
	25,435	13,810	-	39,245	292	23,198	-	23,490
<b>Portfolio Investments</b>								
<b>Canada Council Endowment and Special Funds</b>								
<b>Pooled Funds</b>								
Canadian Equity	-	7,420	-	7,420	-	7,293	-	7,293
Global Equity	-	144,623	-	144,623	-	130,706	-	130,706
Fixed Income	-	69,632	-	69,632	-	72,256	-	72,256
Alternatives	-	-	30,271	30,271	-	-	28,821	28,821
Money Market	-	1,325	-	1,325	-	1,312	-	1,312
Canadian Equity	34,765	-	-	34,765	31,559	-	-	31,559
Real Estate	-	-	12,343	12,343	-	-	13,497	13,497
Infrastructure	-	-	20,980	20,980	-	-	19,194	19,194
<b>Killam Fund</b>								
<b>Pooled Funds</b>								
Canadian Equity	-	8,422	-	8,422	-	8,243	-	8,243
Global Equity	-	29,450	-	29,450	-	26,615	-	26,615
Fixed Income	-	13,560	-	13,560	-	14,071	-	14,071
Alternatives	-	-	7,767	7,767	-	-	7,394	7,394
Real Estate	-	-	3,298	3,298	-	-	3,585	3,585
Infrastructure	-	-	5,564	5,564	-	-	5,077	5,077
	34,765	274,432	80,223	389,420	31,559	260,496	77,568	369,623
<b>Total</b>	<b>60,200</b>	<b>288,242</b>	<b>80,223</b>	<b>428,665</b>	<b>31,851</b>	<b>283,694</b>	<b>77,568</b>	<b>393,113</b>

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



## Notes to the Financial Statements (continued)

### March 31, 2018

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

(in thousands of dollars)	2018				2017			
	Alternatives	Real estate	Infrastructure	Total	Alternatives	Real estate	Infrastructure	Total
	fund	funds	funds		fund	funds	funds	
	\$	\$	\$	\$	\$	\$	\$	
<b>Canada Council Endowment and Special Funds</b>								
Opening balance	28,821	13,497	19,194	61,512	26,936	10,045	12,201	49,182
Total gains (losses)								
recognized in re-measurement statement	1,335	(226)	1,573	2,682	1,734	121	1,318	3,173
recognized in externally restricted contributions	115	(20)	138	233	151	11	115	277
Purchases	-	1,373	279	1,652	-	4,228	5,985	10,213
Sales	-	(2,281)	(204)	(2,485)	-	(908)	(425)	(1,333)
Closing balance	30,271	12,343	20,980	63,594	28,821	13,497	19,194	61,512
<b>Killam Fund</b>								
Opening balance	7,394	3,585	5,077	16,056	6,911	2,683	3,313	12,907
Total gains (losses)								
recognized in externally restricted contributions	373	(56)	471	788	483	25	382	890
Purchases	-	343	70	413	-	1,107	1,511	2,618
Sales	-	(574)	(54)	(628)	-	(230)	(129)	(359)
Closing balance	7,767	3,298	5,564	16,629	7,394	3,585	5,077	16,056

### c) Risk management

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

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

#### i. CREDIT RISK

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

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

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

other limits set out in the Council's investment policy.

The Council mitigates credit risk through monitoring of the outstanding balances. As at March 31, 2018, there were no significant amounts past due and no impairment losses have been recognized.

#### ii. LIQUIDITY RISK

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

The Council receives most of its revenue by way of parliamentary appropriation from the Government of Canada. That revenue is temporarily invested in the short-term pooled fund until it is required.

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

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

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

The Council has an investment policy that enables it to withdraw annual amounts from its investment portfolio valued up to 3.5% for the Endowment and Special Funds as well as for the Killam Fund (2017 - 3.5%) of the previous three-year average market value using balances at September 30.

## Notes to the Financial Statements (continued)

### March 31, 2018

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 six months	Between six months to one year	Between one to two years	Over two years	2018 Total
	\$	\$	\$	\$	\$
<b>Financial Liabilities</b>					
Grants, author payments and prizes payable	15,465	24,843	23,469	5,770	69,547
Accounts payable and accrued liabilities	3,117	290	375	-	3,782
	<b>18,582</b>	<b>25,133</b>	<b>23,844</b>	<b>5,770</b>	<b>73,329</b>

#### iii. MARKET RISKS

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

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

##### Price risk

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

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

##### Price sensitivity

The following details the Council's portfolio sensitivity to a 5.8% increase or decrease in the market prices, with 5.8% being the sensitivity rate used when reporting price risk internally to key management personnel and representing management's assessment of a reasonably possible change in market prices.

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

At March 31, 2018, if market prices had a 5.8% (2017 - 5.3%) increase or decrease with all other variables held constant, the increase or decrease in remeasurement gains and losses and deferred revenues – externally restricted contributions for the year would have been a total of \$22,265,000 (2017 - \$19,679,000) due to the increase or decrease in the fair value of financial assets measured at fair value.

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

##### Interest rate risk

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

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

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

##### Currency risk

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

At the Statement of Financial Position date, the non-Canadian dollar denominated portion of its investment portfolio represents \$33,569,000 (2017 - \$28,421,000). Given the small size of the foreign currency exposure compared with the total assets of the Council, currency risk is not considered significant.

## 7. EMPLOYEE FUTURE BENEFITS

### a) Pension benefits

Substantially all of the employees of the Council are covered by the public service pension plan (the "Plan"), a contributory defined benefit plan established through legislation and sponsored by the Government of Canada. Contributions are required by both the employees and the Council. The President of the Treasury Board of Canada sets the required employer contribution rates based on a multiple of the employees' required contribution. The required employer contribution rate is dependent on the employee's employment start date. For employment start dates before January 1, 2013, the Corporation's contribution rate effective at year-end was 1.01 times (2017 - 1.01) the employee's contribution; and for employment start dates after December 31, 2012, the Corporation's contribution rate effective at year-end was 1.00 times (2017 - 1.00) the employee's contribution.

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

(in thousands of dollars)	2018	2017
Employer's contributions	\$ 2,073	\$ 1,992
Employees' contributions	1,981	1,748

**Notes to the Financial Statements (continued)**  
**March 31, 2018**

**b) Severance benefits**

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

<i>(in thousands of dollars)</i>	<b>2018</b>	<b>2017</b>
Accrued benefit obligation, beginning of year	\$ 416	\$ 458
Current service cost	6	8
Benefits paid during the year	(103)	(50)
<b>Accrued benefit obligation, end of year</b>	<b>\$ 319</b>	<b>\$ 416</b>

**c) Retirees benefits**

The Council has defined post-retirement benefit plans covering certain employee groups. These plans provide extended health and dental benefits to retired employees. Retirees pay 50% of the extended health care premium and 100% of the dental premium. In 2017-18, the Council obtained a full actuarial valuation as at March 31, 2018.

<i>(in thousands of dollars)</i>	<b>2018</b>	<b>2017</b>
Accrued benefit obligation, beginning of year	\$ 5,039	\$ 5,120
Current service cost	127	136
Interest cost	115	100
Benefits paid	(99)	(91)
Actuarial gain	(101)	(226)
	<b>5,081</b>	<b>5,039</b>
Unamortized net actuarial losses	(1,918)	(2,223)
<b>Accrued benefit obligation, end of year</b>	<b>\$ 3,163</b>	<b>\$ 2,816</b>

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

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

	<b>2018</b>	<b>2017</b>
Discount rate for calculation of net benefit costs	2.3%	2.0%
Discount rate for calculation of accrued benefit obligation	2.2%	2.3%
Initial Health care cost trend rate increase - Prescription drugs	6.3%	6.5%
Ultimate health care cost trend rate	4.0%	4.0%
Year ultimate rate reached	2028	2026

**8. DEFERRED REVENUES - EXTERNALLY RESTRICTED CONTRIBUTIONS**

The deferred revenues from externally restricted contributions consist of accumulated income, both realized and unrealized, which has been deferred until the resources have been used for the purpose or purposes specified by the endowment. The restricted endowment principal of \$37,569,000 is required to be maintained intact and is reported under accumulated surplus from operations (see Note 12).

<i>(in thousands of dollars)</i>	<b>2018</b>	<b>2017</b>
Balance, beginning of year	\$ 46,768	\$ 39,501
Transferred from investment income (Note 13)		
Net Investment income	15,324	4,567
Use of funds	(2,051)	(2,484)
	13,273	2,083
Unrealized (losses) gains on portfolio investments	(493)	6,878
Reclassified to statement of operations - portfolio investments	(7,883)	(1,694)
<b>Balance at end of year</b>	<b>\$ 51,665</b>	<b>\$ 46,768</b>

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

**Notes to the Financial Statements (continued)**  
**March 31, 2018**

**9. TANGIBLE CAPITAL ASSETS**

<i>(in thousands of dollars)</i>	<b>Office Equipment</b>	<b>Leasehold improvements</b>	<b>Work in Progress</b>	<b>Total</b>
<b>Cost</b>				
Opening balance at April 1, 2017	\$ 6,637	\$ 7,455	\$ 791	\$ 14,883
Acquisitions	1,847	239	456	2,542
Transfer from Work in Progress	791	-	(791)	-
Disposals	(793)	-	-	(793)
<b>Closing balance at March 31, 2018</b>	<b>\$ 8,482</b>	<b>\$ 7,694</b>	<b>\$ 456</b>	<b>\$ 16,632</b>
<b>Accumulated Amortization</b>				
Opening balance at April 1, 2017	\$ 4,521	\$ 2,230	\$ -	\$ 6,751
Amortization expense	1,318	335	-	1,653
Disposals	(793)	-	-	(793)
<b>Closing balance at March 31, 2018</b>	<b>\$ 5,046</b>	<b>\$ 2,565</b>	<b>\$ -</b>	<b>\$ 7,611</b>
<b>Net carrying amount at March 31, 2017</b>	<b>\$ 2,116</b>	<b>\$ 5,225</b>	<b>\$ 791</b>	<b>\$ 8,132</b>
<b>Net carrying amount at March 31, 2018</b>	<b>\$ 3,436</b>	<b>\$ 5,129</b>	<b>\$ 456</b>	<b>\$ 9,021</b>

**10. ART BANK ASSETS**

<i>(in thousands of dollars)</i>	<b>2018</b>	<b>2017</b>
Opening balance	\$ 19,415	\$ 19,384
Acquisitions	38	31
Disposals/Donations	(32)	-
<b>Closing Balance</b>	<b>\$ 19,421</b>	<b>\$ 19,415</b>

The Council's Art Bank has the largest collection of contemporary Canadian art in Canada. It includes over 17,100 paintings, sculptures, drawings, photographs and prints by over 3,150 artists. The Art Bank rents its assets to interested parties and as at March 31, 2018 has over 3,600 (2017 - 3,390) 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 assessment valuation of the Art Bank assets was completed in 2001 and any artwork acquired after 2001 has been independently appraised upon acquisition. Significant events such as special recognition or artist passing are known to trigger a change in valuation. Management monitors significant events and obtains independent reassessment as required. The total appraised value of the Art Bank assets is estimated at \$71 million as at March 31, 2018 (2017 - \$71 million).

The residual values are estimated to be greater than the cost; therefore no Art Bank assets amortization is recognized.

The Council insures the Art Bank assets for their estimated appraised value.

**11. MUSICAL INSTRUMENTS**

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

Agreements are signed with the individuals to whom the instruments are loaned. Those agreements include clauses that stipulate how the musical instruments are to be handled in order to safeguard them. The appraised value of the Council's Musical Instruments Bank as at March 31, 2018 is \$53,826,000, converted from a value of US\$41,750,000 using the March 31, 2018 US exchange rate of 1.29 (2017 - \$55,627,000, converted from a value of US\$41,750,000 using the March 31, 2017 US exchange rate of 1.33).

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

**Notes to the Financial Statements (continued)**  
**March 31, 2018**

**12. ACCUMULATED SURPLUS**

(in thousands of dollars)

	2018	2017
<b>Accumulated surplus from operations</b>		
<b>Endowment - original contribution</b>	\$ 50,000	\$ 50,000
<b>Endowment principal - Externally restricted contributions</b>	37,569	37,569
<b>Reserve for excess investment income</b>		
Balance at beginning of the year	141,445	136,445
Appropriated from the accumulated surplus during the year	45,000	5,000
Balance at end of the year	186,445	141,445
<b>Surplus</b>		
Balance at beginning of the year	25,416	25,573
Appropriated to the reserve for excess investment income during the year	(45,000)	(5,000)
Surplus for the year	49,259	4,843
Balance at end of the year	29,675	25,416
<b>Total accumulated surplus from operations</b>	<b>303,689</b>	<b>254,430</b>
<b>Accumulated remeasurement gains</b>		
Balance at beginning of the year	48,419	31,158
Change in fair value	(27,854)	17,261
Balance at end of the year	20,565	48,419
<b>Balance of accumulated surplus at end of year</b>	<b>\$ 324,254</b>	<b>\$ 302,849</b>

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

**13. NET REALIZED INVESTMENT INCOME**

(in thousands of dollars)

	2018	2017
Gains from disposal of portfolio investments	\$ 33,227	\$ 5,570
Income transferred to deferred revenues -		
Externally restricted contributions (Note 8)	(13,273)	(2,083)
Net gains on foreign exchange	34	272
Interest, dividend and other distributed income	32,983	12,502
Investment portfolio management costs	(1,100)	(1,383)
	<b>\$ 51,871</b>	<b>\$ 14,878</b>

**14. NET ART BANK RESULTS**

(in thousands of dollars)

	2018	2017
Rental revenue	\$ 1,378	\$ 1,228
Other income	249	218
Administration expense	(1,869)	(1,617)
Amortization of other capital assets	(11)	(11)
	<b>\$ (253)</b>	<b>\$ (182)</b>

At March 31, 2018, there was \$683,000 (2017 - \$534,000) in unearned rental revenues for artwork rental agreements signed before year-end.

**15. CANADIAN COMMISSION FOR UNESCO**

(in thousands of dollars)

	2018	2017
Program expenses	\$ 1,318	\$ 1,158
Program - contributions received	(12)	(43)
Administration expense	1,332	1,211
	<b>\$ 2,638</b>	<b>\$ 2,326</b>

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

**16. NET CHANGE IN OTHER NON-CASH ITEMS**

(in thousands of dollars)

	2018	2017
Decrease (increase) in accounts receivable	\$ 344	\$ (649)
Increase in grants, author payments and prizes payable	10,193	31,680
(Decrease) increase in accounts payable and accrued liabilities	(112)	148
Increase in deferred revenues	293	558
<b>Net change</b>	<b>\$ 10,718</b>	<b>\$ 31,737</b>

**Notes to the Financial Statements (continued)**  
**March 31, 2018**

**17. 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, 2018 amounted to \$185,771,000 (2017 – \$28,256,000). The future payments of grant commitments as of March 31, 2018 are as follows:

(in thousands of dollars)	
2019	\$ 128,601
2020	56,770
2021	400

**b) Rent**

The Council is party to long-term operating leases with respect to rental accommodation. Future year payments related to operating leases as of March 31, 2018 amounted to \$69,096,000 (2017 – \$75,464,000). The future payments of operating leases as of March 31, 2018 are as follows:

(in thousands of dollars)	
2019	\$ 4,196
2020	4,047
2021	3,963
2022	4,040
2023	4,122
2024-2034	48,728

**c) Investment commitments**

The Council has committed funds with real estate and infrastructure investment managers through limited partnership funds. Because it takes time for those funds to be fully invested, the balance of committed capital not yet drawn at March 31, 2018 is \$7,833,000 (2017 – \$9,933,000). A portion of the outstanding balance of committed capital is currently invested in short-term pooled funds.

**d) Other commitments**

The Council entered into various contracts during the year creating commitments of payments in future years. Future year payments related to these commitments as of March 31, 2018 amounted to \$2,258,000 (2017 – \$1,102,000). Future annual payments as of March 31, 2018, are as follows:

	Less than 1 year	Less than 3 years	Total
General administration	\$ 841,000	\$ -	\$ 841,000
Tangible capital assets	679,000	-	679,000
Arts community services	388,000	108,000	496,000
Program Delivery	242,000	-	242,000

**18. RELATED PARTY TRANSACTIONS**

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

During the year, the Council incurred expenses totaling \$2,448,000 (2017 – \$876,000) and recorded rental revenues for the Art Bank assets, contributions and other revenues totaling \$1,021,000 (2017 – \$835,000) with related parties.

During the year, the Council received audit services without charge from the Office of the Auditor General, including a Special Examination report in 2017-18. The estimated cost for these services is \$1,274,000 (2017: \$280,000).

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)	2018	2017
Accounts receivable	\$ 501	\$ 943
Grants, author payments and prizes payable	44	130
Accounts payable and accrued liabilities	62	406
Deferred revenues	1,545	941

**19. COMPARATIVE FIGURES**

Certain 2017 figures have been reclassified to conform to the presentation adopted in 2018.

**Notes to the Financial Statements (continued)**  
**March 31, 2018**

**Schedule I - Grants, Author Payments and Prizes by Section <sup>1</sup>**

(in thousands of dollars)	2018	2017
<b>Arts Programs</b>		
Music	\$ -	\$ 29,259
Theatre	-	28,130
Writing and Publishing	-	23,437
Visual Arts	-	21,853
Dance	-	20,346
Media Arts	-	14,804
Inter-Arts	-	3,227
Indigenous Arts	-	3,215
Audience and Market Development	-	3,015
Equity	-	1,451
Prizes	1,041	979
<b>Canada 150 - New Chapter</b>	-	35,030
<b>New Funding Model</b>		
Engage and Sustain	64,485	-
Explore and Create	57,802	-
Supporting Artistic Practice	33,439	-
Arts Across Canada	18,721	-
Arts Abroad	13,586	-
Creating, Knowing and Sharing: The Arts and Cultures of First Nations, Inuit and Métis Peoples	9,983	-
Digital Strategy Fund	6,151	-
Strategic Investments	2,197	278
<b>Public Lending Right</b>	9,775	9,774
<b>Killam Program</b>		
Killam Research Fellowships	840	840
Killam Prizes	500	500
<b>Other Prizes and Awards</b>		
Victor Martyn Lynch-Staunton Awards	-	105
Molson Prizes	100	100
John G. Diefenbaker Award	-	95
Other prizes and awards < \$75,000	272	355
	<b>\$ 218,892</b>	<b>\$ 196,793</b>

Note: In 2017-18 the Council transitioned to its New Funding Model, which replaced an artistic disciplinary-based model with new outcome-oriented granting programs and strategic funds. The financial information is captured by program only and therefore the comparison with previous year is not available for this schedule. The Council publishes every year Stats and Stories which will provide breakdown by artistic disciplines.

**Notes to the Financial Statements (continued)**  
**March 31, 2018**

**Schedule II - Other Expenses**

(in thousands of dollars)

	2018			2017
	Transfer Program Delivery	General Administration	Total	Total
Salaries and employee benefits	\$ 15,359	\$ 8,585	\$ 23,944	\$ 21,313
Office accommodation	28	3,571	3,599	3,600
Professional and special services	361	3,156	3,517	1,674
Peers and advisory committees	3,077	-	3,077	2,598
Amortization	-	1,642	1,642	1,205
Information management	86	706	792	581
Staff travel	401	96	497	521
Prizes presentation	380	-	380	390
Printing, publications and duplicating	11	299	310	323
Communications	1	275	276	295
Office expenses and equipment	5	210	215	166
Meeting expenses including members' honoraria	55	152	207	159
Miscellaneous	-	28	28	17
	<b>\$ 19,764</b>	<b>\$ 18,720</b>	<b>\$ 38,484</b>	<b>\$ 32,842</b>

**Schedule III - Arts Community Services**

(in thousands of dollars)

	2018	2017
Research and consultation	\$ 748	\$ 1,223
Partnership and networking	1,578	712
Event costs	149	316
	<b>\$ 2,475</b>	<b>\$ 2,251</b>