
CANADIAN HERITAGE

Future-oriented Statement of Operations

For the years ending March 31, 2014 and March 31, 2015

Canadian Heritage

Statement of Management Responsibility

Departmental management is responsible for this future-oriented statement of operations, including responsibility for the appropriateness of the assumptions on which this statement is prepared. This statement is based on the best information available and assumptions adopted as at January 15, 2014 and reflect the plans described in the Report on Plans and Priorities.

Original Signed by,

**Colleen Swords
Deputy Minister**

February 12, 2014

Gatineau, Canada

**Robert Hertzog
Chief Financial Officer**

Canadian Heritage
Future-oriented Statement of Operations (*Unaudited*)
For the year ended March 31
(in thousands of dollars)

	Estimated Results 2014	Planned Results 2015
Expenses		
Official Languages	347,061	352,438
Cultural Industries	308,688	307,297
Sport	337,398	396,807
Arts	120,488	117,295
Engagement and Community Participation	46,862	45,615
Attachment to Canada	70,814	66,347
Heritage	46,027	45,039
Internal Services	87,867	82,755
Total expenses	1,365,205	1,413,593
Revenues		
Revenue from the 1979 Federal-provincial Lottery-agreement	69,790	70,907
Miscellaneous revenues	3,830	4,831
Sale of goods and services	3,269	3,365
Revenues earned on behalf of Government	(69,848)	(70,965)
Total revenues	7,041	8,138
Net cost of operations	1,358,164	1,405,455

Information for the year ending March 31, 2014 includes actual amounts from April 1, 2013 to November 30, 2013.

Segmented information (note 8)

The accompanying notes form an integral part of this future-oriented statement of operations.

Original Signed by,

Colleen Swords
Deputy Minister

Robert Hertzog
Chief Financial Officer

Gatineau, Canada
Date February 12, 2014

Canadian Heritage
Notes to the Future-oriented Statement of Operations (*Unaudited*)
For the years ended March 31, 2014 and March 31, 2015

1. Authority and Objectives

The Department of Canadian Heritage was established in 1995 under the *Department of Canadian Heritage Act*.

Canadian Heritage is responsible for formulating policies and delivering programs that help all Canadians participate in their shared cultural and civic life.

Canadian Heritage's work is structured around the following three strategic outcomes:

- Canadian artistic expressions and cultural content are created and accessible at home and abroad;
- Canadians share, express and appreciate their Canadian identity; and
- Canadians participate and excel in sport.

The Department of Canadian Heritage is specifically responsible for formulating and implementing cultural policies related to copyright, foreign investment and broadcasting, as well as policies related to arts, heritage, official languages, sports, state ceremonial and protocol, and Canadian symbols.

The programs include:

- **Arts:** This program improves Canadians' access to varied artistic experiences, contributes to the resilience of the arts sector and to deepening the connections between cultural organizations and their communities. This is accomplished through funding programs that support institutions that offer artists and performers training of the highest calibre in preparation for professional careers; the presentation of professional arts festivals or performing arts series; the improvement of arts and heritage infrastructure and the improvement of business practices of arts and heritage organizations and the development of partnerships in the sector. The core concept of this program is to encourage access, resilience and excellence in the arts for all Canadians.
- **Cultural Industries:** This Program supports Canadian cultural industries in adapting to a changing and challenging global marketplace. This is achieved through the delivery of grants, contributions and tax credits, as well as policy, regulatory and legislative measures. Fostering the competitiveness and creative output of these industries ensures that Canadian and international audiences access a range of Canadian content across a variety of formats and platforms and contributes to the Canadian economy.
- **Heritage:** This Program ensures that Canada's cultural heritage is preserved and accessible to Canadians today and in the future. It enables the heritage sector to improve professional knowledge, skills and practices, to preserve and present heritage collections and objects, and to create and circulate exhibitions and other forms of heritage content. This is accomplished by providing funding such as grants, contributions and tax incentives; information, expertise, training and other services; and regulatory and legislative measures. The primary goal of this Program is to promote the preservation and presentation of Canada's cultural heritage.
- **Attachment to Canada:** This Program strengthens Canadian identity by promoting pride and a sense of national purpose in Canadians. It celebrates and commemorates Canada and enhances understanding of shared values, cultural diversity and knowledge of Canada. Also, it promotes civic education and participation among Canadians, including youth, as well as provides them with the opportunity to learn about and understand

Canadian Heritage
Notes to the Future-oriented Statement of Operations (*Unaudited*)
For the years ended March 31, 2014 and March 31, 2015

Canada's society, diversity, history and institutions. This is achieved through delivering programs and services in the form of grants and contributions. The core concept of this program is to promote knowledge and experiences of Canada among Canadians.

- **Engagement and Community Participation:** This Program aims to engage Canadians and provide them with opportunities to participate in the civil, social and cultural aspects of life in Canada and in their communities. This is accomplished through funding programs and initiatives that support the efforts of communities to build stronger citizen engagement and social inclusion through the performing and visual arts; express, celebrate and preserve local heritage; contribute to increasing the respect for and awareness of human rights in Canada; and develop innovative and culturally appropriate solutions to the social, cultural, and other obstacles that impede Aboriginal peoples' community and personal prospects. This Program has strong social benefits, as it contributes to the preservation of the history and identity of Canada's diverse communities, while offering a way for traditions and identities to evolve over time. The Program supports the Department's mandate to strengthen Canadian identity and values, and build attachment to Canada.
- **Official Languages:** Canadian Heritage plays an important role in the horizontal coordination of official languages within the federal government and especially with respect to coordination and support to federal institutions in the implementation of the government's commitment towards the development of official-language minority communities and the promotion of linguistic duality, pursuant to section 42 of the Official Languages Act (OLA). Canadian Heritage is also responsible for the planning, implementation and management of the Official Languages Support Programs pertaining to the promotion of linguistic duality within Canada and the development of official-language minority communities, in accordance with section 43 of the OLA. These activities contribute to achieving the following Government Outcome: "A diverse society that promotes linguistic duality and social inclusion".
- **Sport:** This Program promotes development and excellence in sport among Canadians and Canadian communities through initiatives that provide direct support to Canadian high-performance athletes; enhance Canada's ability to host the Canada Games and international sport events in Canada; support the development of excellence in the Canadian sport system; and contribute to increasing participation in sport by Canadians of all ages and abilities. The core concept of this Program is to enhance and promote Canadian participation and excellence in sport, by providing funding, expertise and other services to Canadian athletes, sport organizations, stakeholders and event organizers.
- **Internal Services:** Internal Services are groups of related activities and resources that are administered to support the needs of programs and other corporate obligations of an organization. These groups are: Management and Oversight Services; Communications Services; Legal Services; Human Resources Management Services; Financial Management Services; Information Management Services; Information Technology Services; Real Property Management Services; Materiel Services; Acquisition Services; and Travel and Other Administrative Services. Internal Services include only those activities and resources that apply across an organization, and not to those provided specifically to a program.

Canadian Heritage
Notes to the Future-oriented Statement of Operations (Unaudited)
For the years ended March 31, 2014 and March 31, 2015

2. Methodology and Significant Assumptions

The future-oriented statement of operations has been prepared on the basis of the government priorities and the plans of the Department as described in the Report on Plans and Priorities

The main assumptions are as follows:

- (a) Canadian Heritage's activities will remain substantially the same as for the previous year except for the transfer of a number activities that were part of the National Capital Commission's Capital Experience Program – specifically the organization, sponsoring and promotion of public activities in the national capital region – to Canadian Heritage on September 30, 2013 as a consequence of the amendments to the *National Capital Act* in the *Economic Action Plan 2013, Act, No. 1*.
- (b) Expenses and revenues, including the determination of amounts internal and external to the government, are based on historical experience. The general historical pattern is expected to continue.
- (c) Allowances for uncollectibility are based on historical experience. The general historical pattern is expected to continue.
- (d) Estimated year end information for 2013-2014 is used as the opening position for the 2014-2015 planned results.

These assumptions were adopted as at January 24, 2014.

3. Variations and Changes to the Forecast Financial Information

While every attempt has been made to forecast final results for the remainder of 2013-2014 and for 2014-2015, actual results achieved for both years are likely to vary from the forecast information presented, and this variation could be material.

In preparing this financial statement, Canadian Heritage has made estimates and assumptions concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Factors that could lead to material differences between the future-oriented statement of operations and the historical financial statements include:

- (a) The timing and amounts of acquisitions and disposals of tangible capital assets may affect gains/losses and amortization expense.
- (b) Implementation of new collective agreements.
- (c) Economic conditions may affect both the amount of revenue earned and the collectability of accounts receivable.
- (d) Further changes to the operating budget through additional new initiatives or technical adjustments later in the year.

Once the Report on Plans and Priorities is presented, Canadian Heritage will not be updating the forecasts for any changes to appropriations of forecast financial information made in ensuing supplementary estimates.

Canadian Heritage
Notes to the Future-oriented Statement of Operations (*Unaudited*)
For the years ended March 31, 2014 and March 31, 2015

4. Summary of Significant Accounting Policies

This future-oriented statement of operations has been prepared using the Government's accounting policies in effect for the 2013-2014 fiscal year, which are based on Canadian public sector accounting standards. The presentation and results using the stated accounting policies do not result in any significant differences from Canadian public sector accounting standards.

Significant accounting policies are as follows:

a) Consolidation

This consolidated future-oriented statement includes the accounts of the following sub-entities that the Deputy Minister is accountable for: Canadian Conservation Institute and Canadian Heritage Information Network. The accounts of these sub-entities have been consolidated with those of Canadian Heritage, and all inter-organizational balances and transactions have been eliminated.

b) Expenses

Expenses are recorded on an accrual basis. Expenses for the Department operations are recorded when goods are received or services are rendered including services provided without charges for accommodation, employee contributions to health and dental insurance plans, legal services and worker's compensation which are recorded as expenses at their estimated cost. Vacation pay and compensatory leave as well as severance benefits are accrued and expenses are recorded as the benefits are earned by employees under their respective terms of employment.

Transfer payments are recorded as expenses when the recipient has met the eligibility criteria or fulfilled the terms of a contractual transfer agreement or, in the case of transactions which do not form part of an existing program, when the Government announces a decision to make a non-recurring transfer, provided the enabling legislation or authorization for payment receives parliamentary approval prior to the completion of the financial statement. Transfer payments that become repayable as a result of conditions specified in the contribution agreement that have come into being are recorded as a reduction to transfer payment expense and as a receivable.

Expenses also include provisions to reflect changes in the value of assets, including provisions for bad debt on accounts receivable, provision for valuation on loans, investments and advances and inventory obsolescence or liabilities, including contingent liabilities and environmental liabilities to the extent the future event is likely to occur and a reasonable estimate can be made.

Expenses also include amortization of tangible capital assets which are capitalized at their acquisition cost. Amortization of tangible capital assets is done on a straight-line basis over the estimated useful life of the asset.

c) Revenues

Revenues from sale of goods and services are recognized in the accounts based on the goods and services provided in the year.

Funds that have been received are recorded as deferred revenue, provided the Department has an obligation to other parties for the provision of goods, services or the use of assets in the future.

Canadian Heritage
Notes to the Future-oriented Statement of Operations (*Unaudited*)
For the years ended March 31, 2014 and March 31, 2015

Other revenues are accounted for in the period in which the underlying transaction or event that gave rise to the revenue takes place.

Revenues that are non-respendable are not available to discharge Canadian Heritage's liabilities. While the Deputy Minister is expected to maintain accounting control, she has no authority regarding the disposition of non-respendable revenues. As a result, non-respendable revenues are considered to be earned on behalf of the Government of Canada and are therefore presented in reduction of Canadian Heritage's gross revenues.

d) Employee future benefits

- Pension benefits: Eligible employees participate in the Public Service Pension Plan, a multiemployer pension plan administered by the Government. The Department of Canadian Heritage's contributions to the Plan are charged to expenses in the year incurred and represent the total departmental obligation to the Plan. Canadian Heritage's responsibility with regard to the Plan is limited to its contributions. Actuarial surpluses or deficiencies are recognized in the future-oriented financial statements of the Government of Canada, as the Plan's sponsor.
- Severance benefits: Employees entitled to severance benefits under labour contracts or conditions of employment earn these benefits as services necessary to earn them are rendered. The obligation relating to the benefits earned by employees is calculated using information derived from the results of the actuarially determined liability for employee severance benefits for the Government as a whole.

Canadian Heritage
Notes to the Future-oriented Statement of Operations (Unaudited)
For the years ended March 31, 2014 and March 31, 2015

5. Parliamentary authorities

The Department of Canadian Heritage is financed by the Government of Canada through Parliamentary authorities. Financial reporting of authorities provided to Canadian Heritage do not parallel financial reporting according to generally accepted accounting principles since authorities are primarily based on cash flow requirements. Consequently, items recognized in the Future-oriented Statement of Operations in one year may be funded through parliamentary authorities in prior, current, or future years. Accordingly, the Department has different net cost of operations for the year on a government funding basis than on an accrual accounting basis. The differences are reconciled in the following tables:

a) Reconciliation of net cost of operations to forecast authorities to be used

	Estimated Results 2014	Planned Results 2015
	<i>(in thousands of dollars)</i>	
Net cost of operations	1,358,164	1,405,455
Adjustment for items affecting net cost of operations but not affecting authorities:		
Amortization of tangible capital assets	(1,777)	(2,146)
Loss on disposal of tangible capital assets	(17)	-
Services provided without charge by other government departments	(27,952)	(24,909)
Decrease in vacation pay	265	197
Decrease in employee future benefits	4,793	201
Bad debt expense	(175)	-
Refund of prior years' expenditures	7,928	7,683
Outstanding spendable revenue	(60)	(70)
Total items affecting net cost of operations but not affecting authorities	(16,995)	(19,044)
Adjustment for items not affecting net cost of operations but affecting authorities:		
Acquisitions of tangible capital assets	861	3,639
Total items not affecting net cost of operations but affecting authorities	861	3,639
Forecast authorities to be used	1,342,030	1,390,050

Canadian Heritage
Notes to the Future-oriented Statement of Operations (Unaudited)
For the years ended March 31, 2014 and March 31, 2015

b) Authorities requested and forecast authorities to be used

	Estimated Results 2014	Planned Results 2015
	<i>(in thousands of dollars)</i>	
Authorities requested:		
Vote 1 - Operating expenditures (1)	189,814	178,338
Vote 5 - Grants and contributions	1,133,745	1,187,710
Statutory amounts	25,468	24,002
Less:		
Lapsed: Operating expenditures (2)	(5,997)	-
Lapsed: Grants and contributions (3)	(1,000)	-
Forecast authorities to be used	1,342,030	1,390,050

Forecast authorities requested for the year ending March 31, 2015 are the planned spending amounts presented in the 2014-2015 Report on Plans and Priorities. Estimated authorities requested for the year ending March 31, 2014 include amounts presented in the 2013-2014 Main Estimates and Supplementary Estimates (A) and (B), planned for presentations in Supplementary Estimates (C) and estimates of amounts to be allocated at year-end from Treasury Board central votes.

- (1) The Operating expenditures for 2014 include \$9.2 million (\$6.5 million in 2013) in salary requirements primarily associated with severance benefit payments.
- (2) The estimated lapse of \$6.0 million in Operating expenditures could be carried over (carry-forward) to 2014-2015.

6. Employee future benefits

(a) Pension benefits

Canadian Heritage's employees participate in the Public Service Pension Plan, which is sponsored and administered by the Government. Pension benefits accrue up to a maximum period of 35 years at a rate of 2 percent per year of pensionable service, times the average of the best five consecutive years of earnings. The benefits are integrated with Canada/Québec Pension Plans benefits and they are indexed to inflation.

The forecast expense amounts to \$23.3 million in 2013-2014 and \$21.9 million in 2014-2015, representing approximately 1.7 times the contributions by employees.

Canadian Heritage's responsibility with regard to the Plan is limited to its contributions. Actuarial surpluses or deficiencies are recognized in the financial statements of the Government of Canada, as the Plan's sponsor.

Canadian Heritage
Notes to the Future-oriented Statement of Operations (Unaudited)
For the years ended March 31, 2014 and March 31, 2015

(b) Severance benefits

Canadian Heritage provides severance benefits to its employees based on eligibility, years of service and salary at termination of employment. These severance benefits are not pre-funded. Benefits will be paid from future authorities.

As part of continuing collective agreement negotiations with certain employee groups, the accumulation of severance benefits under the employee severance pay program ceased for these employees in 2014. Employees subject to these changes have been given the option to be immediately paid the full or partial value of benefits earned to date or collect the full or remaining value of benefits on termination from the public service. Historically, 75% of employees subject to these changes have opted to be paid immediately in full. These changes have been reflected in the calculation of the outstanding severance benefit obligation.

Information about the severance benefits, estimated as at the date of these statements, is as follows:

	Estimated Results 2014	Planned Results 2015
	<i>(in thousands of dollars)</i>	
Accrued benefit obligation - Beginning of year	10,749	5,956
Expense for the year	8,198	10,772
Benefits paid during the year (1)	(12,991)	(10,973)
Accrued benefit obligation - End of year	5,956	5,755

(1) Expected benefits payments reflect existing and expected changes in collective agreements

Canadian Heritage
Notes to the Future-oriented Statement of Operations (Unaudited)
For the years ended March 31, 2014 and March 31, 2015

7. Related Party Transactions

Canadian Heritage is related as a result of common ownership to all government departments, agencies, and Crown corporations. Canadian Heritage enters into transactions with these entities in the normal course of business and on normal trade terms. In addition, Canadian Heritage has an agreement with Parks Canada for the provision of functional services related to the financial system. During the year, Canadian Heritage received common services which were obtained without charge from other government departments as disclosed below.

(a) Common services provided without charge by other government departments

During the year, Canadian Heritage received services without charge from certain common service organizations, related to accommodation, legal services, the employer's contribution to the health and dental insurance plans and workers' compensation coverage. These services provided without charge have been recorded in Canadian Heritage's Future-oriented Statement of Operations:

	Estimated Results 2014	Planned Results 2015
	<i>(in thousands of dollars)</i>	
Employer's contribution to the health and dental insurance plans	12,464	11,284
Accommodation	14,117	12,250
Legal services	1,348	1,353
Workers' compensation	23	22
Total	27,952	24,909

The Government has centralized some of its administrative activities for efficiency, cost-effectiveness purposes and economic delivery of programs to the public. As a result, the Government uses central agencies and common service organizations so that one department performs services for all other departments and agencies without charge. The costs of these services, such as the payroll and cheque issuance services provided by Public Works and Government Services Canada, are not included in Canadian Heritage's Future-oriented Statement of Operations.

(b) Other transactions with related parties

	Estimated Results 2014	Planned Results 2015
	<i>(in thousands of dollars)</i>	
Expenses – Other government departments and agencies	43,292	44,823
Revenues – Other government departments and agencies	1,182	1,216

Canadian Heritage
Notes to the Future-oriented Statement of Operations (Unaudited)
For the years ended March 31, 2014 and March 31, 2015

8. Segmented information

Presentation by segment is based on Canadian Heritage's program alignment architecture. The presentation by segment is based on the same accounting policies as described in the Summary of significant accounting policies in note 4. The following table presents the expenses incurred and revenues generated for the main programs, by major object of expenses and by major type of revenues. The segment results for the period are as follows:

<i>(in thousands of dollars)</i>	Official Languages	Cultural Industries	Sport	Arts	Engagement and Community Participation	Attachment to Canada	Heritage	Internal Services	Unallocated	Planned Results 2015	Estimated Results 2014
Transfer payments											
Non-profit organizations	87,886	157,922	336,684	97,381	31,648	34,533	15,549	-	-	761,603	716,897
Other levels of government within Canada	244,942	711	-	4,273	67	1,310	92	-	-	251,395	250,543
Industry	455	110,133	-	-	-	80	-	-	-	110,668	111,059
Individuals	-	2	44,032	-	-	1,412	-	-	-	45,446	38,134
Other countries and international organizations	549	9,952	1,429	-	-	5	-	-	-	11,935	11,726
Total transfer payments	333,832	278,720	382,145	101,654	31,715	37,340	15,641	-	-	1,181,047	1,128,359
Operating expenses											
Salaries and employee benefits	13,160	22,910	13,195	13,486	11,776	15,729	17,527	58,999	-	166,782	178,624
Professional services	2,207	2,641	549	824	835	1,665	3,087	12,398	-	24,206	21,790
Accommodation	1,046	1,084	282	415	405	2,593	1,991	4,434	-	12,250	14,119
Information	179	105	39	98	33	5,365	2,044	466	-	8,329	5,923
Utilities, materials and supplies	36	485	111	191	117	1,625	1,039	1,492	-	5,096	4,293
Travel and relocation	880	538	305	372	452	950	390	1,115	-	5,002	3,002
Rentals	231	112	50	48	103	577	929	889	-	2,939	3,627
Freight and communications	427	481	76	126	108	255	157	1,233	-	2,863	594
Amortization	7	8	4	-	18	5	1,581	523	-	2,146	1,777
Repairs and maintenance	256	158	41	64	32	38	596	716	-	1,901	2,157
Other operating expenses	177	55	10	17	21	205	57	490	-	1,032	923
Loss on disposal of capital assets	-	-	-	-	-	-	-	-	-	-	17
Total operating expenses	18,606	28,577	14,662	15,641	13,900	29,007	29,398	82,755	-	232,546	236,846
Total expenses	352,438	307,297	396,807	117,295	45,615	66,347	45,039	82,755	-	1,413,593	1,365,205
Revenues											
Revenue from the 1979 Federal-provincial Lottery agreement	-	-	-	-	-	-	-	-	70,907	70,907	69,790
Miscellaneous revenues	-	4,773	-	-	-	-	-	-	58	4,831	3,830
Sale of goods and services	-	-	-	-	-	-	1,492	1,873	-	3,365	3,269
Revenues earned on behalf of Government	-	-	-	-	-	-	-	-	(70,965)	(70,965)	(69,848)
Total revenues	-	4,773	-	-	-	-	1,492	1,873	-	8,138	7,041
Net cost of operations	352,438	302,524	396,807	117,295	45,615	66,347	43,547	80,882	-	1,405,455	1,358,164