
CANADIAN HERITAGE

Future-oriented Statement of Operations

For the years ending March 31, 2015 and March 31, 2016

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 9, 2015 and reflect the plans described in the Report on Plans and Priorities.

Original Signed by,

**Graham Flack
Deputy Minister**

February 6, 2015

Gatineau, Canada

**Andrew Francis
Chief Financial Officer**

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For the year ended March 31
(in thousands of dollars)

	Estimated Results 2015	Planned Results 2016
Expenses		
Official Languages	351,628	352,906
Cultural Industries	305,368	307,449
Sport	466,452	243,741
Arts	117,655	117,509
Engagement and Community Participation	49,288	47,973
Attachment to Canada	86,053	92,717
Heritage	44,774	33,411
Internal Services	84,999	81,047
Total expenses	1,506,217	1,276,753
Revenues		
Revenue from the 1979 Federal-provincial Lottery-agreement	71,309	72,521
Miscellaneous revenues	4,193	4,424
Sale of goods and services	3,761	3,756
Revenues earned on behalf of Government	(71,370)	(72,581)
Total revenues	7,893	8,120
Net cost of operations	1,498,324	1,268,633

Information for the year ending March 31, 2015 includes actual amounts from April 1, 2014 to November 30, 2014.

Segmented information (note 8)

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

Original Signed by,

Graham Flack
Deputy Minister

Andrew Francis
Chief Financial Officer

Gatineau, Canada
Date: February 6, 2015

Canadian Heritage
Notes to the Future-oriented Statement of Operations (*Unaudited*)
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1. Authority and Objectives

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

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

The Department of 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 caliber 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 objective 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.

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- **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 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 initiatives to support the efforts of Aboriginal Communities in the revitalization and preservation of their languages and cultures. 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.

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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) The Department of Canadian Heritage's activities will remain substantially the same as for the previous year.
- (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 2014-2015 is used as the opening position for the 2015-2016 planned results.

These assumptions were adopted as at January 16, 2015.

3. Variations and Changes to the Forecast Financial Information

While every attempt has been made to forecast final results for the remainder of 2014-2015 and for 2015-2016, 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, The Department of 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 or modified initiatives or technical adjustments later in the year.

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

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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 2014-2015 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 the Department of Canadian Heritage, and all inter-organizational balances and transactions have been eliminated.

b) Expenses

Expenses are recorded on an accrual basis:

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 future-oriented 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 a provision for bad debt on accounts receivable and amortization of tangible capital assets. Vacation pay is recorded as the benefits are earned by employees under their respective terms of employment.

Services provided without charge by other government departments for accommodation, employer contributions to the health and dental insurance plans, legal services and workers' compensation are recorded as operating expenses at their estimated cost.

c) Revenues

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

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 the Department of Canadian Heritage's liabilities. While the Deputy Minister is expected to maintain accounting control, he 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 the Department of Canadian Heritage's gross revenues.

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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. The Department of 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 statement 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.

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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 2015	Planned Results 2016
	<i>(in thousands of dollars)</i>	
Net cost of operations	1,498,324	1,268,633
Adjustment for items affecting net cost of operations but not affecting authorities:		
Amortization of tangible capital assets	(1,845)	(2,254)
Loss on disposal of tangible capital assets	(2)	-
Services provided without charge by other government departments	(27,067)	(23,150)
Decrease in vacation pay	153	215
Decrease in employee future benefits	1,169	236
Bad debt expense	(231)	(482)
Refund of prior years' expenditures	6,621	6,834
Outstanding spendable revenue	65	67
Total items affecting net cost of operations but not affecting authorities	(21,137)	(18,534)
Adjustment for items not affecting net cost of operations but affecting authorities:		
Acquisitions of tangible capital assets	3,238	3,256
Total items not affecting net cost of operations but affecting authorities	3,238	3,256
Forecast authorities to be used	1,480,425	1,253,355

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b) Authorities requested and forecast authorities to be used

	Estimated Results 2015	Planned Results 2016
	<i>(in thousands of dollars)</i>	
Authorities requested:		
Vote 1 - Operating expenditures (1)	193,736	173,740
Vote 5 - Grants and contributions	1,273,013	1,054,939
Statutory amounts	24,824	24,676
Less:		
Lapsed: Operating expenditures (2)	(5,045)	-
Lapsed: Grants and contributions (3)	(6,103)	-
Forecast authorities to be used	1,480,425	1,253,355

Forecast authorities requested for the year ending March 31, 2016 are the planned spending amounts presented in the 2015-2016 Report on Plans and Priorities. Estimated authorities requested for the year ending March 31, 2015 include amounts presented in the 2014-2015 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 2015 include \$9.4 million (\$9.2 million in 2014) in salary requirements primarily associated with severance benefit payments and one-time transition payments.
- (2) The estimated lapse of \$5 million in Operating expenditures includes an amount of \$2 million of frozen allotments (funds withheld by the Treasury Board which cannot be spent by Canadian Heritage).
- (3) From the estimated lapse in Grants and Contributions, \$4 million related to the Attachment to Canada program has been approved to be reprofiled to 2015-2016.

6. Employee future benefits

(a) Pension benefits

The Department of 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.

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Both the employees and the Department contribute to the cost of the Public Service Pension Plan. Due to the amendment of the Public Service Superannuation Act following the implementation of provisions related to EAP 2012, employee contributors have been divided into two groups – Group 1 relates to existing plan members as of December 31, 2012 and Group 2 relates to members joining the Plan as of January 1, 2013. Each group has a distinct contribution rate.

The 2014-2015 forecast expense amounts to \$22.7 million and the 2015-2016 forecast expense amounts to \$22.6 million. For Group 1 members, the expense represents approximately 1.6 times the employee contributions and, for Group 2 members, approximately 1.5 times the employee contributions.

The Department of 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.

(b) Severance benefits

The Department of 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.

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

	Estimated Results 2015	Planned Results 2016
	<i>(in thousands of dollars)</i>	
Accrued benefit obligation - Beginning of year	8,222	7,053
Expense for the year	413	1,346
Benefits paid during the year	(1,582)	(1,582)
Accrued benefit obligation - End of year	7,053	6,817

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7. Related Party Transactions

The Department of Canadian Heritage is related as a result of common ownership to all government departments, agencies, and Crown corporations. The Department of Canadian Heritage enters into transactions with these entities in the normal course of business and on normal trade terms. In addition, the Department of Canadian Heritage has an agreement with Parks Canada for the provision of functional services related to the financial system. During the year, the Department of 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, the Department of 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 the Department of Canadian Heritage's Statement of Operations and Departmental Net Financial Position as follows:

	Estimated Results 2015	Planned Results 2016
	<i>(in thousands of dollars)</i>	
Employer's contribution to the health and dental insurance plans	12,752	11,960
Accommodation	13,376	10,248
Legal services	919	923
Workers' compensation	20	19
Total	27,067	23,150

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 the Department of Canadian Heritage's Statement of Operations.

(b) Other transactions with related parties

	Estimated Results 2015	Planned Results 2016
	<i>(in thousands of dollars)</i>	
Expenses – Other government departments and agencies	39,369	33,371
Revenues – Other government departments and agencies	1,767	1,799

Expenses and revenues disclosed in (b) exclude common services provide without charge, which are already disclosed in (a).

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8. Segmented information

Presentation by segment is based on the Department of 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 2016	Estimated Results 2015
Transfer payments											
Non-profit organizations	87,949	157,754	206,180	98,599	34,952	48,672	15,545	-	-	649,651	843,078
Other levels of government within Canada	246,011	642	-	2,830	94	2,149	95	-	-	251,821	250,029
Industry	469	110,397	-	10	-	539	-	-	-	111,415	109,830
Individuals	-	-	22,671	-	-	1,723	-	-	-	24,394	46,155
Other countries and international organizations	871	10,270	620	-	-	5	-	-	-	11,766	12,212
Total transfer payments	335,300	279,063	229,471	101,439	35,046	53,088	15,640	-	-	1,049,047	1,261,304
Operating expenses											
Salaries and employee benefits	14,740	24,181	12,513	13,638	10,859	17,827	13,178	62,785	-	169,721	178,685
Professional services	1,113	2,135	654	999	886	6,835	721	9,941	-	23,284	22,964
Accommodation	505	754	294	444	377	4,053	537	3,284	-	10,248	13,376
Information	66	50	26	89	42	5,814	819	577	-	7,483	8,910
Utilities, materials and supplies	277	315	131	214	137	2,755	196	784	-	4,809	8,380
Travel and relocation	341	400	299	367	343	773	106	1,021	-	3,650	2,627
Rentals	178	150	87	95	128	1,060	277	706	-	2,681	4,096
Freight and communications	113	192	54	106	75	271	26	567	-	1,404	366
Amortization	7	8	14	-	20	32	1,711	462	-	2,254	1,845
Repairs and maintenance	51	40	24	46	19	81	175	521	-	957	1,985
Other operating expenses	215	161	174	72	41	128	25	399	-	1,215	1,677
Loss on disposal of capital assets	-	-	-	-	-	-	-	-	-	-	2
Total operating expenses	17,606	28,386	14,270	16,070	12,927	39,629	17,771	81,047	-	227,706	244,913
Total expenses	352,906	307,449	243,741	117,509	47,973	92,717	33,411	81,047	-	1,276,753	1,506,217
Revenues											
Revenue from the 1979 Federal-provincial Lottery agreement	-	-	-	-	-	-	-	-	72,521	72,521	71,309
Miscellaneous revenues	-	4,364	-	-	-	-	-	-	60	4,424	4,193
Sale of goods and services	-	-	-	-	-	-	2,039	1,717	-	3,756	3,761
Revenues earned on behalf of Government	-	-	-	-	-	-	-	-	(72,581)	(72,581)	(71,370)
Total revenues	-	4,364	-	-	-	-	2,039	1,717	-	8,120	7,893
Net cost of operations	352,906	303,085	243,741	117,509	47,973	92,717	31,372	79,330	-	1,268,633	1,498,324