
CANADIAN HERITAGE

Financial Statements

March 31, 2009

Canadian Heritage

Statement of Management Responsibility

Responsibility for the integrity and objectivity of the accompanying financial statements for the year ended March 31, 2009 and all information contained in these statements rests with the management of Canadian Heritage. These financial statements have been prepared by management in accordance with Treasury Board accounting policies, which are consistent with Canadian generally accepted accounting principles for the public sector.

Management is responsible for the integrity and objectivity of the information in these financial statements. Some of the information in the financial statements is based on management's best estimates and judgment and gives due consideration to materiality. To fulfill its accounting and reporting responsibilities, management maintains a set of accounts that provides a centralized record of Canadian Heritage's financial transactions. Financial information submitted to the *Public Accounts of Canada* and included in Canadian Heritage's *Departmental Performance Report* is consistent with these financial statements.

Management maintains a system of financial management and internal control designed to provide reasonable assurance that financial information is reliable, that assets are safeguarded and that transactions are in accordance with the *Financial Administration Act*, are executed in accordance with prescribed regulations, within Parliamentary authorities, and are properly recorded to maintain accountability of Government funds. Management also seeks to ensure the objectivity and integrity of data in its financial statements by careful selection, training and development of qualified staff, by organizational arrangements that provide appropriate divisions of responsibility, and by communication programs aimed at ensuring that regulations, policies, standards and managerial authorities are understood throughout Canadian Heritage.

The Departmental Audit Committee, made up of external members, provides the Deputy Minister with independent, objective advice and guidance on the adequacy of the department's risk management, control, and accountability processes. The committee exercises oversight over the core areas of departmental control and accountability within its mandate.

The financial statements of Canadian Heritage have not been audited.

Original signed by Judith A. LaRocque on August 6, 2009

Original signed by Robert Hertzog on August 6, 2009

Judith A. LaRocque

Robert Hertzog

Deputy Minister

A/Chief Financial Officer

Gatineau, Canada

Date

Canadian Heritage
Statement of Financial Position
(unaudited)
as at March 31

<i>(in thousands of dollars)</i>	2009	2008
ASSETS		
Financial assets		
Accounts receivable and advances (Note 4)	2,191	12,502
Investment in Canadian Broadcasting Corporation	33,000	33,000
Total financial assets	<u>35,191</u>	<u>45,502</u>
Non-financial assets		
Prepaid expenses	1,690	357
Inventory	2,512	2,944
Tangible capital assets (Note 5)	15,618	16,674
Total non-financial assets	<u>19,820</u>	<u>19,975</u>
TOTAL ASSETS	<u>55,011</u>	<u>65,477</u>
LIABILITIES AND EQUITY OF CANADA		
Liabilities		
Accounts payable and accrued liabilities (Note 6)	576,546	530,080
Vacation pay	8,372	8,774
Employee future benefits (Note 7)	44,595	34,669
Other liabilities	659	653
Total liabilities	<u>630,172</u>	<u>574,176</u>
Equity of Canada	<u>(575,161)</u>	<u>(508,699)</u>
TOTAL LIABILITIES AND EQUITY OF CANADA	<u>55,011</u>	<u>65,477</u>

Contingent liabilities (Note 8)
Contractual obligations (Note 9)

The accompanying notes form an integral part of these financial statements.

Canadian Heritage
Statement of Operations
(unaudited)
for the year ended March 31

<i>(in thousands of dollars)</i>	2009	2008
Expenses (Note 10)		
Creation of Canadian Content and Performance Excellence	355,414	344,394
Participation in Community and Civic Life	271,714	211,822
Community Development and Capacity-Building	248,684	249,920
Access to Canada's Culture	189,465	175,179
Sustainability of Cultural Expression and Participation	177,671	252,965
Promotion of Inter-Cultural Understanding	136,432	137,841
Preservation of Canada's Heritage	49,840	45,748
Total expenses	<u>1,429,220</u>	<u>1,417,869</u>
Revenues		
Revenue from the 1979 Federal-provincial Lottery-agreement	65,147	63,808
Sale of goods and services	4,199	5,122
Miscellaneous revenues	119	80
Total revenues	<u>69,465</u>	<u>69,010</u>
Net Cost of Operations	<u><u>1,359,755</u></u>	<u><u>1,348,859</u></u>

The accompanying notes form an integral part of these financial statements.

Canadian Heritage
Statement of Equity of Canada
(unaudited)
for the year ended March 31

<i>(in thousands of dollars)</i>	2009	2008
Equity of Canada, beginning of year	(508,699)	(560,529)
Net cost of operations	(1,359,755)	(1,348,859)
Current year appropriations used (Note 3)	1,393,891	1,391,565
Revenue not available for spending (Note 3)	(65,227)	(63,876)
Change in net position in the Consolidated Revenue Fund (Note 3)	(66,738)	44,535
Services received without charge from other federal government departments (Note 11)	31,367	28,465
Equity of Canada, end of year	(575,161)	(508,699)

The accompanying notes form an integral part of these financial statements.

Canadian Heritage
Statement of Cash Flow
(unaudited)
for the year ended March 31

<i>(in thousands of dollars)</i>	2009	2008
Operating activities		
Net cost of operations	1,359,755	1,348,859
Non-cash items		
Amortization of tangible capital assets	(2,644)	(2,064)
Net loss on disposal of tangible capital assets	(498)	(84)
Services received without charge from other federal government departments (Note 11)	(31,367)	(28,465)
Variations in Statement of Financial Position		
Increase (decrease) in accounts receivable and advances	(10,311)	6,734
Increase (decrease) in prepaid expenses	1,333	(1,141)
Increase (decrease) in inventory	(432)	940
Decrease (increase) in liabilities	(55,996)	45,585
Cash used by operating activities	<u>1,259,840</u>	<u>1,370,364</u>
Capital investment activities		
Acquisition of tangible capital assets	2,274	1,860
Proceeds from disposal of tangible capital assets	(188)	
Cash used by capital investment activities	<u>2,086</u>	<u>1,860</u>
Financing activities		
Net cash provided by Government of Canada	<u>(1,261,926)</u>	<u>(1,372,224)</u>

The accompanying notes form an integral part of these financial statements.

Canadian Heritage
Notes to the Financial Statements
(unaudited)
for the year ended March 31, 2009

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 seeks to contribute to a cohesive and creative Canada in which all Canadians have opportunities to participate in Canada's cultural and civic life. The two strategic outcomes of the Department are:

- Canadians express and share their diverse cultural experiences with each other and the world; and
- Canada is an inclusive society built on inter-cultural understanding and citizen participation.

These strategic outcomes help give shape to policies, programs and services offered to Canadians related to broadcasting, cultural industries, arts, heritage, official languages, Aboriginal cultures and languages, Canadian identity, citizens' participation, youth, multiculturalism and sport. Expenses of these programs are reported in the Statement of Operations through the following seven program activities:

- Creation of Canadian Content and Performance Excellence
- Participation in Community and Civic Life
- Community Development and Capacity-Building
- Access to Canada's Culture
- Sustainability of Cultural Expression and Participation
- Promotion of Inter-Cultural Understanding
- Preservation of Canada's Heritage

2. Summary of Significant Accounting Policies

These financial statements have been prepared in accordance with Treasury Board accounting policies, which are consistent with Canadian generally accepted accounting principles for the public sector.

Significant accounting policies are as follows:

a) Parliamentary appropriations

The Department of Canadian Heritage is financed by the Government of Canada through Parliamentary appropriations. Appropriations provided to the Department do not parallel financial reporting according to generally accepted accounting principles since appropriations are primarily based on cash flow requirements. Consequently, items recognized in the Statement of Operations and the Statement of Financial Position are not necessarily the same as those provided through appropriations from Parliament. Note 3 provides a high-level reconciliation between the two bases of reporting.

Canadian Heritage
Notes to the Financial Statements
(unaudited)
for the year ended March 31, 2009

b) Consolidation

These financial statements include the accounts of the following sub-entities of the department: Canadian Conservation Institute and Canadian Heritage Information Network. The accounts of these sub-entities have been consolidated with those of the department and all inter-organizational balances and transactions have been eliminated.

c) Net Cash Provided by Government of Canada

The Department of Canadian Heritage operates within the Consolidated Revenue Fund (CRF), which is administered by the Receiver General for Canada. All cash received by the Department is deposited to the CRF and all cash disbursements made by the Department are paid from the CRF. The net cash provided by Government is the difference between all cash receipts and all cash disbursements including transactions between departments of the federal government.

d) Change in net position in the Consolidated Revenue Fund

Change in net position in the Consolidated Revenue Fund is the difference between the net cash provided by Government and appropriations used in a year, excluding the amount of non-respendable revenue recorded by the Department of Canadian Heritage. It results from timing differences between when a transaction affects appropriations and when it is processed through the CRF.

e) Accounts receivable

Accounts receivable are stated at amounts expected to be ultimately realized; a provision is made for receivables where recovery is considered uncertain.

f) Investment in Canadian Broadcasting Corporation

The Department's investment in Canadian Broadcasting Corporation is recorded at cost. The net results of this Crown Corporation are not accounted for in the departmental financial statements, as the Department is not deemed to control this Crown Corporation.

g) Inventory

Inventory consists of material and supplies held for future program delivery and not intended for re-sale. They are valued at cost. If they no longer have service potential, they are valued at the lower of cost or net realizable value.

h) Tangible capital assets

All tangible capital assets and leasehold improvements having an initial cost of \$10,000 or more are recorded at their acquisition cost.

Canadian Heritage
Notes to the Financial Statements
(unaudited)
for the year ended March 31, 2009

Amortization of tangible capital assets is done on a straight-line basis over the estimated useful life of the asset as follows:

Asset class	Amortization period
Machinery and equipment	5 and 10 years
Informatics hardware	5 years
Informatics software	3 and 5 years
Motor vehicles	7, 10 and 15 years
Leasehold improvements	Lesser of the remaining term of the lease or useful life of the improvement
Assets under construction	Once in service, in accordance with asset type

i) Employee future benefits

- Pension benefits: Eligible employees participate in the Public Service Pension Plan administered by the Government of Canada. 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. Current legislation does not require the Department to make contributions for any actuarial deficiencies of the Plan.
- Severance benefits: Employees are entitled to severance benefits, as provided for under labour contracts or conditions of employment. These benefits are accrued as employees render the services necessary to earn them. 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.

j) Contingent liabilities

Contingent liabilities are potential liabilities, which may become actual liabilities when one or more future events occur or fail to occur. To the extent that the future event is likely to occur or fail to occur, and a reasonable estimate of the loss can be made, an estimated liability is accrued and an expense recorded. If the likelihood is not determinable or an amount cannot be reasonably estimated, the contingency is disclosed in the notes to the financial statements.

k) Revenues

- Revenues are recognized in the year in which the underlying transaction or event occurred that gave rise to the revenues.

Canadian Heritage
Notes to the Financial Statements
(unaudited)
for the year ended March 31, 2009

l) Expenses

Expenses are recorded on an accrual basis:

- Grants are recognized in the year in which the conditions for payment are met. In the case of grants which do not form part of an existing program, the expense is recognized 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 statements;
- Contributions are recognized in the year in which the recipient has met the eligibility criteria or fulfilled the terms of a contractual transfer agreement;
- Vacation pay is expensed as the benefits accrue to employees under their respective terms of employment;
- Services provided without charge from other federal government departments for accommodation, the employer's contribution to the health and dental insurance plans and legal services are recorded as operating expenses at their estimated cost.

m) Foreign currency transactions

Transactions involving foreign currencies are translated into Canadian dollar equivalents using rates of exchange in effect at the time of those transactions. Monetary assets and liabilities denominated in a foreign currency are translated into Canadian dollars using the rate of exchange in effect on March 31. Gains and losses resulting from the foreign currency transactions are presented under miscellaneous revenues and other operating expenses in the Statement of Operations and note 10 respectively.

n) Measurement uncertainty

The preparation of these financial statements in accordance with Treasury Board accounting policies, which are consistent with Canadian generally accepted accounting principles for the public sector, requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses reported in the financial statements. At the time of preparation of these statements, management believes the estimates and assumptions to be reasonable. The most significant items where estimates are used are contingent liabilities, the liability for employee future benefits and the useful life of tangible capital assets. Actual results could significantly differ from those estimated. Management's estimates are reviewed periodically and, as adjustments become necessary, they are recorded in the financial statements in the year they become known.

Canadian Heritage
Notes to the Financial Statements
(unaudited)
for the year ended March 31, 2009

3. Parliamentary Appropriations

The Department of Canadian Heritage receives most of its funding through annual Parliamentary appropriations. Items recognized in the Statement of Operations and the Statement of Financial Position in one year may be funded through Parliamentary appropriations in prior, current or future years. Accordingly, the Department has different net results 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 current year appropriations used:

<i>(in thousands of dollars)</i>	2009	2008
Net cost of operations	1,359,755	1,348,859
Adjustments for items affecting net cost of operations but not affecting appropriations		
Add (less):		
Revenue not available for spending	65,227	63,876
Refund of prior year expenses	11,676	12,617
Vacation pay	402	(51)
Disposal of non-capital assets	19	13
Adjustments to tangible capital assets		32
Services received without charge from other federal government departments	(31,367)	(28,465)
Employee future benefits	(9,926)	(4,185)
Amortization of tangible capital assets	(2,644)	(2,064)
Bad debt	(1,731)	(323)
Net loss on disposal of tangible capital assets	(498)	(84)
Outstanding respendable revenue	(197)	(199)
Advances		(120)
	<u>1,390,716</u>	<u>1,389,906</u>
Adjustments for items not affecting net cost of operations but affecting appropriations		
Add (less):		
Acquisitions of tangible capital assets	2,274	1,860
Prepaid expenses	1,333	(1,141)
Inventory	(432)	940
	<u>3,175</u>	<u>1,659</u>
Current year appropriations used	<u>1,393,891</u>	<u>1,391,565</u>

Canadian Heritage
Notes to the Financial Statements
(unaudited)
for the year ended March 31, 2009

b) Appropriations provided and used:

<i>(in thousands of dollars)</i>	Appropriations provided	
	2009	2008
Vote 1 – Operating expenditures	290,176	272,469
Vote 5 – Grants and contributions	1,143,840	1,156,583
Statutory amounts	30,274	28,525
Less:		
Appropriations available for the future years	(143)	
Lapsed appropriations (1)	(70,256)	(66,012)
Current year appropriations used	1,393,891	1,391,565

(1) The lapsed appropriations amount of \$70.256 million includes an amount of \$35.434 million that has been approved by Treasury Board Secretariat (TBS) to be carried over to 2009-2010. It also includes an amount of \$12.692 million that has been submitted for consideration to TBS late in the fiscal year to be carried over to 2009-2010.

c) Reconciliation of net cash provided by Government of Canada to current year appropriations used:

<i>(in thousands of dollars)</i>	2009	2008
Net cash provided by Government of Canada	1,261,926	1,372,224
Revenue not available for spending	65,227	63,876
Change in net position in the Consolidated Revenue Fund		
Decrease (increase) in accounts receivable and advances	10,311	(6,734)
Increase (decrease) in liabilities	55,996	(45,585)
Other adjustments	431	7,784
	<u>66,738</u>	<u>(44,535)</u>
Current year appropriations used	1,393,891	1,391,565

Canadian Heritage
Notes to the Financial Statements
(unaudited)
for the year ended March 31, 2009

4. Accounts Receivable and Advances

The following table presents details of accounts receivable and advances:

<i>(in thousands of dollars)</i>	2009	2008
Accounts receivable from external parties	2,464	10,740
Accounts receivable from other federal government departments and agencies	1,514	2,831
Employee advances	19	23
	<u>3,997</u>	<u>13,594</u>
Less: allowance for doubtful accounts on receivables from external parties	(1,806)	(1,092)
Total	<u>2,191</u>	<u>12,502</u>

5. Tangible Capital Assets

(in thousands of dollars)

Capital asset Class	Cost					Accumulated amortization					2009 Net book value	2008 Net book value
	Opening balance	Acquisitions	Disposals and write-offs	Transfers	Closing balance	Opening balance	Amortization	Disposals and write-offs	Transfers	Closing balance		
Machinery and equipment	8,001	467	2,978		5,490	4,897	525	2,917		2,505	2,985	3,104
Informatics hardware	7,989	717	5,002	(237)	3,467	6,154	606	4,891	(86)	1,783	1,684	1,835
Informatics software	3,753	744		291	4,788	3,171	328		86	3,585	1,203	582
Motor vehicles	2,143	51	1,971		223	1,465	75	1,457		83	140	678
Leasehold improvements	11,871	295			12,166	1,450	1,110			2,560	9,606	10,421
Assets under construction	54			(54)								54
Total	33,811	2,274	9,951		26,134	17,137	2,644	9,265		10,516	15,618	16,674

Amortization expense for the year ended March 31, 2009 is \$2.644 million (2008 is \$2.064 million).

Canadian Heritage
Notes to the Financial Statements
(unaudited)
for the year ended March 31, 2009

6. Accounts Payable and Accrued Liabilities

<i>(in thousands of dollars)</i>	2009	2008
Payables to external parties	567,264	516,344
Payables to other federal government departments and agencies	3,463	8,926
Accrued salaries, wages and employee benefits	5,817	4,796
Sales tax payable	2	14
Total	576,546	530,080

7. Employee Future Benefits

(a) Pension benefits: The Department's employees participate in the Public Service Pension Plan, which is sponsored and administered by the Government of Canada. 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.

Both the employees and the Department contribute to the cost of the Plan. The 2009 expense amounts to \$27.877 million (\$26.353 million in 2008), which represents approximately 2.0 times (2.1 times in 2008) the contributions by employees.

The Department'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 provides severance benefits to its employees based on eligibility, years of service and final salary. These severance benefits are not pre-funded. Benefits will be paid from future appropriations. Information about the severance benefits, measured as at March 31, is as follows:

<i>(in thousands of dollars)</i>	2009	2008
Accrued benefit obligation, beginning of year	34,669	30,484
Expenses for the year	12,158	6,689
Benefits paid during the year	(2,232)	(2,504)
Accrued benefit obligation, end of year	44,595	34,669

8. Contingent Liabilities

Claims have been made against the Department in the normal course of operation. However, legal proceedings for claims are not determinable as of March 31, 2009. Some of these potential liabilities may become actual liabilities when one or more future events occur or fail to occur.

Canadian Heritage
Notes to the Financial Statements
(unaudited)
for the year ended March 31, 2009

9. Contractual Obligations

The nature of the Department's activities can result in some large multi-year contracts and obligations whereby the Department will be obligated to make future payments. Significant contractual obligations that can be reasonably estimated are summarized as follows:

<i>(in thousands of dollars)</i>	2010	2011	2012	2013 and thereafter	Total
Transfer payments	147,067	9,063	913		157,043
Operating	13,724	4,505			18,229
	<u>160,791</u>	<u>13,568</u>	<u>913</u>		<u>175,272</u>

10. Expenses

The following table presents details of expenses by category:

<i>(in thousands of dollars)</i>	2009	2008
Transfer payments		
Non-profit organizations	653,267	661,864
Other levels of government within Canada	303,262	310,925
Industry	99,332	100,695
Individuals	30,497	26,826
Other countries and international organizations	5,751	7,444
Total transfer payments	<u>1,092,109</u>	<u>1,107,754</u>
Salaries and employee benefits	232,667	201,189
Professional services	44,147	38,471
Accommodation	15,004	16,272
Utilities, materials and supplies	10,341	10,004
Travel and relocation	9,481	9,569
Information	9,137	10,455
Freight and communications	5,300	5,016
Rentals	2,739	1,965
Amortization	2,644	2,064
Repairs and maintenance	1,837	1,968
Loss on disposal of capital assets	515	84
Other operating expenses	<u>3,299</u>	<u>13,058</u>
Total operating expenses	<u>337,111</u>	<u>310,115</u>
Total Expenses	<u>1,429,220</u>	<u>1,417,869</u>

Canadian Heritage
Notes to the Financial Statements
(unaudited)
for the year ended March 31, 2009

11. Related party transactions

The Department is related as a result of common ownership to all Government of Canada departments, agencies and crown corporations. The Department enters into transactions with these entities in the normal course of business and on normal trade terms. Also, during the year, the Department received services which were obtained without charge from other federal government departments.

Services provided without charge from other federal government departments:

During the year the Department received without charge from other departments, accommodation, legal fees and the employer's contribution to the health and dental insurance plans. These services without charge have been recognized in the Department's Statement of Operations as follows:

<i>(in thousands of dollars)</i>	2009	2008
Accommodation	15,004	16,272
Employer's contribution to the health and dental insurance plans	15,251	10,809
Legal services	1,112	1,384
Total	31,367	28,465

The Government has structured some of its administrative activities for efficiency and cost-effectiveness purposes so that one department performs these on behalf of all without charge. The cost of these services, which include payroll and cheque issuance services provided by Public Works and Government Services Canada, are not included as an expense in the Department's Statement of Operations.

12. Transfer to an other government department

On October 30, 2008, the Department of Canadian Heritage transferred responsibility for the Multiculturalism program to Citizenship and Immigration in accordance with Order in Council (P.C. 2008-1732), including stewardship responsibility for the liabilities related to the program. The Department will transfer the budgets and liabilities for the program in the fiscal year ending March 31, 2010. During the fiscal year ending March 31, 2009, the Department of Canadian Heritage incurred expenses of \$9.684 million on behalf of Citizenship and Immigration, which are reflected in its Statement of Operations.

13. Comparative information

Comparative figures have been reclassified to conform to the current year's presentation.