
CANADIAN HERITAGE

Future-oriented financial statements

For the years ending March 31, 2013 and March 31, 2014

Canadian Heritage

Statement of Management Responsibility

Departmental management is responsible for these future-oriented financial statements, including responsibility for the appropriateness of the assumptions on which these statements are prepared. These statements are based on the best information available and assumptions adopted as at January 24, 2013 and reflect the plans described in the Report on Plans and Priorities.

Original Signed by,

**Daniel Jean
Deputy Minister**

February 12, 2013

Gatineau, Canada

**Robert Hertzog
Chief Financial Officer**

Canadian Heritage
Future-oriented Statement of Financial Position
(Unaudited)
As at March 31
(in thousands of dollars)

	Estimated Results 2013	Planned Results 2014
Liabilities		
Accounts payable and accrued liabilities (note 6)	362,868	340,349
Vacation pay	6,595	5,339
Employee future benefits (note 7)	6,464	3,621
Other liabilities	624	615
Total net liabilities	376,551	349,924
Financial assets		
Due from the Consolidated Revenue Fund	362,425	339,975
Accounts receivable and advances (note 8)	3,386	3,268
Total gross financial assets	365,811	343,243
Financial assets held on behalf of Government		
Accounts receivable and advances (note 8 and note 16)	(43)	(43)
Total financial assets held on behalf of Government	(43)	(43)
Total net financial assets	365,768	343,200
Departmental net debt	10,783	6,724
Non-financial assets		
Prepaid expenses	1,807	1,807
Inventory (note 9)	2,568	2,581
Tangible capital assets (note 10)	7,339	6,190
Total non-financial assets	11,714	10,578
Departmental net financial position	931	3,854

Information for the year ending March 31, 2013 includes actual amounts from April 1, 2012 to November 30, 2012.

Contractual obligations (note 11)
Contingent liabilities (note 12)

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

Original Signed by,
Daniel Jean
Deputy Minister

Robert Hertzog
Chief Financial Officer

Gatineau, Canada
Date February 12, 2012

Canadian Heritage
Future-oriented Statement of Operations and Departmental Net Financial Position
(Unaudited)
For the year ended March 31
(in thousands of dollars)

	Estimated Results 2013	Planned Results 2014
Expenses		
Official Languages	348,370	348,417
Cultural Industries	311,302	303,266
Sport	226,970	331,789
Arts	123,430	117,841
Engagement and Community Participation	47,994	46,473
Attachment to Canada	93,039	58,445
Heritage	44,472	45,130
Internal Services	86,765	87,643
Total expenses	1,282,342	1,339,004
Revenues		
Revenue from the 1979 Federal-provincial Lottery-agreement	69,180	70,218
Miscellaneous revenues	4,015	3,837
Sale of goods and services	2,789	2,747
Revenues earned on behalf of Government (note 16)	(69,239)	(70,276)
Total revenues	6,745	6,526
Net cost of operations before government funding and transfers	1,275,597	1,332,478
Government funding and transfers		
Net cash provided by Government of Canada	1,282,030	1,332,396
Reduction in due from the Consolidated Revenue Fund	(29,458)	(22,450)
Services provided without charge by other government departments (note 13)	30,970	25,455
Transfer of assets and liabilities to other government department (note 14)	3,901	-
Net cost of operations after government funding and transfers	(11,846)	(2,923)
Departmental net financial position - Beginning of year	(10,915)	931
Departmental net financial position - End of year	931	3,854

Information for the year ending March 31, 2013 includes actual amounts from April 1, 2012 to November 30, 2012.

Segmented information (note 15)

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

Canadian Heritage
Future-oriented Statement of Change in Departmental Net Debt (Unaudited)
For the year ended March 31
(in thousands of dollars)

	Estimated Results 2013	Planned Results 2014
Net cost of operations after government funding and transfers	(11,846)	(2,923)
Change due to tangible capital assets		
Acquisition of tangible capital assets	50	450
Amortization of tangible capital assets	(1,635)	(1,599)
Net gain (loss) on disposal of tangible capital assets including adjustments	(11)	-
Total change due to tangible capital assets	(1,596)	(1,149)
Change due to inventories	(826)	13
Change due to prepaid expenses	70	-
Net increase (decrease) in departmental net debt	(14,198)	(4,059)
Departmental net debt - Beginning of year	24,981	10,783
Departmental net debt - End of year	10,783	6,724

Information for the year ending March 31, 2013 includes actual amounts from April 1, 2012 to November 30, 2012.

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

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

	Estimated Results 2013	Planned Results 2014
Operating activities		
Net cost of operations before government funding and transfers	1,275,597	1,332,478
Non-cash items:		
Amortization of tangible capital assets	(1,635)	(1,599)
Loss on disposal of tangible capital assets	(11)	-
Services provided without charge by other government departments (note 13)	(30,970)	(25,455)
Variations in Statement of Financial Position:		
Increase (decrease) in accounts receivable and advances	730	(118)
Increase (decrease) in prepaid expenses	70	-
Increase (decrease) in inventory	(826)	13
Decrease (increase) in accounts payable and accrued liabilities	32,612	22,519
Decrease (increase) in vacation pay	35	1,256
Decrease (increase) in employee future benefits	10,283	2,843
Decrease (increase) in other liabilities	(4)	9
Transfer of liabilities to other government department (note 14)	(4,162)	-
Transfer of assets to other government department (note 14)	261	-
Cash used in operating activities	1,281,980	1,331,946
Capital investing activities		
Acquisition of tangible capital assets	50	450
Cash used in capital investing activities	50	450
Net cash provided by Government of Canada	1,282,030	1,332,396

Information for the year ending March 31, 2013 includes actual amounts from April 1, 2012 to November 30, 2012.

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

Canadian Heritage
Notes to the Future-oriented Financial Statements (Unaudited)
For the years ended March 31, 2013 and March 31, 2014

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 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 activity 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 is 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 *Official Languages Act (OLA)*. Canadian Heritage is also responsible for the horizontal coordination of official languages within the federal government and notably plays a coordination and support role among federal institutions in the implementation of the government's commitment towards the development of official-language minority communities and promotion of linguistic duality, pursuant to section 42 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.

2. Methodology and Significant Assumptions

The future-oriented financial statements have 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.
- (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 2012-2013 is used as the opening position for the 2013-2014 planned results.

These assumptions were adopted as at January 24, 2013.

3. Variations and Changes to the Forecast Financial Information

While every attempt has been made to forecast final results for the remainder of 2012-2013 and for 2013-2014, actual results achieved for both years are likely to vary from the forecast information presented, and this variation could be material.

In preparing these future-oriented financial statements, 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 financial statements and the historical financial statements include:

- (e) The timing and amounts of acquisitions and disposals of tangible capital assets may affect gains/losses and amortization expense.
- (f) Implementation of new collective agreements.
- (g) Economic conditions may affect both the amount of revenue earned and the collectability of accounts receivable.
- (h) Further changes to the operating budget through additional new initiatives such as Budget 2012 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.

4. Summary of Significant Accounting Policies

These future-oriented financial statements have been prepared using the Government's accounting policies in effect for the 2012-2013 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) 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 and Departmental Net Financial Position and in the Future-oriented Statement of Financial Position are not necessarily the same as those provided through authorities from Parliament. Note 5 provides a reconciliation between the bases of reporting.

b) Consolidation

These consolidated future-oriented financial statements include 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.

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 Canadian Heritage is deposited to the CRF, and all cash disbursements made by Canadian Heritage 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 Government.

d) Amounts due from or to the Consolidated Revenue Fund

Amounts due from or to the CRF are the result of timing differences at year-end between when a transaction affects authorities and when it is processed through the CRF. Amounts due from the CRF represent the net amount of cash that Canadian Heritage is entitled to draw from the CRF without further authorities to discharge its liabilities.

e) 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 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 Canadian Heritage's gross revenues.

f) Expenses

Expenses are recorded on the accrual basis:

Transfer payments are recorded as expenses when authorization for the payment exists and the recipient has met the eligibility criteria or the entitlements established for the transfer payment program. In situations where payments do not form part of an existing program, transfer payments are recorded as expenses 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 statements. 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.

Vacation pay is accrued 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.

g) 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

h) Accounts receivable

Accounts receivable are stated at the lower of cost and net recoverable value. A valuation allowance is recorded for accounts receivable where recovery is considered uncertain.

i) Inventory

Inventory consists of parts, materials and supplies held for future program delivery and not intended for resale. Inventory is valued at the actual cost. If there is no longer any service potential, inventory is valued at the lower of cost or net realizable value.

j) 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. The Department does not capitalize intangibles, works of art and historical treasures that have cultural, aesthetic or historical value, assets located on Indian reserves and museum collections.

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
Computer Hardware	5 years
Computer Software	3 and 5 years
Vehicles	7 and 10 years
Leasehold improvements	Lesser of the remaining term of lease or useful life of the improvement

k) Contingent liabilities

Contingent liabilities are potential liabilities that 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 if an amount cannot be reasonably estimated, the contingency is disclosed in the notes to the future-oriented financial statements.

l) 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 at year-end. Gains and losses resulting from foreign currency transactions are respectively included in the miscellaneous revenues and other operating expenses in the Future-oriented Statement of Operations and Departmental Net Financial Position.

Canadian Heritage
Notes to the Future-oriented Financial Statements (Unaudited)
For the years ended March 31, 2013 and March 31, 2014

5. Parliamentary authorities

The Department of Canadian Heritage receives most of its funding through annual parliamentary authorities. Items recognized in the Future-oriented Statement of Operations and Departmental Net Financial Position and in the Future-oriented Statement of Financial Position in one year may be funded through parliamentary authorities in prior, current or future years. Accordingly, Canadian Heritage 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 forecast authorities to be used

	Estimated Results 2013	Planned Results 2014
	<i>(in thousands of dollars)</i>	
Net cost of operations before government funding and transfers	1,275,597	1,332,478
Adjustments for items affecting net cost of operations but not affecting authorities:		
Amortization of tangible capital assets	(1,635)	(1,599)
Loss on disposal of tangible capital assets	(11)	-
Services provided without charge by other government departments	(30,970)	(25,455)
Decrease (increase) in vacation pay	35	1,256
Decrease (increase) in employee future benefits	10,283	2,843
Bad debt expense	(889)	(485)
Refund of prior years' expenditures	9,205	7,857
Outstanding spendable revenue	(139)	(133)
Total items affecting net cost of operations but not affecting authorities	(14,121)	(15,716)
Adjustments for items not affecting net cost of operations but affecting authorities:		
Acquisitions of tangible capital assets	50	450
Increase (decrease) in prepaid expenses	70	-
Increase (decrease) in inventory	(826)	13
Total items not affecting net cost of operations but affecting authorities	(706)	463
Forecast authorities to be used	1,260,770	1,317,225

Canadian Heritage
Notes to the Future-oriented Financial Statements (Unaudited)
For the years ended March 31, 2013 and March 31, 2014

b) Authorities requested and forecast authorities to be used

	Estimated Results 2013	Planned Results 2014
	<i>(in thousands of dollars)</i>	
Authorities requested:		
Vote 1 - Operating expenditures (1)	187,416	162,928
Vote 5 - Grants and contributions	1,056,305	1,131,552
Statutory amounts	24,463	22,745
Less:		
Lapsed: Operating expenditures (2)	(2,496)	-
Lapsed: Grants and contributions (3)	(4,918)	-
Forecast authorities to be used	1,260,770	1,317,225

Forecast authorities requested for the year ending March 31, 2014 are the planned spending amounts presented in the 2013-2014 Report on Plans and Priorities. Estimated authorities requested for the year ending March 31, 2013 include amounts presented in the 2012-2013 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) Operating expenditures for 2013 include \$6.5 million (\$24.5M in 2012) in salary requirements primarily associated with severance benefit payments which will be further reduced in 2014, and \$9.2M which was carried forward from 2012 to 2013. A further \$6.8M relates to funding for the War of 1812 (\$5.4M) and the Official Languages Roadmap (\$1.4M), ending in 2013.
- (2) The estimated lapse of \$2.5M in Operating expenditures relates to frozen allotments (funds withheld by the Treasury Board which cannot be spent by Canadian Heritage).
- (3) The estimated lapse of \$4.9M in Grants and contributions is largely related to the Katimavik Program (Attachment to Canada) which was eliminated in 2013.

6. Accounts payable and accrued liabilities

The following table presents details of Canadian Heritage's accounts payable and accrued liabilities:

	Estimated Results 2013	Planned Results 2014
	<i>(in thousands of dollars)</i>	
Accounts payable - External parties before transfer	360,660	333,397
Transferred to other government department, effective April 1, 2012 (note 14)	(4,113)	-
Accounts payable - External parties after transfer	356,547	333,397
Accounts payable - Other government departments and agencies	5,209	5,646
Accrued salaries, wages and employee benefits	1,112	1,306
Total accounts payable and accrued liabilities	362,868	340,349

7. 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.

Both the employees and Canadian Heritage contribute to the cost of the Plan. The forecasted expense, amounts to \$22.5 million in 2012-2013 and \$21.9 million in 2013-2014, which represents approximately 1.8 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.

(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 2013. 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 2013	Planned Results 2014
	<i>(in thousands of dollars)</i>	
Accrued benefit obligation - Beginning of year	16,796	6,464
Transferred to other government department, effective April 1, 2012 (note 14)	(49)	-
Subtotal	<u>16,747</u>	<u>6,464</u>
Expense for the year	880	8,401
Benefits paid during the year (1)	(11,163)	(11,244)
Accrued benefit obligation - End of year	<u>6,464</u>	<u>3,621</u>

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

8. Accounts receivable and advances

The following table presents details of Canadian Heritage's accounts receivable and advances:

	Estimated Results 2013	Planned Results 2014
	<i>(in thousands of dollars)</i>	
Receivables - External parties before transfer	4,663	4,402
Transferred to other government department, effective April 1, 2012 (note 14)	(261)	-
Receivables - External parties after transfer	4,402	4,402
Receivables - Other government departments and agencies	1,042	924
Employee advances	11	11
Subtotal	5,455	5,337
Allowance for doubtful accounts on receivables from external parties	(2,069)	(2,069)
Gross accounts receivable	3,386	3,268
Accounts receivable held on behalf of Government	(43)	(43)
Net accounts receivable	3,343	3,225

9. Inventory

The following table presents details of the inventory, measured at cost using the actual cost method:

	Estimated Results 2013	Planned Results 2014
	<i>(in thousands of dollars)</i>	
Promotional items	2,446	2,462
Gift Bank	122	119
Total inventory	2,568	2,581

The cost of consumed inventory recognized as an expense in the Future-oriented Statement of Operations and Departmental Net Financial Position is \$0.9M in 2013-2014 (\$1.7M in 2012-2013).

10. Tangible capital assets*(in thousands of dollars)*

Capital Asset Class	Cost					Accumulated amortization					Net Book Value	
	Opening Balance	Acquisitions	Adjustments	Disposals and Write-Offs	Closing Balance	Opening Balance	Amortization	Adjustments	Disposals and Write-offs	Closing Balance	2013	2014
Machinery and equipment	5,232	120	-	-	5,352	3,970	355	-	-	4,325	1,262	1,027
Computer Hardware	767	-	-	-	767	749	9	-	-	758	18	9
Computer Software	4,460	-	-	-	4,460	4,460	-	-	-	4,460	-	-
Vehicles	239	30	-	-	269	164	23	-	-	187	75	82
Leasehold improvements	13,390	300	-	-	13,690	7,406	1,212	-	-	8,618	5,984	5,072
Total	24,088	450	-	-	24,538	16,749	1,599	-	-	18,348	7,339	6,190

11. Contractual Obligations

The nature of Canadian Heritage's activities can result in some large multi-year contracts and obligations whereby Canadian Heritage will be obligated to make future payments in order to carry out its transfer payment programs or when the services/goods are received. Significant contractual obligations that can be reasonably estimated are summarized as follows:

<i>(in thousands of dollars)</i>	2013	2014	2015	2016	2017 and thereafter	Total
Transfer payments	143,202	134,542	206,156	37,454	-	521,354

12. Contingent liabilities

Claims have been made against the Department in the normal course of operations. These claims include items with pleading amounts and other for which no amount is specified. While the total amount claimed in these actions is significant, their outcomes are not determinable. Claims and litigations for which the outcome is not determinable and a reasonable estimate can be made by management amount to approximately \$0.4M for 2012-2013 and 2013-2014.

13. 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 and Departmental Net Financial Position as follows:

	Estimated Results 2013	Planned Results 2014
	<i>(in thousands of dollars)</i>	
Employer's contribution to the health and dental insurance plans	13,013	10,087
Accommodation	16,589	14,117
Legal services	1,348	1,234
Workers' compensation	20	17
Total	30,970	25,455

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 and Departmental Net Financial Position.

(b) Other transactions with related parties

	Estimated Results 2013	Planned Results 2014
	<i>(in thousands of dollars)</i>	
Expenses – Other government departments and agencies	46,613	48,680
Revenues – Other government departments and agencies	724	732

14. Transfer to other government department

Effective April 1, 2012, the Department of Canadian Heritage transferred responsibility for the control and supervision of the Urban Aboriginal Youth and Community Programs Unit to the Department of the Indian Affairs and Northern Development in accordance with Order in Council (P.C. 2012-0286), including stewardship responsibility for the assets and liabilities related to the Urban Aboriginal Youth and Community Programs Unit.

Accordingly, Canadian Heritage transferred the following assets and liabilities related to the Urban Aboriginal Youth and Community Programs Unit to the Department of Indian Affairs and Northern Development on April 1, 2012:

	<i>(in thousands of dollars)</i>
Liabilities	
Accounts payable and accrued liabilities (note 6)	4,113
Employee future benefits (note 7)	49
Total liabilities transferred	<u>4,162</u>
Assets	
Accounts receivable and advances (note 8)	261
Total assets transferred	<u>261</u>
Adjustment to the departmental net financial position	<u><u>3,901</u></u>

15. 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 2014	Expected Results 2013
Transfer payments											
Non-profit organizations	83,489	157,806	274,586	98,146	36,305	37,242	15,570	-	-	703,144	632,030
Other levels of government within Canada	247,303	1,368	-	5,256	64	2,585	67	-	-	256,643	260,268
Industry	-	109,899	-	-	1	50	-	-	-	109,950	110,741
Individuals	-	2	41,760	-	-	1,322	-	-	-	43,084	28,955
Other countries and international organizations	194	10,402	1,467	-	-	4	-	-	-	12,067	11,637
Total transfer payments	330,986	279,477	317,813	103,402	36,370	41,203	15,637	-	-	1,124,888	1,043,631
Operating expenses											
Salaries and employee benefits	9,620	21,525	12,347	13,735	8,926	11,183	15,478	53,698	-	146,512	179,302
Professional services	2,200	897	581	193	414	1,460	5,032	15,391	-	26,168	18,576
Accommodation	1,649	457	318	141	246	1,307	2,883	7,116	-	14,117	16,589
Information	213	202	32	42	30	1,757	1,600	886	-	4,762	9,572
Travel and relocation	1,770	213	315	156	262	405	494	1,376	-	4,991	2,905
Utilities, materials and supplies	708	132	72	85	49	666	1,343	3,228	-	6,283	3,534
Amortization	6	5	7	1	12	5	960	603	-	1,599	1,635
Freight and communications	404	137	65	24	50	94	210	2,619	-	3,603	662
Repairs and maintenance	232	33	19	9	9	9	624	1,456	-	2,391	1,359
Rentals	352	56	80	6	56	236	810	729	-	2,325	2,683
Loss on disposal of capital assets	-	-	-	-	-	-	-	-	-	-	11
Other operating expenses	277	132	140	47	49	120	59	541	-	1,365	1,883
Total operating expenses	17,431	23,789	13,976	14,439	10,103	17,242	29,493	87,643	-	214,116	238,711
Total expenses	348,417	303,266	331,789	117,841	46,473	58,445	45,130	87,643	-	1,339,004	1,282,342
Revenues											
Revenue from the 1979 Federal-provincial Lottery agreement	-	-	-	-	-	-	-	-	70,218	70,218	69,180
Miscellaneous revenues	-	3,779	-	-	-	-	-	-	58	3,837	4,015
Sale of goods and services	-	-	-	-	-	-	896	1,851	-	2,747	2,789
Revenues earned on behalf of Government	-	-	-	-	-	-	-	-	(70,276)	(70,276)	(69,239)
Total revenues	-	3,779	-	-	-	-	896	1,851	-	6,526	6,745
Net cost of operations before government funding and transfers	348,417	299,487	331,789	117,841	46,473	58,445	44,234	85,792	-	1,332,478	1,275,597

16. Accounting changes

During 2011, amendments were made to *Treasury Board Accounting Standard 1.2 - Departmental and Agency Financial Statements* to improve financial reporting by government departments and agencies. The amendments are effective for financial reporting of fiscal years ending March 31, 2012, and later. The significant changes to Canadian Heritage's future-oriented financial statements are described below. These changes have been applied to these future-oriented financial statements.

Net debt (calculated as liabilities less financial assets) is presented in the Future-oriented Statement of Financial Position. Accompanying this change, Canadian Heritage presents a Future-oriented Statement of Change in Net Debt and no longer presents a Statement of Equity.

Revenues and related accounts receivable are presented net of non-respendable amounts in the Future-oriented Statement of Operations and Departmental Net Financial Position and in the Future-oriented Statement of Financial Position. The effect of this change was to increase the net cost of operations before government funding and transfers. Canadian Heritage non-respendable amounts include, among others, the revenue from the 1979 Federal-provincial Lottery-agreement and miscellaneous revenues like gains on foreign currency, interests on overdue accounts receivable and interests on bank deposits.

Government funding and transfers, as well as the credit related to services provided without charge by other government departments, are recognized in the Future-oriented Statement of Operations and Departmental Net Financial Position below "Net cost of operations before government funding and transfers". In previous years, Canadian Heritage recognized these transactions directly in the Statement of Equity of Canada. The effect of this change is to decrease the net cost of operations after government funding and transfers.