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Heritage

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Canadian Heritage Financial Statements

For the year ended March 31, 2021

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CANADIAN HERITAGE

Statement of Management Responsibility Including Internal Control over Financial Reporting

Responsibility for the integrity and objectivity of the accompanying financial statements for the year ended March 31, 2021, and all information contained in these statements rests with the senior management of the Department of Canadian Heritage (PCH). These financial statements have been prepared using the Government of Canada Accounting Handbook, which is based on Canadian public sector accounting standards.

Some of the information in these 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 PCH's financial transactions. Financial information submitted in the preparation of the Public Accounts of Canada, and included in PCH's *Departmental Results Report*, is consistent with these financial statements.

Management is also responsible for maintaining an effective system of internal control over financial management (ICFM), including internal control over financial reporting (ICFR), which is designed to provide reasonable assurance that financial information is reliable, that assets are safeguarded and that transactions are properly authorized and recorded in accordance with the *Financial Administration Act* and other applicable legislation, regulations, authorities and policies.

Management seeks to ensure the objectivity and integrity of data in its financial statements through careful selection, training and development of qualified staff; through organizational arrangements that provide appropriate divisions of responsibility; through communication programs aimed at ensuring that regulations, policies, standards, and managerial authorities are understood throughout PCH and through conducting an annual risk assessment of the effectiveness of the system of ICFM.

The system of ICFM, including ICFR, is designed to mitigate risks to a reasonable level based on the ongoing monitoring of the key risks, to assess the effectiveness of associated key controls and to make any necessary adjustments.

A risk-based assessment of the system of ICFM, including ICFR, for the year ended March 31, 2021 was completed in accordance with the Treasury Board *Policy on Financial Management* and the results and action plans are summarized in the annex.

The effectiveness and adequacy of PCH's system of internal control is reviewed by the work of internal control and internal audit staff, who conduct periodic reviews and audits of different areas of PCH's operations. Additionally, the Departmental Audit Committee oversees management responsibilities for maintaining adequate control systems and the quality of financial reporting.

The financial statements of the Department of Canadian Heritage have not been audited.

Original signed

Isabelle Mondou

Deputy Minister

Gatineau, Canada

Date: August 30th, 2021

Original signed

Éric Doiron

Chief Financial Officer

Gatineau, Canada

Date: August 30th, 2021

CANADIAN HERITAGE

Statement of Financial Position (Unaudited)

As at March 31

(in thousands of dollars)	2021	2020
Liabilities		
Accounts payable and accrued liabilities (Note 4)	432,655	397,634
Vacation pay	16,395	12,206
Employee future benefits (Note 5)	6,229	7,051
Other liabilities	2,827	1,793
Total liabilities	458,106	418,684
Financial assets		
Due from the Consolidated Revenue Fund (Note 2)	433,376	394,246
Accounts receivable and advances (Note 6)	6,034	10,068
Total gross financial assets	439,410	404,314
Financial assets held on behalf of government		
Accounts receivable and advances (Note 6)	(126)	(121)
Total financial assets held on behalf of government	(126)	(121)
Total net financial assets	439,284	404,193
Net debt	18,822	14,491
Non-financial assets		
Prepaid expenses	531	449
Inventory (Note 7)	1,897	1,700
Tangible capital assets (Note 8)	11,291	14,241
Total non-financial assets	13,719	16,390
Net financial position	(5,103)	1,899

Contractual obligations (Note 9)

Contingent liabilities (Note 10)

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

Original signed

Isabelle Mondou
 Deputy Minister

Gatineau, Canada

Date: August 30th, 2021

Original signed

Éric Doiron
 Chief Financial Officer

Gatineau, Canada

Date: August 30th, 2021

CANADIAN HERITAGE

Statement of Operations and Net Financial Position (Unaudited)

For the year ended March 31

(in thousands of dollars)	2021 Planned Results	2021	2020
Expenses			
Creativity, Arts and Culture	525,788	823,119	555,581
Heritage and Celebration	115,867	167,359	130,745
Sport	252,400	322,570	243,243
Diversity and Inclusion	133,620	109,581	134,579
Official Languages	453,865	463,077	422,152
Internal Services	89,771	114,669	102,185
Total expenses	1,571,311	2,000,375	1,588,485
Revenues			
Revenue from the 1979 Federal-provincial Lottery-agreement	78,746	77,741	77,258
Miscellaneous revenues	4,351	5,157	6,174
Sale of goods and services	3,826	3,072	2,969
Revenues earned on behalf of Government	(78,832)	(77,854)	(77,434)
Total revenues	8,091	8,116	8,967
Net cost of operations before government funding and transfers	1,563,220	1,992,259	1,579,518
Government funding and transfers			
Net cash provided by Government of Canada		1,916,407	1,577,425
Change in due from Consolidated Revenue Fund		39,130	(36,429)
Services provided without charge by other government departments (Note 12)		30,117	31,106
Transfer of the transition payments for implementing salary payments in arrears		-	(3)
Transfer of capital assets (to) / from other government departments		(17)	19
Transfer of other assets (to) / from other government departments		(380)	(266)
Total government funding and transfers		1,985,257	1,571,852
Net cost of operations after government funding and transfers		7,002	7,666
Net financial position - Beginning of year		1,899	9,565
Net financial position - End of year		(5,103)	1,899

Non-monetary transactions (note 11)

Segmented information (Note 13)

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

CANADIAN HERITAGE

Statement of Change in Net Debt (Unaudited)

For the year ended March 31

(in thousands of dollars)	2021	2020
Net cost of operations after government funding and transfers	7,002	7,666
Change due to tangible capital assets (Note 8)		
Acquisitions and improvements to tangible capital assets	1,736	405
Amortization of tangible capital assets	(2,302)	(1,515)
Proceeds from disposal of tangible capital assets	-	-
Net loss on disposal of tangible capital assets including adjustments	(2,367)	(5,398)
Transfer from other government departments	(17)	19
Total change due to tangible capital assets	(2,950)	(6,489)
Change due to inventory	197	115
Change due to prepaid expenses	82	9
Net increase in net debt	4,331	1,301
Net debt - Beginning of year	14,491	13,190
Net debt - End of year	18,822	14,491

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

CANADIAN HERITAGE

Statement of Cash Flows (Unaudited)

For the year ended March 31

(in thousands of dollars)	2021	(Note 14) 2020
Operating activities		
Net cost of operations before government funding and transfers (note 3)	1,992,259	1,579,518
Non-cash items:		
Amortization of tangible capital assets	(2,302)	(1,515)
Net loss on disposal of tangible capital assets including adjustments	(2,367)	(5,398)
Services provided without charge by other government departments (Note 12)	(30,117)	(31,106)
Transition payments for implementing salary payments in arrears	-	3
Variations in Statement of Financial Position:		
(Decrease) increase in accounts receivable and advances	(4,039)	3,300
Increase in prepaid expenses	82	9
Increase in inventory	197	115
Decrease (increase) in accounts payable and accrued liabilities	(35,021)	34,723
Increase in vacation pay	(4,189)	(2,386)
Decrease in employee future benefits	822	466
Increase in other liabilities	(1,034)	(975)
Transfer of salary overpayments to other government departments	380	266
Cash used in operating activities	1,914,671	1,577,020
Capital investing activities		
Acquisitions and improvements to tangible capital assets	1,736	405
Proceeds from disposal of tangible capital assets	-	-
Cash used in capital investing activities	1,736	405
Net cash provided by Government of Canada	1,916,407	1,577,425

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

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, multiculturalism, official languages, sports, state ceremonial and protocol, and Canadian symbols.

The programs include:

Creativity, Arts and Culture: Ensures that a wide range of Canadian artistic and cultural content is accessible at home and abroad. Provides opportunities for Canadians to participate and engage in Canada's creative life, fostering a sense of belonging and inclusion. Fosters creativity, innovation, growth and employment opportunities in Canada's cultural sector, and in the creative economy. Support policy, legislative and regulatory measures; deliver funding programs that support creation, professional training, cultural infrastructure and arts presentation; business development and marketing initiatives; and the establishment of partnerships in Canada and abroad.

Heritage and Celebration: Offers opportunities for Canadians to participate in celebrations and commemorations of national significance, and in local festivals and heritage events. Invests in the development of learning materials and experiences that give Canadians opportunities to enhance their understanding of Canada's history. Facilitates access to heritage and provides support to heritage institutions to preserve and present heritage to all Canadians. Delivers projects, programs and services; grants, contributions and tax incentives; conducts research; provides authoritative information and expertise; and supports the implementation of heritage-related legislation.

Sport: Promotes and enhances Canadian participation in sport from initial introduction to sport to the highest levels through transfer payments and policy leadership. Ensures that all Canadians have access to quality aligned sport programs in a safe and welcome environment regardless of race, gender or physical disability. Fosters the development of high-performance athletes, coaches, officials, leaders and organizations within the Canadian Sport System. Assists Canadian communities in hosting the Canada Games and international sport events.

Diversity and Inclusion: Focuses on celebrating Canada's diversity, identity and multicultural heritage, promoting resilient communities and reinforcing the rights of Canadians, as a means to foster diversity and inclusion. Supports legislation on multiculturalism. Promotes and supports domestic implementation of international human rights treaties, constitutional and quasi-constitutional rights in Canada. Works in collaboration with a variety of Governmental and non-governmental organizations to support the provision of programs and services on matters of diversity and inclusion. Supports the engagement, participation and inclusion of Canadian youth in their communities and in exchange activities. Revitalizes, preserves and promotes Indigenous languages and cultures and celebrates achievements, and strengthens Indigenous communities through investments in a variety of initiatives.

Official Languages: Supports the promotion of Canada's two official languages in Canadian society as well as the development of official-language minority communities by collaborating with voluntary organizations and provincial and territorial governments. Fosters a coordinated approach to ensure participation from across the federal government in the implementation of the Official Languages Act, and the coordination of related horizontal initiatives.

Internal Services: Internal Services are those groups of related activities and resources that the federal government considers to be services in support of Programs and/or required to meet corporate obligations of an organization. Internal Services refers to the activities and resources of the 10 distinct service categories that support Program delivery in the organization, regardless of the Internal Services delivery model in a department. The 10 service categories are: Management and Oversight Services; Communications Services; Legal Services; Human Resources Management Services; Financial Management Services; Information Management Services; Information Technology Services; Real Property Services; Materiel Services; and Acquisition Services.

CANADIAN HERITAGE

Notes to the Financial Statements (Unaudited)

For the year ended March 31

1. Authority and objectives (continued)

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. Summary of significant accounting policies

These financial statements have been prepared using the Government's accounting policies stated below, 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 the Department of 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 Statement of Operations and Departmental Net Financial Position and in the Statement of Financial Position are not necessarily the same as those provided through authorities from Parliament. Note 3 provides a reconciliation between the bases of reporting. The planned results amounts in the "Expenses" and "Revenues" sections of the Statement of Operations and Departmental Net Financial Position are the amounts reported in the Future-oriented Statement of Operations included in the 2020-2021 Departmental Plan. Planned results are not presented in the "Government funding and transfers" section of the Statement of Operations and Departmental Net Financial Position and in the Statement of Change in Departmental Net Debt because these amounts were not included in the 2020-2021 Departmental Plan.

(b) Consolidation

These consolidated 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 the Department 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 the Department of Canadian Heritage is deposited to the CRF, and all cash disbursements made by the Department of 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 CRF

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 the Department of Canadian Heritage is entitled to draw from the CRF without further authorities to discharge its liabilities.

CANADIAN HERITAGE

Notes to the Financial Statements (Unaudited)

For the year ended March 31

2. Summary of significant accounting policies (continued)

(e) Non-monetary transactions

In the normal course of business, the Department of Canadian Heritage regularly signs non-monetary agreements, which result in the exchange of non-monetary assets, goods or services for other non-monetary assets, goods or services with little or no monetary consideration involved. When a non-monetary transaction has a commercial substance, the transaction is recorded at the fair value of the asset, good or service given up, unless the fair value of the asset, good or service received is more reliable. If the transaction lacks commercial substance, it is recorded at the carrying amount of the asset, good or service given up.

(f) 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-responsible 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-responsible revenues. As a result, non-responsible 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.

(g) 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 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.

(h) 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 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.

(i) 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.

(j) 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.

CANADIAN HERITAGE

Notes to the Financial Statements (Unaudited)

For the year ended March 31

2. Summary of significant accounting policies (continued)

(k) 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 First Nation 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
Assets under construction	Once in service, in accordance with asset type

(l) 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 financial statements.

(m) Contingent assets

Contingent assets are possible assets which may become actual assets when one or more future events occur or fail to occur. If the future event is likely to occur or fail to occur, the contingent asset is disclosed in the notes to the financial statements.

(n) 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 Statement of Operations and Departmental Net Financial Position.

(o) Measurement uncertainty

The preparation of these financial statements 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, the useful life of tangible capital assets, the allowance for doubtful accounts, and the fair value of non-monetary transactions. 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.

(p) Related party transactions

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

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

- i. Services provided on a recovery basis are recognized as revenues and expenses on a gross basis and measured at the exchange amount.

CANADIAN HERITAGE

Notes to the Financial Statements (Unaudited)

For the year ended March 31

3. Parliamentary authorities

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

		(Note 14)
(in thousands of dollars)	2021	2020
Net cost of operations before government funding and transfers	1,992,259	1,579,518
Adjustments for items affecting net cost of operations but not affecting authorities:		
Amortization of tangible capital assets	(2,302)	(1,515)
Net loss on disposal of tangible capital assets including adjustments	(2,367)	(5,398)
Services provided without charge by other government departments	(30,117)	(31,106)
Increase in vacation pay	(4,189)	(2,386)
Decrease in employee future benefits	822	466
Bad debt expense	(207)	(312)
Refund of prior years' expenditures	5,987	9,644
Other	(773)	94
Total items affecting net cost of operations but not affecting authorities	(33,146)	(30,513)
Adjustments for items not affecting net cost of operations but affecting authorities:		
Acquisitions and improvements to tangible capital assets	1,736	405
Proceeds from disposal of tangible capital assets	-	-
Increase in prepaid expenses	82	9
Salary overpayments	414	1,039
Transition payments for implementing salary payments in arrears	-	3
Increase in inventory	197	115
Total items not affecting net cost of operations but affecting authorities	2,429	1,571
Current year authorities used	1,961,542	1,550,576

CANADIAN HERITAGE

Notes to the Financial Statements (Unaudited)

For the year ended March 31

3. Parliamentary authorities (continued)

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(b) Authorities provided and used

(in thousands of dollars)

	2021	2020
Authorities provided:		
Vote 1 – Operating expenditures	225,364	215,026
Vote 5 – Grants and contributions	1,367,113	1,359,704
Statutory amounts	449,650	25,649
Total authorities	2,042,127	1,600,379
Less:		
Authorities available for future years	20	6
Lapsed: Operating expenditures ⁽¹⁾	9,203	10,761
Lapsed: Grants and contributions ⁽²⁾	71,362	38,193
Lapsed: Budget implementation votes	-	843
Current year authorities used	1,961,542	1,550,576

⁽¹⁾ The Public Account lapse of \$9.2 million in operating expenditures is mainly explained by the following items: An amount of \$2.0 million for the MyPCHOnline initiative due to the COVID-19 pandemic causing delays in the delivery of the project. An amount of \$1.8 million for a marketing and advertising campaign to sensitize Canadians to the history of racism in Canada and the current impact of racism today which was not spent in part due to difficulties associated with COVID-19. As a result, the campaign's launch was delayed and is aiming to be completed by March 31, 2022. An amount of \$1.1 million was also planned for the execution of a Survey on the Official Language Minority Population. In response to the post-COVID program realities, the survey had to be postponed to outer years and activities extended to 2023-24. Also contributing to the lapse is a \$1.0 million set aside in a frozen allotment for the vacation liability due to the postponing of automatic cash-out of excess vacation hours at year-end resulting from ongoing Phoenix System issues. The remaining lapse is explained by a significant reduction in travel due to travel restrictions in the context of the pandemic.

⁽²⁾ The Public Accounts lapse of \$71.3 million in Grants and Contributions is mainly explained by funds not being spent due to the COVID-19 pandemic. More specifically, the lapse is explained by the following items: \$21.3 million for the Action Plan for Official Languages delivered under the Official Languages (OL) Support Programs. Amongst many factors depending on the program sub-components involved, restrictions imposed to contain the spread of COVID-19 caused significant disruptions and delays in the delivery of OL support programs. \$10.5 million for the Sport Hosting program due to the postponing and rescheduling of major sports events to subsequent years, such as the Jeux de la Francophonie and Olympic Games. \$6.2 million for the Canada Cultural Spaces Fund as a result of COVID-19 affecting capital construction projects in the form of closures and delays. Further, \$5.8 million for Canada's Anti-Racism Strategy and multiculturalism programming for multi-year projects for which spending has been significantly affected by COVID-19. Lastly, also contributing to the lapse is a \$2.6 million in unspent funds for the Delivery of French-language services and to support the preservation of Indigenous languages in the Northwest Territories, Yukon and Nunavut. These unspent funds must be returned to the Fiscal Framework, pursuant to Treasury Board decision.

4. Accounts payable and accrued liabilities

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

(in thousands of dollars)	2021	2020
Accounts payable - External parties	413,774	372,288

CANADIAN HERITAGE

Notes to the Financial Statements (Unaudited)

For the year ended March 31

Accounts payable - Other government departments and agencies	2,745	5,709
Accrued salaries, wages and employee benefits	16,136	19,637
Total accounts payable and accrued liabilities	432,655	397,634

CANADIAN HERITAGE

Notes to the Financial Statements (Unaudited)

For the year ended March 31

5. 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.

Both the employees and the Department contribute to the cost of the 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 2020-2021 expense amounts to \$17.9 million (\$15.8 million in 2020). For Group 1 members, the expense represents approximately 1.01 times (1.01 times in 2020) the employee contributions and, for Group 2 members, approximately 1.00 times (1.00 times in 2020) 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

Severance benefits provided to the Department's employees were previously based on an employee's eligibility, years of service and salary at termination of employment. However, since 2011 the accumulation of severance benefits for voluntary departures progressively ceased for substantially all employees. Employees subject to these changes were given the option to be paid the full or partial value of benefits earned to date or collect the full or remaining value of benefits upon departure from the public service. By March 31, 2018, substantially all settlements for immediate cash out were completed. Severance benefits are unfunded and, consequently, the outstanding obligation will be paid from future authorities.

The changes in the obligations during the year were as follows:

(in thousands of dollars)	2021	2020
Accrued benefit obligation - Beginning of year	7,051	7,517
Expense for the year	(321)	713
Benefits paid during the year	(501)	(1,179)
Accrued benefit obligation - End of year	6,229	7,051

CANADIAN HERITAGE

Notes to the Financial Statements (Unaudited)

For the year ended March 31

6. Accounts receivable and advances

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

(in thousands of dollars)	2021	2020
Receivables - External parties	5,611	6,435
Receivables - Other government departments and agencies	1,195	4,640
Employee advances	392	402
Subtotal	7,198	11,477
Allowance for doubtful accounts on receivables from external parties	(1,164)	(1,409)
Gross accounts receivable	6,034	10,068
Accounts receivable held on behalf of Government	(126)	(121)
Net accounts receivable and advances	5,908	9,947

7. Inventory

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

(in thousands of dollars)	2021	2020
Canadian Symbols - Promotional items	1,776	1,579
Canadian Gift Bank for Dignitaries	121	121
Total inventory	1,897	1,700

CANADIAN HERITAGE

Notes to the Financial Statements (Unaudited)

For the year ended March 31

8. Tangible capital assets

Cost

(in thousands of dollars)	Opening Balance	Acquisitions	Adjustments	Disposals and Write-offs	Closing Balance
Machinery and equipment	11,843	478	(84)	(42)	12,279
Computer Hardware	125	309	-	-	434
Computer Software	7,335	-	-	(3,288)	10,623
Vehicles	529	124	(112)	(56)	597
Leasehold improvements	16,030	140	-	-	16,170
Assets under construction ⁽¹⁾	7,662	685	(8,008)	(2,360)	2,699
Total	43,524	1,736	(8,204)	(5,746)	42,802

Accumulated Amortization

(in thousands of dollars)	Opening Balance	Amortization	Adjustments	Disposals and Write-offs	Closing Balance	Net Book Value	
						2021	2020
Machinery and equipment	9,478	540	(41)	-	9,977	2,302	2,365
Computer Hardware	104	7	-	-	111	323	21
Computer Software	5,097	1,452	-	-	6,549	4,074	2,238
Vehicles	411	33	(33)	-	411	186	118
Leasehold improvements	14,193	270	-	-	14,463	1,707	1,837
Assets under construction ⁽¹⁾	-	-	-	-	-	2,699	7,662
Total	29,283	2,302	(74)	-	31,511	11,291	14,241

- ⁽¹⁾ This asset under construction is a project that includes various aspects including the modernization of business processes, systems for Grants and Contributions delivery in the department as well as the construction of other software for financial management purposes. This asset will not be amortized until it is put into service.

CANADIAN HERITAGE

Notes to the Financial Statements (Unaudited)

For the year ended March 31

9. Contractual obligations

The nature of the Department of Canadian Heritage's activities can result in some large multi-year contracts and obligations whereby the Department of 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:

(in thousands of dollars)	2022	2023	2024	2025	2026 and subsequent	Total
Transfer payments	590,113	382,538	68,338	32,133	6,765	1,079,887

10. Contingent liabilities

Claims have been made against the Department in the normal course of operations. These claims include items with pleading amounts and others for which no amount is specified. While the total amount claimed in these actions is significant, their outcomes are not determinable. The Department of Canadian Heritage would record an allowance for claims and litigations where it is likely that there will be a future payment and a reasonable estimate of the loss can be made. There are no claims for 2020-2021 (\$0.0 million in 2019-2020) and litigations for which the outcome is determinable and a reasonable estimate can be made by management at March 31, 2021.

Pursuant to s. 3(1) of the *Canada Travelling Exhibition Indemnification Act* the Minister of Canadian Heritage is authorized to enter into indemnification agreements with owners of objects or appurtenances on loan to travelling exhibitions in Canada. Under the Act, maximum levels of liability are established including: no more than \$600 million in respect of each travelling exhibition and; no more than \$3,000 million at any given time in respect of all travelling exhibitions. The Canada Travelling Exhibitions Indemnification Regulations set out specific requirements to be met when owners are seeking indemnification agreements with the Minister. The Regulations also set limitations on the scope of indemnity, establish deductibles, define maximums for and period of coverage, set requirements for condition reporting, outline a claims procedure and provide for dispute resolution, among other things.

11. Non-monetary transactions

During the year, the Department of Canadian Heritage entered into sponsorship agreements through which it received various goods or services. In exchange, the sponsors received various benefits, including exclusive marketing rights and visibility. These non-monetary transactions with unrelated parties were recorded equally in revenues and cost of operations. The estimated value of these transactions is \$0.0 million (\$0.1 million in 2019-2020), which represents the fair value of the goods and services received.

CANADIAN HERITAGE

Notes to the Financial Statements (Unaudited)

For the year ended March 31

12. Related party transactions

The Department of Canadian Heritage is related as a result of common ownership to all government departments, agencies, and Crown corporations. Related parties also include individuals who are members of key management personnel or close family members of those individuals, and entities controlled by, or under shared control of, a member of key management personnel or a close family member of that individual. 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 various agreements such as the one 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:

(in thousands of dollars)	2021	2020
Employer's contribution to the health and dental insurance plans	15,420	15,026
Accommodation	13,754	15,197
Legal services	935	874
Workers' compensation	8	9
Total	30,117	31,106

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 and Departmental Net Financial Position.

(b) Other transactions with other government departments and agencies

(in thousands of dollars)	2021	2020
Accounts receivable	1,195	4,640
Accounts payable	2,745	5,709
Expenses	35,974	33,734
Revenues	3,094	2,823

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

CANADIAN HERITAGE

Notes to the Financial Statements (Unaudited)

For the year ended March 31

13. 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 2. 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:

(in thousands of dollars)	Creativity, Arts and Culture	Heritage and Celebration	Sport	Diversity and Inclusion	Official Languages	Internal Services	Unallocated	2021	2020
Transfer payments									
Non-profit organizations	545,044	107,669	272,613	82,173	108,822	-	-	1,116,321	830,466
Other levels of government within Canada	8,942	4,983	-	813	330,617	-	-	345,355	305,369
Industry	196,979	2,193	-	-	122	-	-	199,294	127,609
Individuals	-	2,018	36,087	-	-	-	-	38,105	33,944
Other countries and international organizations	13,077	-	-	29	-	-	-	13,106	16,452
Total transfer payments	764,042	116,863	308,700	83,015	439,561	-	-	1,712,181	1,313,840
Operating expenses									
Salaries and employee benefits	51,030	36,101	12,626	23,546	18,050	84,598	-	225,951	202,678
Professional services	3,221	6,356	169	1,049	89	18,305	-	29,189	30,699
Accommodation	3,031	2,190	760	1,422	1,067	5,284	-	13,754	15,197
Information	340	519	47	239	4	1,680	-	2,829	2,717
Travel and relocation	25	23	79	7	2	35	-	171	3,912
Utilities, materials and supplies	21	2,210	20	15	-	151	-	2,417	2,899
Amortization	3	598	-	-	4	1,697	-	2,302	1,515
Freight and communications	2	40	1	19	-	517	-	579	746
Repairs and maintenance	-	889	-	-	-	295	-	1,184	1,178
Rentals	19	951	-	29	(2)	2,105	-	3,102	4,014
Other operating expenses	1,385	619	168	240	4,302	2	-	6,716	9,090
Total Operating expenses	59,077	50,496	13,870	26,566	23,516	114,669	-	288,194	274,645
Total expenses	823,119	167,359	322,570	109,581	463,077	114,669	-	2,000,375	1,588,485
Revenues									
Revenue from the 1979 Federal- provincial Lottery-agreement	-	-	-	-	-	-	77,741	77,741	77,258
Miscellaneous revenues	4,987	82	-	-	-	88	-	5,157	6,174
Sale of goods and services	-	698	-	-	-	2,374	-	3,072	2,969
Revenues earned on behalf of Government	(2)	(111)	-	-	-	-	(77,741)	(77,854)	(77,434)
Total revenues	4,985	669	-	-	-	2,462	-	8,116	8,967
Net cost from continuing operations	818,134	166,690	322,570	109,581	463,077	112,207	-	1,992,259	1,579,518

CANADIAN HERITAGE

Notes to the Financial Statements (Unaudited)

For the year ended March 31

14. Comparative information

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