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Table 1: Future-Oriented Statement of Operations for the years ending March 31, 2023, and March 31, 2024 (unaudited) (in thousands of dollars)

| | Forecast results 2023 | Planned results 2024 |
|--|--------------------------|-------------------------|
| Expenses | | |
| Creativity, Arts and Culture | 792,456 | 591,564 |
| Heritage and Celebration | 230,221 | 139,903 |
| Sport | 342,716 | 266,161 |
| Diversity and Inclusion | 264,940 | 325,472 |
| Official Languages | 650,351 | 555,833 |
| Internal Services | 122,517 | 91,778 |
| Total expenses | 2,403,201 | 1,970,711 |
| Revenues | | |
| Revenue from the 1979 Federal-provincial Lottery-agreement | 86,279 | 88,436 |
| Miscellaneous revenues | 6,877 | 4,968 |
| Sale of goods and services | 4,549 | 3,141 |
| Revenues earned on behalf of Government | (86,356) | (88,513) |
| Total revenues | 11,349 | 8,032 |
| Net cost of operations before funding and transfers | 2,391,852 | 1,962,679 |

Information for the year ending March 31, 2023, includes actual amounts from April 1, 2022 to December 31, 2022.

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

1. Authority and Objectives

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

Canadian Heritage plays a vital role in the cultural, civic, and economic life of Canadians and promotes an environment in which all Canadians take full advantage of dynamic cultural experiences, celebrating our history and heritage, and participating in building creative communities.

Canadian Heritage is responsible for formulating and implementing policies, programs and services that enable Canadians to create, share, and participate in a rich cultural and civic life. The Department invests in supporting the arts and culture, heritage, official languages, civic engagement, indigenous languages and cultures, inclusion, and sport.

2. Methodology and Significant Assumptions

The Future-Oriented Statement of Operations has been prepared based on the government priorities and the plans of the department as described in the Departmental Plan.

The information in the forecast results for fiscal year 2022-23 is based on actual results as at December 31, 2022, and on forecasts for the remainder of the fiscal year. Forecasts have been established for the planned results for the 2023-24 fiscal year.

The main assumptions underlying the forecasts are as follows:

- (a) The Department of Canadian Heritage's activities will remain substantially the same as in the previous year.
- (b) Expenses and revenues, including the determination of amounts internal and external to the government, are based on past experience. The general historical pattern is expected to continue.
- (c) Allowances for uncollectible amounts are based on historical trends and the anticipated economic environment in the coming years.

These assumptions were adopted as of January 13, 2023.

3. Variations and Changes to the Forecasted Financial Information

While every attempt has been made to forecast results for the remainder of fiscal year 2022-23 and for 2023-24, actual results achieved for both years are likely to vary from the forecast information presented, and this variation could be material.

In preparing this Future-Oriented Statement of Operations, the Department of Canadian Heritage has established estimates and assumptions concerning the future. These estimates and assumptions may differ from actual results. Estimates and assumptions are continually evaluated, and are based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Factors that could lead to material differences between the Future-Oriented Statement of Operations and the historical statement of operations include:

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

After the Departmental Plan is tabled in Parliament, the Department of Canadian Heritage will not be updating the forecasts for any changes in financial resources made in ensuing supplementary estimates. Variances will be explained in the Departmental Results Report.

4. Summary of Significant Accounting Policies

This Future-Oriented Statement of Operations has been prepared using the Government of Canada's accounting policies in effect for the 2022-23 fiscal year and is based on Canadian public sector accounting standards. The presentation and results using the stated accounting policies do not result in any significant differences from Canadian public sector accounting standards.

Significant accounting policies are as follows:

a) Consolidation

This Consolidated Future-Oriented Statement of Operations includes the accounts of the following sub-entities that the deputy head is accountable for: Canadian Conservation Institute and Canadian Heritage Information Network. The accounts of these sub-entities have been consolidated with those of the Department of Canadian Heritage, and all inter-organizational balances and transactions have been eliminated.

b) Expenses

Expenses are recorded on an accrual basis. Expenses for the department's operations are recorded when goods are received or services are rendered, including services provided without charge for accommodation, employer contributions to health and dental insurance plans, legal services, and workers' compensation, which are recorded as expenses at their estimated cost. vacation pay and compensatory leave, as well as severance benefits, are accrued and expenses are recorded as the benefits are earned by employees under their terms of employment. Expenses also include a provision for bad debt on accounts receivable and amortization of tangible capital assets.

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

c) Revenues

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

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

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

5. Parliamentary authorities

The department is financed by the Government of Canada through Parliamentary authorities. Financial reporting of authorities provided to the department differs from financial reporting according to generally accepted accounting principles because authorities are based mainly on cash flow requirements. Items recognized in the Future-oriented Statement of Operations in one year may be funded through parliamentary authorities in prior, current, or future years. Accordingly, the department has different net cost of operations for the year on a government funding basis than on an accrual accounting basis. The differences are reconciled in the following tables:

Table 2: Reconciliation of net cost of operations to requested authorities (in thousands of dollars)

| | Forecast results 2023 | Planned results 2024 |
|---|----------------------------------|---------------------------------|
| Net cost of operations before government funding and transfers | 2,391,852 | 1,962,679 |
| Adjustment for items affecting net cost of operations but not affecting authorities: | | |
| Amortization of tangible capital assets | (2,500) | (1,340) |
| Services provided without charge by other government departments | (34,350) | (32,193) |
| Decrease (increase) in vacation pay | (1,378) | 1,994 |
| Decrease (increase) in employee future benefits | 477 | 679 |
| Bad debt expense | (65) | - |
| Refunds of prior years' expenditures | 8,558 | 8,284 |
| Total items affecting net cost of operations but not affecting authorities | (29,258) | (22,576) |
| Adjustment for items not affecting net cost of operations but affecting authorities: | | |
| Acquisition of tangible capital assets | 149 | - |
| Total items not affecting net cost of operations but affecting authorities | 149 | - |
| Requested authorities | 2,362,743 | 1,940,103 |

Table 3: Authorities provided/requested (in thousands of dollars)

| | Forecast results 2023 | Planned results 2024 |
|--|----------------------------------|---------------------------------|
| Authorities provided/requested: | | |
| Vote 1 - Operating expenditures | 269,251 | 202,887 |
| Vote 5 - Grants and contributions | 2,102,056 | 1,707,892 |
| Statutory amounts | 31,821 | 29,324 |
| Less: | | |
| Estimated unused operating authorities ¹ | (1,390) | - |
| Estimated unused grants and contributions authorities ² | (38,995) | - |
| Requested authorities | 2,362,743 | 1,940,103 |

Authorities requested for the year ending March 31, 2024, are the planned spending amounts presented in the 2023-24 Departmental Plan. Authorities requested for the year ending March 31, 2023, include amounts presented in the 2022-23 Main Estimates, Supplementary Estimates (A), (B), and (C) and estimates of amounts to be allocated at year-end from Treasury Board central votes.

¹ The department plans to spend the majority of its Operating Authorities in 2022-23.

² The lapse estimate of \$39 million in grants and contributions is based on anticipated delays within certain programs where the use of funds depends on recipients' ability to implement funded initiatives or when certain agreements are made. The department is working tirelessly on reprioritizing identified excess funds in order for the department to carry out its mandate in an efficient and effective manner. Furthermore, the department is also exploring possibilities that could make these unused funds available to programs in future years.