



Library and Archives
Canada

Bibliothèque et Archives
Canada

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LIBRARY AND ARCHIVES CANADA

FUTURE-ORIENTED FINANCIAL STATEMENTS

FOR THE YEARS ENDING

MARCH 31, 2011 AND MARCH 31, 2012

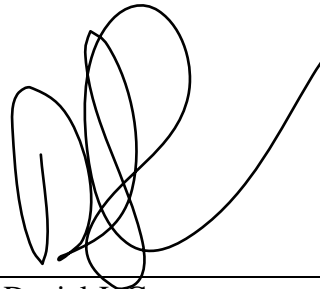
LIBRARY AND ARCHIVES CANADA

Statement of Management Responsibility

The management of Library and Archives Canada is responsible for this Future-oriented Statement of Operations, including responsibility for the appropriateness of the assumptions on which these statements are prepared. These Future-oriented statements are based on the best information available and assumptions adopted in March 2011 and reflect the plans described in the Report on Plans and Priorities.



Mark Melanson, CGA
Chief Financial Officer
Gatineau, QC
March 22, 2011



Daniel J. Caron
Librarian and Archivist of Canada
Gatineau, QC
March 22, 2011

LIBRARY AND ARCHIVES CANADA

Future-oriented Statement of Operations (Unaudited)

As at March 31

(in thousands of dollars)

	Forecast 2012	Estimated Results 2011*
	<u> </u>	<u> </u>
Expenses		
Regulatory Instruments and Recordkeeping Tools	\$ 5,887	\$ 6,320
Collaboration in Managing Government Records	15,377	15,580
Documentation of the Canadian Experience	30,889	33,182
Preservation of Continuing Memory	38,332	42,619
Exploration of the Documentary Resources	29,614	33,517
Internal Services	32,369	34,766
Total expenses	<u>152,468</u>	<u>165,984</u>
Revenues		
Facilitate discovery of documentary resources	403	392
Internal Services	127	116
Total revenues	<u>530</u>	<u>508</u>
Net cost of operations	<u><u>\$ 151,938</u></u>	<u><u>\$ 165,476</u></u>

* The forecast for the fiscal year 2010-11 includes actual amounts from April 1, 2010 to December 31, 2010.

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

LIBRARY AND ARCHIVES CANADA

**Notes to the Future-oriented Financial Statements (Unaudited)
For the Year Ended March 31**

1. Mandate and Objectives

Library and Archives Canada is an institution within the Government of Canada and was established on May 24, 2004 as a result of the amalgamation of the former National Library of Canada and National Archives of Canada. Library and Archives Canada's role was confirmed in the 2004 Library and Archives of Canada Act. The Act assigns discretionary power to the Librarian and Archivist of Canada in the attainment of Library and Archives Canada's objects. Under the Act, no record under the control of a government or ministerial institution may be destroyed prior to receiving consent from the Librarian and Archivist of Canada and those records considered to be of historic or archival importance to the Librarian and Archivist of Canada, shall be transferred to the care and control of the Librarian and Archivist of Canada.

Library and Archives Canada is considered a Schedule I.1 organization within the Financial Administration Act and reports to Parliament through the Minister of Canadian Heritage.

The mandate of Library and Archives Canada is to preserve the documentary heritage of Canada for the benefit of present and future generations; to serve as a source of enduring knowledge accessible to all, contributing to the cultural, social and economic advancement of Canada as a free and democratic society; to facilitate in Canada cooperation among the communities involved in the acquisition, preservation and diffusion of knowledge; and to serve as the continuing memory of the Government of Canada and its institutions.

2. Significant assumptions

The future-oriented statement of operations has been prepared on the basis of the government priorities and the plans of Library and Archives Canada as described in the Report on Plans and Priorities.

The main assumptions are as follows:

- (a) The main activities will remain substantially the same as for the previous year.
- (b) Expenses and revenues, including the determination of amounts from internal and external sources 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 2010-2011 is used as the opening position for the 2011-2012 forecasts.

These assumptions were adopted as at March 15th, 2011.

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Notes to the Future-oriented Financial Statements (Unaudited)

For the Year Ended March 31

3. Variations and Changes to the Forecast Financial Information

While every attempt has been made to accurately forecast final results for the remainder of 2010-2011 and for 2011-2012, actual results achieved for both years are likely to vary from the forecast information presented, and this variation could be material.

In preparing these financial statements, Library and Archives Canada has made estimates and assumptions concerning the future. These estimates and judgements may differ from the subsequent actual results. Estimates and judgements 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:

- (a) The timing and amounts of acquisitions and disposals of property, plant and equipment may affect gains/losses and amortization expense.
- (b) Economic conditions may affect both the amount of revenue earned and the collectability of loan receivables.
- (c) Further changes to the operating budget through additional new initiatives or technical adjustments later in the year.

Once the Report on Plans and Priorities is presented, Library and Archives Canada will not be updating the forecasts for any changes to appropriations or forecast financial information made in ensuing supplementary estimates. Variances will be explained in the Departmental Performance Report.

4. Summary of Significant Accounting Policies

The future-oriented financial information has been prepared in accordance with the Treasury Board accounting policies stated below, which are based on Canadian generally accepted accounting principles for the public sector. The presentation and results using the stated accounting policies do not result in any significant differences from Canadian generally accepted accounting principles.

Significant accounting policies are as follows:

- (a) **Parliamentary authorities** – Library and Archives Canada is financed by the Government of Canada through Parliamentary authorities. Financial reporting of authorities provided to Library and Archives Canada 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 the 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) **Net Cash Provided by Government** – Library and Archives Canada operates within the Consolidated Revenue Fund (CRF), which is administered by the Receiver General for Canada. All cash received by Library and Archives Canada is deposited to the CRF and all cash disbursements made by Library and Archives Canada 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.

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Notes to the Future-oriented Financial Statements (Unaudited)

For the Year Ended March 31

- (c) **Amounts due from/to the CRF** – Amounts due from/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 Library and Archives Canada is entitled to draw from the CRF without further appropriations to discharge its liabilities.
- (d) **Revenues** are presented on an accrual basis:
- Sales of goods and information products are revenues from regulatory fees and are recognized in the accounts based on the services provided in the year.
 - Funds received from external parties for specified purposes are recorded upon receipt as deferred revenues. These revenues are recognized in the period in which the related expenses are incurred.
 - Other revenues are accounted for in the period in which the underlying transaction or event that gave rise to the revenue takes place.
- (e) **Expenses – are presented on an accrual basis:**
- Grants are recognized in the year in which the conditions for payment are met. In the case of grants which do not form part of an existing program, the expense is recognized when the Government announces a decision to make a non-recurring transfer, provided the enabling legislation or authorization for payment receives parliamentary approval prior to the completion of the financial statements.
 - Contributions are recognized in the year in which the recipient has met the eligibility criteria or fulfilled the terms of a contractual transfer agreement, provided that the transfer is authorized and a reasonable estimate can be made.
 - Vacation pay and compensatory leave are 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 and workers's compensation are recorded as operating expenses at their estimated cost.
- (f) **Employee future benefits**
- **Pension benefits:** Eligible employees participate in the Public Service Pension Plan, a multiemployer pension plan administered by the Government. Library and Archives Canada's contributions to the Plan are charged to expenses in the year incurred and represent the total of Library and Archives Canada obligation to the Plan. Current legislation does not require Library and Archives Canada to make contributions for any actuarial deficiencies of the Plan.
 - **ii) Severance benefits:** Employees are entitled to severance benefits under labour contracts or conditions of employment. These benefits are accrued as employees render the services necessary to earn them. The obligation relating to the benefits earned by employees is calculated using information derived from the results of the actuarially determined liability for employee severance benefits for the Government as a whole.

(g) Accounts receivables and advances

Accounts receivables and advances are stated at the lower of cost and net recoverable; a valuation allowance is recorded for receivables where recovery is considered uncertain.

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Notes to the Future-oriented Financial Statements (Unaudited)

For the Year Ended March 31

(h) Contingent liabilities

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

(i) 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. Library and Archives Canada does not capitalize intangibles, works of art and historical treasures that have cultural, aesthetic or historical value.

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	5-15 years
Informatics hardware	3-10 years
Informatics purchased and developed software	2-7 years
Other equipment, including furniture	5-10 years
Motor vehicles	3-15 years
Leasehold improvements	Lesser of the remaining term of lease or useful life of the improvement

Assets under construction are recorded in the applicable capital asset class in the year that they become available for use and are not amortized until they become available for use.

(j) Collections

The collections of Library and Archives Canada are presented on the Statement of Financial Position at a nominal value of \$1,000. Items purchased for the collections are recorded as an expense in the year of acquisition. Items collected from the Federal government are not recorded on the Statement of Financial Position.

LIBRARY AND ARCHIVES CANADA

Notes to the Future-oriented Financial Statements (Unaudited)

For the Year Ended March 31

5. Parliamentary Appropriations

The Department receives most of its funding through expenditure authorities provided by Parliament. Items recognized in the statement of operations and the statement of financial position in one year may be funded through Parliamentary authorities in prior, current or future years. Accordingly, the Department has different net results of operations for the year on a government funding basis than on an accrual accounting basis. The differences are reconciled in the following tables:

(a) Authorities requested

	Forecast 2012	Estimated 2011
	(in thousands of dollars)	
Authorities requested		
Vote 55	\$ 90,855	\$ 105,627
Vote 57	10,350	11,998
Statutory amounts	11,755	12,852
	112,960	130,477
Paylist Requirements	2,900	-
Changes in Employee Benefit Plan Expenses	670	-
Other forecast changes to Statutory amounts	207	-
Forecast authorities available	\$ 116,737	\$ 130,477

(b) Reconciliation of net cost of operations to requested authorities:

	Forecast 2012	Estimated 2011
	(in thousands of dollars)	
Net cost of operations	\$ 151,938	\$ 165,476
Adjustments for items affecting net cost of operations but not affecting authorities:		
<i>Add (Less):</i>		
Services provided without charge by other government departments	(48,053)	(48,363)
Amortization of tangible capital assets	(4,154)	(4,654)
Decrease in employee future benefits	500	-
Decrease in vacation pay and compensatory leave	250	-
Refunds of previous years' expenditures	25	36
Revenue not available for spending	112	112
Loss on disposal and write-down of tangible capital assets	(20)	(4,500)
	(51,340)	(57,369)
Adjustments for items not affecting net cost of operations but affecting authorities:		
<i>Add:</i> Acquisitions of tangible capital assets	13,350	6,670
Forecast lapse (eg. Operating, Frozen allotments)	2,789	15,700
Forecast authorities available	\$ 116,737	\$ 130,477

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Notes to the Future-oriented Financial Statements (Unaudited)

For the Year Ended March 31

6. Collections

Library and Archives Canada preserves the collective memory of the nation and of the Government of Canada and contributes to the protection of rights and the enhancement of a sense of national identity.

While the nominal valuation attributed to the collection in these Financial Statements is aligned with Canadian Public Sector reporting standards, this is not representative of the historical or market value of the collection. Although not capitalized like other assets such as buildings or equipment, these irreplaceable treasures have inestimable legal, evidentiary, cultural and, indeed, monetary value for Canadians now and for generations to come. These include documentary material transferred at no charge from government departments, publications received through Legal Deposit, materials purchased and donated materials for which receipts for tax purposes may have been issued.

7. Employee Benefits

- **Pension benefits:** The department's employees participate in the Public Service Pension Plan, which is sponsored and administered by the Government of Canada. Pension benefits accrue up to a maximum period of 35 years at a rate of 2 percent per year of pensionable service, times the average of the best five consecutive years of earnings. The benefits are integrated with Canada/Québec Pension Plans benefits and they are indexed to inflation.

Both the employees and the department contribute to the cost of the Plan. The forecast expenses are \$8,059,295 in 2010-2011 and \$8,970,850 in 2011-2012, representing approximately 2.0 times the contributions of employees.

The department's responsibility with regard to the Plan is limited to its contributions. Actuarial surpluses or deficiencies are recognized in the financial statements of the Government of Canada, as the Plan's sponsor.

- **Severance benefits:** The department provides severance benefits to its employees based on eligibility, years of service and final salary. These severance benefits are not pre-funded. Benefits will be paid from future appropriations. Information about the severance benefits, estimated as at the date of these statements, is as follows:

	Forecast 2012	Estimated Results 2011
	(in thousands of dollars)	
Accrued benefit obligation, beginning of year	\$ 15,990	\$ 15,990
Expense for the year	1,073	1,062
Benefits paid during the year	(1,572)	(1,062)
Accrued benefit obligation, end of year	<u>\$ 15,491</u>	<u>\$ 15,990</u>

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For the Year Ended March 31

8. Related party transactions

Library and Archives Canada is related as a result of common ownership to all Government departments, agencies, and Crown corporations. Library and Archives Canada enters into transactions with these entities in the normal course of business and on normal trade terms. In addition, during the year, Library and Archives Canada received common services which were obtained without charge from other Government departments as disclosed below.

(a) Services provided without charge to Library and Archives Canada:

During the year Library and Archives Canada received services without charge from certain common service organizations, related to accommodation, the employer's contribution to the health and dental insurance plans and workers' compensation coverage. These services provided without charge have been recorded in Library and Archives Canada's Statement of Operations as follows:

	Forecast	Estimated
	2012	Results
	<u>2012</u>	<u>2011</u>
	(in thousands of dollars)	
Accommodation	\$ 42,227	\$ 42,227
Employer's contribution to the health and dental insurance plans	5,787	6,095
Workers' compensation	<u>39</u>	<u>41</u>
	<u>\$ 48,053</u>	<u>\$ 48,363</u>

The Government has structured some of its administrative activities for efficiency and cost-effectiveness purposes so that one department performs these on behalf of others without charge. The costs of these services, which include payroll and cheque issuance services provided by Public Works and Government Services Canada (PWGSC) and audit services provided by the Office of the Auditor General, are not included as an expense in Library and Archives Canada's Statement of Operations. Similarly, Library and Archives Canada manages records in all media on behalf of more than 90 federal government organizations across the country.

(b) Other transactions with related parties:

	Forecast	Estimated
	2012	Results
	<u>2012</u>	<u>2011</u>
	(in thousands of dollars)	
Expenses - Other Government departments and agencies	\$ 15,002	\$ 14,507
Revenues - Other Government departments and agencies	74	73

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Notes to the Future-oriented Financial Statements (Unaudited)

For the Year Ended March 31

9. Forecast Expenses and Revenues

The following table presents details of forecast expenses and revenues by category :

	Forecast 2012	Estimated Results 2011
	(in thousands of dollars)	
Transfer payments to non profit organizations	<u>\$ 1,746</u>	<u>\$ 1,744</u>
Operating expenses		
Salary and employee benefits	88,501	90,429
Accommodation	42,227	42,227
Professional and special services	7,040	9,846
Amortization of tangible capital assets (note 5)	4,154	4,654
Rental costs	2,022	2,722
Utilities, materials and supplies	1,206	1,806
Communication services	1,391	1,641
Repair and maintenance	1,365	2,752
Acquisition of machinery and equipment	1,623	2,475
Travel	757	758
Other	416	430
Loss on disposal and write-down of tangible assets	20	4,500
Total operating expenses	<u>150,722</u>	<u>164,240</u>
Total expenses	<u>152,468</u>	<u>165,984</u>
Revenues		
Sales of goods and information products	375	365
Gain on disposal of non-capital assets	100	90
Other	55	53
Total revenues	<u>530</u>	<u>508</u>
Net Cost of Operations	<u>\$ 151,938</u>	<u>\$ 165,476</u>

10. Comparative information

Comparative figures have been reclassified to conform to the current year's presentation. In 2011-12, Library and Archives Canada will adopt a new Program Activity Architecture. The information presented in these forecasted financial statements is based on this new architecture. However, since the available historical financial information does not allow for the preparation of forecasted expenses by category for this new architecture, the segmented information is not presented in these financial statements.