

NATIONAL CAPITAL COMMISSION  
COMMISSION DE LA CAPITALE NATIONALE

**QUARTERLY FINANCIAL REPORT FOR THE PERIOD  
ENDED SEPTEMBER 30, 2017**

Canada

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**NATIONAL CAPITAL COMMISSION  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE SIX MONTH PERIOD ENDED 30 SEPTEMBER 2017**

The six month period ended 30 September 2017 resulted in a net surplus of \$2.6 million. The variance is mainly due to timing differences with respect to the receipt and use of government appropriations and other revenue sources. Investments in capital assets were consistent with plan.

**A. Year-Over-Year Results Analysis**

Revenues increased by \$5.0 million, or 26.3% compared to the same period last year. The favorable variance resulted from a \$3.3 million increase in recoveries and a \$1.1 million increase from other revenue sources as outline below:

- Rental operations and easements were in-line with last year at \$11.7 million;
- User Access Fees increased by \$0.3 million, or 20.9% to \$1.7 million;
- Headquarter sublease were in-line with last year at \$1.1 million;
- Interest revenues were in-line with last year at \$0.9 million;
- Recoveries increased by \$3.3 million to \$6.9 million, primarily the result of funding installments recognized for a commemoration monument and other projects;
- Monetary sponsorships increased to \$0.2 million; and
- Other revenues increased by \$1.1 million to \$1.5 million primarily related to a Rideau Hall project administration fees.

Operating Expenses increased by \$6.3 million, or 10.7%, compared to the same period last year. The results by Program were as follows:

- Capital Stewardship and Protection increased by \$5.3 million, or 12.4%, to \$47.9 million, primarily due to the a commemoration monument project and rehabilitation projects.
- Capital Planning increased by \$0.3 million, or 21.0%, to \$1.9 million due to increased salary and benefits in support of the Canada's sesquicentennial celebrations.
- Internal Services increased by \$0.8 million, or 4.9% to \$16.1 million.

Funding from the Government of Canada through Parliamentary Appropriations increased by \$2.7 million, or 6.4%, compared to the same period last year.

The results by main categories of appropriations were as follows:

- Appropriations for Operating Expenditures increased by \$2.0 million, or 6.9%, to \$31.6 million as a result of timing differences related to the receipt and use of appropriations.
- Appropriations for Capital Expenditures increased by \$0.6 million, an increase of 5.2% to \$12.8 million.

For the six month period ended 30 September 2017, there was a \$2.6 million surplus, compared to the \$1.3 million surplus for the same period last year. The variance was primarily due to timing differences related to the receipt and use of government appropriations and other revenue sources received in 2017-18.

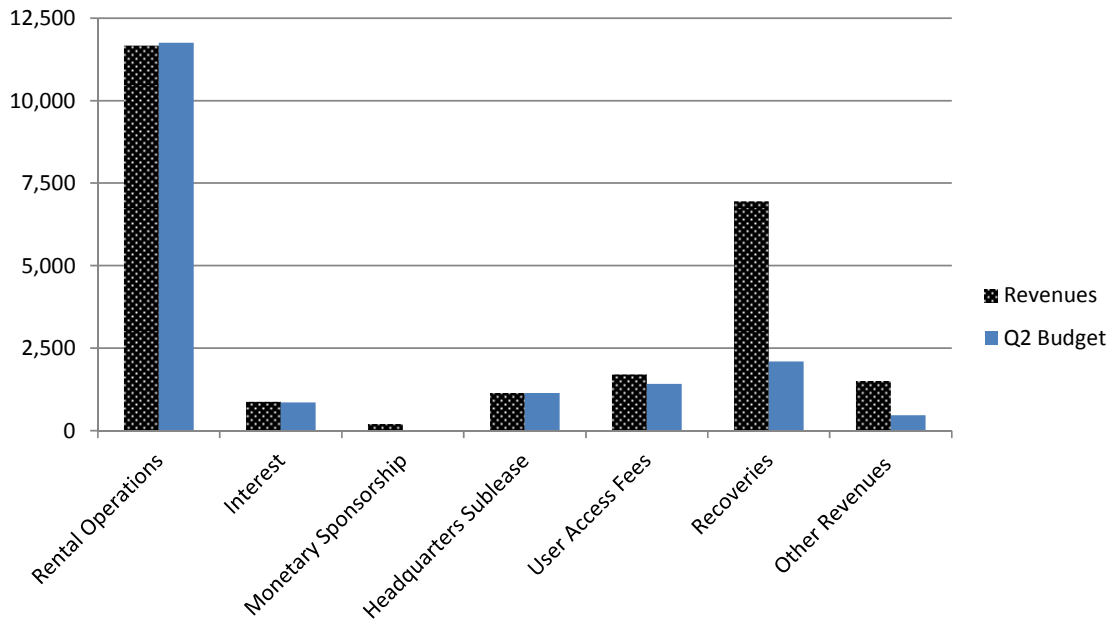
**B. Budgetary Analysis**

The revenue budget for the 2017-2018 fiscal year includes non-recurring items such as the recovery of various projects and commemorations, with \$7.1 million recognized by the end of the second quarter, however \$2.6 million represents recoveries for a commemoration monument from the preceding year. As a result, non-

recurring revenues are at 229% of the annual budget. Recurring revenues total \$16.9 million and have achieved 52% of the annual budget as at 30 September 2017.

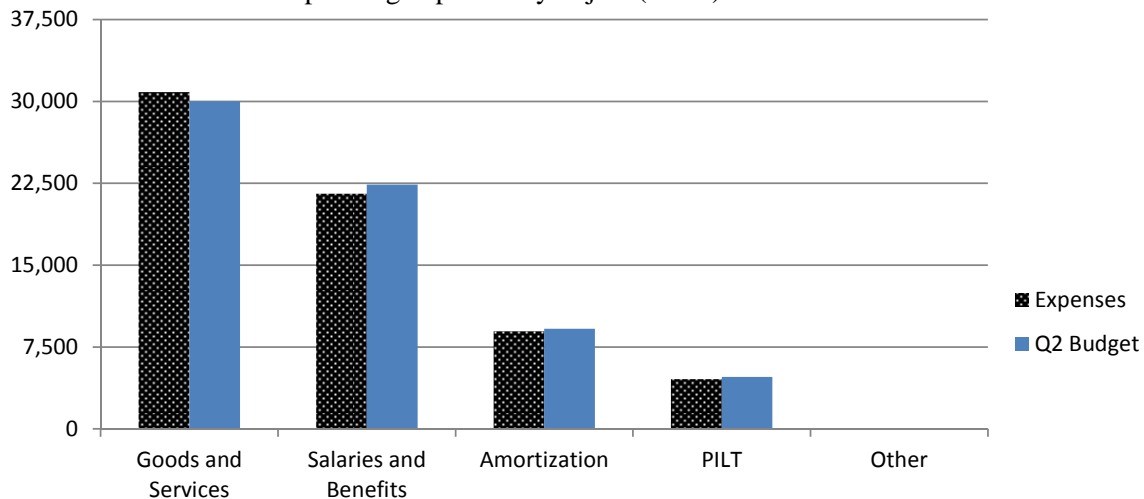
The following chart illustrates Revenues and the Q2 Budget. Notably, recoveries and other revenues are trending higher than the budget, due to the unplanned receipt of funding installments for commemoration monuments and various project contributions.

Revenues by type (000's)



The following chart illustrates operating expenses totalling \$65.9 million and the Q2 Budget of \$66.3 million. The variances are due primarily to timing differences versus plan as follows: the timing of expenses regarding the construction of a commemoration monument and operational projects as well as the reprofiling of a \$2.3 million to 2019-2020 for the Federal Contaminated Site Action Plan (FCSAP) Bayview project. Salaries show a favorable variance to date of \$0.8 million due to vacancies compared to the Q2 Budget.

Operating expenses by object (000's)



### C. Use of Parliamentary Appropriations

The NCC receives its funding and revenues from a number of sources: parliamentary appropriations, rental operations and easements, investment revenues, user access fees, cost recoveries, net gain on disposals of tangible capital assets and other revenues. The NCC draws down its parliamentary appropriations according to cash flow projections provided to the Minister of Canadian Heritage. As the nature of expenditures are not constrained by source of funding, direct matching of appropriations received and receivable to specific use is not applicable.

The NCC received \$44.4 million, or 48.4% of its budgeted funding for Appropriations for the period ended 30 September 2017. Parliamentary appropriations drawdowns are based on forecasted cash flow expenditures. The following illustrates the forecast of the Parliamentary Appropriations by Vote.

NCC Parliamentary Appropriations by vote (000's)

Vote	Annual Budget	Gov't Apps Recognized	% Recognized	Planned Supplementary Estimates	Forecast to March 2018
Operational Vote	67,591	31,606	46.8%	-	35,985
Supplementary Estimates	-	-	-	(2,236)	(2,236)
<i>sub-total</i>	67,591	31,606	46.8%	(2,236)	33,749
Capital Vote	24,305	12,840	52.8%	-	11,465
Supplementary Estimates	-	-	-	(805)	(805)
<i>sub-total</i>	24,305	12,840	52.8%	(805)	10,660
<b>Total</b>	<b>91,896</b>	<b>44,446</b>	<b>48.4%</b>	<b>(3,041)</b>	<b>44,409</b>

Additional details on the parliamentary appropriations can be found in the NCC's Quarterly Financial Statements at 30 September 2017 (Note 10).

### D. Capital Expenditure

Investments by main categories of Capital Expenditures were as follows:

- Roads and bridges investments were \$0.7 million, or 19.8% of the budget;
- Historical properties were \$7.2 million, or 198.5% of the budget;
  - This is mainly due to the extensive work done for the Rideau Hall Forecourt and the O'Brien House, both deferred from 2015-2016;
- Rental properties were \$1.4 million, or 44.7% of the budget;
  - This includes project work on the redevelopment of 7 Clarence Street;
- Development properties were \$0.5 million, or 114.7% of the budget;
- Green assets were \$1.7 million, or 27.3% of the budget;
- Other projects were \$1.1 million, or 14.9% of budget;
  - This primarily includes project management costs;
- Equipment expenditures were \$0.2 million, or 27.0% of the budget; and,
- Real property acquisitions of \$1.5 million were completed during the period (annual budget: \$3 million).

## **E. Risk Analysis**

The NCC has adopted an enterprise risk management framework, which formalizes the corporation's approach to managing risks. This framework is applied to decision making, project management and planning. Enterprise risk management is integrated into the NCC's planning and reporting cycle through a risk profile exercise, which helps to identify the key corporate risks and corresponding risk response measures for the planning period. Corporate risks are linked directly to the organization's performance and risk trends, and the effectiveness of risk response measures are reported to the board of directors each quarter.

As part of the annual risk identification exercise for the corporate risk profile, four interrelated key corporate risks were identified as having the most significant potential impact on the NCC during the planning period.

### **Financial Capacity**

In a financially challenging business environment, there is a risk that the NCC will be unable to maintain sufficient levels of resources in order to effectively manage and maintain its assets, and deliver on its priorities. As part of its measures to respond to financial capacity risks, the NCC will undertake the following:

- continue to implement process improvements and business optimization;
- evaluate the ideal use of available resources to deliver priorities;
- address the deferred maintenance shortfall for assets and life cycle management funding gaps through a funding request to ensure that assets are properly maintained; and
- implement plans to increase revenues and optimize lands.

### **Human Resource Capacity**

In an increasingly competitive labour market, there is a risk that the NCC will be unable to recruit, train and retain a skilled and diverse workforce in order to effectively lead and deliver the corporation's activities.

As part of its measures to respond to human resource capacity risks, the NCC will undertake the following:

- enhance human resource planning and monitoring to recruit, manage and retain a talented workforce;
- ensure that the workforce is representative of the Canadian population;
- implement tools to retain corporate memory;
- provide training and development in alignment with employee learning needs and succession planning objectives; and
- develop and implement strategies to improve employee workload, as well as working conditions and environment.

### **Influence and Reputation**

Collaboration and obtaining buy-in are essential to realize a shared vision for Canada's Capital Region. There is a risk that the NCC will be unable to exert sufficient influence in the region, and therefore be unable to secure the necessary support to accomplish federal objectives. The NCC's reputation also affects its influence with stakeholders, partners and the public.

As part of its measures to respond to influence and reputational risks, the NCC will undertake the following:

- continue to ensure public and stakeholder engagement and to implement strong and proactive communications;
- ensure proactive influence in urban planning, development and capital projects;
- continue proactive media engagement and relations;
- engage and leverage strategic partnerships and networks, including the board of directors and the mayors of Ottawa and Gatineau, to advance NCC and regional objectives;
- continue to advance openness and transparency objectives;
- continue to monitor and track the NCC's reputation; and
- remain attuned to user needs, and streamline processes in order to provide client services that are aligned with achieving corporate excellence.

### **Safety and Security**

Safety and security have become important government priorities, and are of utmost importance for the NCC in carrying out its mandate. There is a risk that the NCC will be unable to ensure the safety and security of its lands and assets and their users, as well as its operations and employees.

As part of its measures to respond to safety and security risks, the NCC will undertake the following:

- continue to undertake regular inspections of lands and assets;
- ensure that corporate security and workplace health and safety policies and procedures are up-to-date;
- ensure that business continuity and disaster recovery plans are in place and up-to-date;
- determine critical infrastructure assets and ensure that threat and risk assessments are undertaken;
- maintain and manage up-to-date and relevant IT security infrastructure, and provide employee security awareness training; and
- continue to participate in the Government of Canada's security planning initiatives and committees.

### **F. Significant Changes Related to Operations, Personnel and Programs**

No significant changes with regard to NCC operations, personnel or programs occurred during the three month period ended 30 September 2017.

# Unaudited Financial Statements

## For the six months ended September 30, 2017

### Statement of Management Responsibility

Management is responsible for the preparation and fair presentation of these quarterly financial statements in accordance with the Treasury Board of Canada Standard on Quarterly Financial Reports for Crown Corporations, and for such internal controls as management determines is necessary to enable the preparation of quarterly financial statements that are free from material misstatement. Management is also responsible for ensuring that all other information contained in the quarterly financial report is consistent, where appropriate, with the quarterly financial statements.

Based on our knowledge, these unaudited quarterly financial statements present fairly, in all material respects, the financial position, results of operations and cash flows of the corporation as at the date of, and for the periods presented in, the quarterly financial statements.



Dr. Mark Kristmanson  
Chief Executive Officer



Michel Houle, CPA, CMA  
Executive Director, Corporate Services and  
Chief Financial Officer

Ottawa, Canada  
November 22, 2017



**NATIONAL CAPITAL COMMISSION**  
**STATEMENT OF FINANCIAL POSITION (UNAUDITED)**  
(in thousands of dollars)

	September 30, 2017	March 31, 2017
<b>FINANCIAL ASSETS</b>		
Cash and cash equivalents (Note 3)	76,996	82,541
Restricted cash and cash equivalents - light rail transit (Note 4)	63,466	63,105
Accounts receivable		
Federal government departments and agencies	6,960	5,837
Others	4,268	5,265
Investments (Note 3)	18,862	19,114
	<b>170,552</b>	<b>175,862</b>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities		
Federal government departments and agencies	1,875	1,879
Others	19,009	19,908
Light rail transit (Note 4)	59,521	59,583
Provision for environmental cleanup	50,566	50,831
Deferred revenue (Note 5)	14,842	16,355
Employee future benefits (Note 6)	8,729	8,921
Other liabilities (Note 7)	7,999	7,358
	<b>162,541</b>	<b>164,835</b>
<b>NET FINANCIAL ASSETS</b>	<b>8,011</b>	<b>11,027</b>
<b>NON-FINANCIAL ASSETS</b>		
Tangible capital assets (Note 8)	632,561	627,107
Prepaid expenses	2,763	2,522
Other non-financial assets	1,305	1,394
	<b>636,629</b>	<b>631,023</b>
<b>ACCUMULATED SURPLUS</b>	<b>644,640</b>	<b>642,050</b>

The notes are an integral part of the financial statements.

**NATIONAL CAPITAL COMMISSION**  
**STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS (UNAUDITED)**  
(in thousands of dollars)

	2017-2018 Annual Budget (Note 2)	Three months ended September 30		Six months ended September 30	
		2017	2016	2017	2016
<b>REVENUES</b>					
Rental operations and easements	23,504	5,906	5,701	11,672	11,555
Interest	1,703	459	444	872	872
Monetary Sponsorship	-	105	80	196	80
Headquarters sublease	2,277	569	570	1,139	1,114
User access fees	2,843	980	899	1,704	1,410
Recoveries	4,185	4,424	2,913	6,947	3,611
Other revenues	923	429	231	1,504	383
	<b>35,435</b>	<b>12,872</b>	<b>10,838</b>	<b>24,034</b>	<b>19,025</b>
<b>EXPENSES (Note 9)</b>					
Capital Planning	5,372	972	831	1,935	1,602
Capital Stewardship and Protection	88,417	24,868	22,489	47,880	42,614
Internal Services	35,713	7,779	7,595	16,075	15,321
	<b>129,502</b>	<b>33,619</b>	<b>30,915</b>	<b>65,890</b>	<b>59,537</b>
<b>Deficit before funding from the Government of Canada</b>	<b>(94,067)</b>	<b>(20,747)</b>	<b>(20,077)</b>	<b>(41,856)</b>	<b>(40,512)</b>
<b>Funding from the Government of Canada</b>					
Parliamentary appropriations for operating expenditures (Note 10)	67,591	15,717	15,115	31,606	29,577
Parliamentary appropriations for tangible capital assets (Note 10)	24,305	9,087	8,116	12,840	12,209
	<b>91,896</b>	<b>24,804</b>	<b>23,231</b>	<b>44,446</b>	<b>41,786</b>
<b>Surplus for the period</b>	<b>(2,171)</b>	<b>4,057</b>	<b>3,154</b>	<b>2,590</b>	<b>1,274</b>
<b>Accumulated surplus at beginning of the period</b>	<b>645,106</b>	<b>640,583</b>	<b>646,226</b>	<b>642,050</b>	<b>648,106</b>
<b>Accumulated surplus at end of the period</b>	<b>642,935</b>	<b>644,640</b>	<b>649,380</b>	<b>644,640</b>	<b>649,380</b>

The notes are an integral part of the financial statements.

**NATIONAL CAPITAL COMMISSION**  
**STATEMENT OF CHANGE IN NET FINANCIAL ASSETS (UNAUDITED)**  
(in thousands of dollars)

	2017-2018 Annual budget (Note 2)	Three months ended September 30		Six months ended September 30	
		2017	2016	2017	2016
<b>Surplus for the period</b>	<b>(2,171)</b>	<b>4,057</b>	<b>3,154</b>	<b>2,590</b>	<b>1,274</b>
Acquisition and improvements of tangible capital assets (Note 8)	(25,890)	(6,372)	(8,202)	(14,405)	(11,821)
Amortization of tangible capital assets (Note 8)	18,924	4,474	4,335	8,947	8,464
Net loss on disposal of tangible capital assets	-	4	-	4	2
	<b>(6,966)</b>	<b>(1,894)</b>	<b>(3,867)</b>	<b>(5,454)</b>	<b>(3,355)</b>
Change in prepaid expenses	1,151	1,990	2,113	(241)	(4,959)
Change in other non-financial assets	177	45	44	89	89
	<b>1,328</b>	<b>2,035</b>	<b>2,157</b>	<b>(152)</b>	<b>(4,870)</b>
<b>Increase (Decrease) in net financial assets</b>	<b>(7,809)</b>	<b>4,198</b>	<b>1,444</b>	<b>(3,016)</b>	<b>(6,951)</b>
<b>Net financial assets at beginning of the period</b>	<b>(4,805)</b>	<b>3,813</b>	<b>26,635</b>	<b>11,027</b>	<b>35,030</b>
<b>Net financial assets at end of the period</b>	<b>(12,614)</b>	<b>8,011</b>	<b>28,079</b>	<b>8,011</b>	<b>28,079</b>

The notes are an integral part of the financial statements.

**NATIONAL CAPITAL COMMISSION**  
**STATEMENT OF CASH FLOWS (UNAUDITED)**  
(in thousands of dollars)

	Three months ended		Six months ended	
	September 30		September 30	
	2017	2016	2017	2016
<b>OPERATING ACTIVITIES</b>				
Cash receipts from parliamentary appropriations				
for operating expenditures	15,718	20,441	32,103	33,559
Cash receipts from rental operations and easements	4,757	5,597	10,038	12,389
Cash receipts from other operations	5,065	2,925	10,033	5,930
Cash paid to suppliers	(17,371)	(14,288)	(35,060)	(33,932)
Cash paid to employees	(9,461)	(8,887)	(21,764)	(19,008)
Interest received	362	393	985	1,021
Disbursements related to the management and remediation of sites	(550)	(142)	(658)	(396)
<b>Cash flows provided (used) by operating activities</b>	<b>(1,480)</b>	<b>6,039</b>	<b>(4,323)</b>	<b>(437)</b>
<b>CAPITAL ACTIVITIES</b>				
Cash receipts from parliamentary appropriations				
for tangible capital assets	9,087	10,388	13,230	13,481
Acquisition and improvements of tangible capital assets	(7,519)	(2,750)	(14,489)	(7,834)
Proceeds from disposal of tangible capital assets	1	-	1	-
Disbursements for environmental cleanup	(57)	(348)	(61)	(349)
<b>Cash flows provided (used) by capital activities</b>	<b>1,512</b>	<b>7,290</b>	<b>(1,319)</b>	<b>5,298</b>
<b>INVESTING ACTIVITIES</b>				
Cash receipts for the light rail transit project	204	158	361	315
Disbursements for investments purchased	(445)	(261)	(445)	(402)
Cash receipts from investments sold	542	203	542	203
<b>Cash flows provided by investing activities</b>	<b>301</b>	<b>100</b>	<b>458</b>	<b>116</b>
<b>Increase (Decrease) in cash and cash equivalents</b>	<b>333</b>	<b>13,429</b>	<b>(5,184)</b>	<b>4,977</b>
<b>Cash and cash equivalents at beginning of the period</b>	<b>140,129</b>	<b>146,661</b>	<b>145,646</b>	<b>155,113</b>
<b>Cash and cash equivalents at end of the period</b>	<b>140,462</b>	<b>160,090</b>	<b>140,462</b>	<b>160,090</b>
<b>Represented by:</b>				
<b>Cash and cash equivalents</b>	<b>76,996</b>	<b>97,299</b>	<b>76,996</b>	<b>97,299</b>
<b>Restricted cash and cash equivalents - Light rail transit</b>	<b>63,466</b>	<b>62,791</b>	<b>63,466</b>	<b>62,791</b>
	<b>140,462</b>	<b>160,090</b>	<b>140,462</b>	<b>160,090</b>

The notes are an integral part of the financial statements.

## NOTES TO THE QUARTERLY FINANCIAL STATEMENTS (UNAUDITED)

For the period ended September 30, 2017

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### 1. Authority and Objectives

The National Capital Commission (NCC) was established in 1959 by the *National Capital Act* (1958) as an agent Crown corporation without share capital, named in Part I of Schedule III of the *Financial Administration Act*, and is not subject to the requirements of the *Income Tax Act*. The objects and purposes of the NCC, as stated in the amended *National Capital Act* (2013) are to prepare plans for and assist in the development, conservation and improvement of the National Capital Region in order that the nature and character of the seat of the Government of Canada may be in accordance with its national significance.

The NCC is also responsible for the management and maintenance of the tangible capital assets of the official residences located in the National Capital Region. The corporation created the Canadiana Fund to encourage Canadians to participate in the enhancement of the state areas of the official residences through public donations of furnishings, paintings and works of art, or the funds to purchase them. Pieces are selected to reflect Canada's heritage, artistic traditions and historical associations, or to complement the architectural style of a particular residence.

During 2015, the corporation was issued a directive (P.C. 2015-1106) pursuant to Section 89 of the *Financial Administration Act* to align its travel, hospitality, conference and event expenditure policies, guidelines and practices with Treasury Board policies. The NCC met the requirements of the directive in 2015-2016.

### 2. Significant Accounting Policies

#### BASIS OF ACCOUNTING

These financial statements have been prepared in accordance with the Canadian Public Sector Accounting Standards (PSAS) established by the Public Sector Accounting Board (PSAB), and reflect the policies below.

These quarterly financial statements should be read in conjunction with the annual audited financial statements dated March 31, 2017, as well as with the financial statements of the first quarter.

Both financial and non-financial assets are reported on the Statement of Financial Position. Non-financial assets are normally utilized to provide future services, and are expensed through amortization or upon utilization. Non-financial assets are not included in the determination of net financial assets, but are added to the net financial assets in determining the accumulated surplus.

Intangibles asset are not recognized in the financial statements.

#### Measurement Uncertainty

The preparation of financial statements in accordance with PSAS requires management to make estimates and assumptions that affect the reported values of financial assets, liabilities and non-financial assets at the date of the financial statements,

## NOTES TO THE QUARTERLY FINANCIAL STATEMENTS (UNAUDITED)

For the period ended September 30, 2017

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and the reported amounts of revenue and expenses for the reporting period. Estimated useful lives of tangible capital assets, unsettled land exchange, provision for environmental cleanup, employee future benefits, writedowns of tangible capital assets and the recognition of contingent liabilities are the most significant items for which estimates are used. Actual results could differ materially from those estimates.

### Budget Figures

The 2017-2018 budget figures, as presented in the *2017-2018 to 2021-2022 Corporate Plan*, are included, as appropriate, in the Statement of Operations and Accumulated surplus and the Statement of Change in Net Financial Assets.

### 3. Cash and Cash Equivalents and Investments

The NCC's policy is to invest excess cash in guaranteed investment certificates, bankers' acceptances, guaranteed notes, term deposits, and securities of the Government of Canada, provincial or municipal governments. These types of investments are purchased from a member of the Canadian Payments Association and are redeemable on short notice.

#### A. CASH AND CASH EQUIVALENTS

As at September 30, 2017, cash and cash equivalents include \$77.0 million (\$82.5 million as at March 31, 2017) in cash, invested at a weighted average interest rate of 1.3 percent (1.1 percent as at March 31, 2017).

#### B. INVESTMENTS

As at September 30, 2017, the long-term portfolio of investments includes bonds of provincial governments, totalling \$18.9 million (\$19.1 million as at March 31, 2017) invested at a weighted average interest rate of 3.8 percent (3.7 percent as at March 31, 2017).

(in thousands of dollars)	September 30, 2017		March 31, 2017	
	Cost	Quoted Market Value	Cost	Quoted Market Value
Provincial governments	18,862	19,525	19,114	20,241
	<b>18,862</b>	<b>19,525</b>	<b>19,114</b>	<b>20,241</b>

#### C. DESIGNATED FUNDS

As at September 30, 2017, cash and cash equivalents include \$33.5 million (\$37.1 million as at March 31, 2017) in designated funds whose use is designated or limited for the sole purpose for which they have been segregated.

## NOTES TO THE QUARTERLY FINANCIAL STATEMENTS (UNAUDITED)

For the period ended September 30, 2017

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### 4. Light Rail Transit

The following table includes amounts received at September 30, 2017 as well as the interest earned for the period. Interest of \$0.4 million (\$0.3 million as at September 30, 2016) has been recorded and included in the Financial assets under “Restricted cash and cash equivalents - light rail transit” and under the “Light rail transit” liability.

The “Restricted cash and cash equivalents - light rail transit” under Financial assets are composed of the following.

(in thousands of dollars)

	March 31, 2017	Interest	September 30, 2017
Security deposit	51,519	295	<b>51,814</b>
Performance deposit	11,586	66	<b>11,652</b>
<b>Total</b>	<b>63,105</b>	<b>361</b>	<b>63,466</b>

As at September 30, 2017, the NCC recognized revenues totalling \$0.4 million (\$0.4 million as at September 30, 2016) as it continues to provide the City access to the light rail transit properties for a defined period of time. The “Light rail transit” totals \$59.5 million (\$59.6 million as at March 31, 2017).

### 5. Deferred revenue

Deferred revenues are composed of the following.

(in thousands of dollars)

	September 30, 2017	March 31, 2017
Deferred rental revenues	7,514	7,920
Deferred easement and license of occupation revenues	5,240	5,192
Other deferred revenues	2,088	3,243
	<b>14,842</b>	<b>16,355</b>

The deferred rental revenue is primarily the present value of the minimum future lease payments that the NCC has collected under of three different land lease agreements. The present value for the current agreements was determined using discount rates of 4.27 percent, 6.01 percent and 6.5 percent. This deferred rental revenue will be recognized in income over the term of the lease agreements, which have different termination dates extending to 2068.

## NOTES TO THE QUARTERLY FINANCIAL STATEMENTS (UNAUDITED)

For the period ended September 30, 2017

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### 6. Employee Future benefits

As at the Statement of Financial Position date, information relating to NCC benefits plans other than the pension plan is as follows.

(in thousands of dollars)

	September 30, 2017	March 31, 2017
Accrued benefit obligation, beginning of the period	8,921	4,551
Cost for the period	(87)	4,596
Benefits paid during the period	(105)	(226)
Accrued benefit obligation, end of the period	<b>8,729</b>	<b>8,921</b>

#### i. Severance and Workers' Compensation Benefits

Severance benefits ceased to accumulate when the new collective agreement was signed in February 2013. As at September 30, 2017, the severance benefit totals \$1.7 million (\$1.7 million as at March 31, 2017) and represents the obligation for employees who delayed payment until the time of termination.

The NCC provides workers' compensation benefits, based on benefits determined by the Workplace Safety and Insurance Board of Ontario. The value of the accrued obligation for workers' compensation is determined using actuarial data from the Workplace Safety and Insurance Board of Ontario.

These benefit plans are not pre-funded and thus have no assets, resulting in a plan deficit equal to the accrued benefit obligation. Benefits will be paid from the NCC's future appropriations and other sources of revenue.

#### ii. Sick Leave Benefits

The accrued sick leave obligation totals \$5.9 million as at September 30, 2017 (\$5.9 million as at March 31, 2017). The NCC has recorded an obligation related to sick leave benefits for its employees. The NCC uses an actuarial valuation to determine the value of its sick leave benefits. The estimated average remaining service period for employees is 12 years.

The key assumptions used in the actuarial evaluation include a discount rate of 2.3 percent, as well as an economic wage increase rate of 2.2 percent for 2017 and 2.6 percent thereafter. Included in the sick leave obligations is a non-amortized actuarial gain of \$0.5 million.



## NOTES TO THE QUARTERLY FINANCIAL STATEMENTS (UNAUDITED)

For the period ended September 30, 2017

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### 7. Other Liabilities

Other liabilities are composed of the following.

(in thousands of dollars)

	September 30, 2017	March 31, 2017
Deferred rent inducement <sup>1</sup>	6,806	6,168
Unsettled land exchange <sup>2</sup>	1,000	1,000
Unsettled expropriation <sup>3</sup>	193	190
	<b>7,999</b>	<b>7,358</b>

1. The deferred rent inducement represents the balance of \$0.3 million from the original lease plus the deferred rent inducement for the new lease of \$4.6 million. In addition, \$1.9 million represents the difference in rates paid on the two leases.

2. The unsettled land exchange will be completed when the third parties involved in the exchange are ready to receive the goods and/or services under the agreement.

3. The unsettled expropriation is payable on demand.

## NOTES TO THE QUARTERLY FINANCIAL STATEMENTS (UNAUDITED)

For the period ended September 30, 2017

### 8. Tangible Capital Assets

(in thousands of dollars)

	COST				ACCUMULATED AMORTIZATION				September 30, 2017 Net Book Value	March 31, 2017 Net Book Value
	Opening Balance	Acquisitions	Disposals / Adjustments	Closing Balance	Opening Balance	Amortization expense	Disposals / Adjustments	Closing Balance		
Land <sup>1</sup>	305,896	1,510	-	307,406	-	-	-	-	307,406	305,896
Buildings and Infrastructure <sup>2</sup>	762,927	12,505	610	774,822	450,676	8,094	606	458,164	316,658	312,251
Leasehold improvements <sup>2</sup>	12,304	51	-	12,355	9,720	217	-	9,937	2,418	2,584
Equipment <sup>2</sup>	18,953	339	42	19,250	12,577	636	42	13,171	6,079	6,376
	<b>1,100,080</b>	<b>14,405</b>	<b>652</b>	<b>1,113,833</b>	<b>472,973</b>	<b>8,947</b>	<b>648</b>	<b>481,272</b>	<b>632,561</b>	<b>627,107</b>

1. The land cost includes \$0.2 million (\$0.2 million as at 31 March 2017) of unsettled expropriation and land exchange.

2. The total cost of buildings and infrastructure, leasehold improvements and equipment include \$40.4 million (\$27.7 million as at March 31, 2017) of construction in progress. When completed, the cost of these projects will be amortized on the basis on their estimated useful life.

3. As at September 30 2017, no asset held for sale was disclosed seperately (none as at March 31, 2017).

## NOTES TO THE QUARTERLY FINANCIAL STATEMENTS (UNAUDITED)

For the period ended September 30, 2017

### 9. Expenses by Object

The following provides a summary of expenses by object.

(in thousands of dollars)	2017-2018 Annual Budget (Note 2)	Three months ended September 30		Six months ended September 30	
		2017	2016	2017	2016
Goods and services	57,284	16,251	14,601	30,843	27,688
Salaries and employee benefits	43,790	10,720	9,536	21,546	18,668
Amortization	18,924	4,474	4,335	8,947	8,464
Payments in lieu of municipal taxes	9,504	2,170	2,443	4,550	4,715
Net loss on disposal of tangible capital assets	-	4	-	4	2
	<b>129,502</b>	<b>33,619</b>	<b>30,915</b>	<b>65,890</b>	<b>59,537</b>

Antiques, works of art and monuments acquired or built by the NCC and those donated to the Canadiana Fund or the NCC are not recorded as tangible capital assets but are recorded as expenses and are included in "Goods and services." For the period ended September 30, 2017, the value of antiques, works of art and monuments totalled \$2.7 million (\$3.0 million as at September 30, 2016).

### 10. Parliamentary Appropriations

(in thousands of dollars)

	Three months ended September 30		Six months ended September 30	
	2017	2016	2017	2016
<b>Parliamentary appropriations for operating expenditures<sup>1</sup></b>				
Amount received during the period	15,717	20,441	31,606	34,903
Amount received in advance during the period	-	(5,326)	-	(5,326)
	<b>15,717</b>	<b>15,115</b>	<b>31,606</b>	<b>29,577</b>
<b>Parliamentary appropriations for tangible capital assets<sup>2</sup></b>				
Amount received during the period	9,087	10,388	12,840	14,481
Amount received in advance during the period	-	(2,272)	-	(2,272)
	<b>9,087</b>	<b>8,116</b>	<b>12,840</b>	<b>12,209</b>
<b>Parliamentary appropriations approved and recorded during the period</b>	<b>24,804</b>	<b>23,231</b>	<b>44,446</b>	<b>41,786</b>

1. As at September 30, 2017 and 2016, the amounts approved for the years ending March 31, 2018 and 2017 totaled \$67.6 million and \$66.4 million, respectively.

2. As at September 30, 2017 and 2016, the amounts approved for the years ending March 31, 2018 and 2017 totaled \$24.3 million and \$22.4 million, respectively.