

NATIONAL CAPITAL COMMISSION

QUARTERLY FINANCIAL REPORT FOR THE PERIOD

ENDED 30 JUNE 2016

TABLE OF CONTENTS

Year-Over-Year Results Analysis.....	3
Budgetary Analysis	3
Risk Analysis	4
Significant Changes Related to Operations, Personnel and Programs.....	4
Use of Parliamentary Appropriations.....	4
Statement of Management Responsibility.....	5
Statement of Financial Position.....	6
Statement of Operations and Accumulated Surplus.....	7
Statement of Change in Net Financial Assets.....	8
Statement of Cash Flows.....	9
Notes to the Quarterly Financial Statements.....	10

NATIONAL CAPITAL COMMISSION MANAGEMENT DISCUSSION AND ANALYSIS FOR THE THREE MONTH PERIOD ENDED 30 JUNE 2016

Year-Over-Year Results Analysis

For the first three months of the 2016-2017 fiscal year (April to June 2016), there was a deficit of \$1.9 million, compared to a surplus of \$2.9 million reported in the same period last year. The first quarter deficit is mainly attributable to the timing of Parliamentary appropriations.

Revenues decreased by \$0.1 million, or 2%, during the first quarter compared to the same period last year. Results by main categories of revenues were as follows:

- Rental operations and easements decreased by \$0.1 million, or 2%, to \$5.9 million.
- User access fees were slightly higher reaching \$0.5 million.
- Headquarters sublease decreased by \$0.1 million, or 12%, to \$0.5 million.
- Interest revenues were slightly lower reaching \$0.4 million.
- Recoveries increased by \$0.3 million, or 62%, to \$0.7 million.
- There were no monetary sponsorships during the first quarter, down by \$0.1 million.

Expenses increased by \$0.9 million, or 3%, during the first quarter compared to the same period last year. Results by program were as follows:

- Capital Stewardship and Protection increased by \$1.1 million, or 6%, to \$20.1 million. The increase being mainly due to commemoration projects.
- Capital Planning decreased by \$0.2 million, or 17%, to \$0.8 million.
- Internal Services decreased by \$0.1 million, or 1%, to \$7.7 million.

Funding from the Government of Canada through Parliamentary appropriations decreased by \$3.8 million, or 17%, during the first quarter compared to the same period last year. The NCC expects to make funding requests through the supplementary estimates process later this fiscal year. The results by main categories of Parliamentary appropriations were as follows:

- Appropriations for Operating Expenditures decreased by \$2.3 million, or 14%, to \$14.5 million.
- Appropriations for Tangible Capital Assets decreased by \$1.5 million, or 27%, to \$4.1 million.

Budgetary Analysis

The revenue budget for the 2016-2017 fiscal year includes non-recurring items such as recoveries for the construction of commemorations (\$7.3 million) and net gain on disposal of tangible capital assets (\$11.5 million) which did not materialize in the first quarter. Overall, other categories of revenues totalling \$8.2 million were trending on budget of \$31.0 million, having achieved 26% of budget as at 30 June 2016.

The NCC received \$18.6 million, or 21% of its budgeted funding for Parliamentary appropriations during the first quarter.

Overall, expenses totalling \$28.6 million are trending on budget of \$130.1 million, having achieved 22% of budget as at 30 June 2016.

Expenditures for acquisitions and improvements of tangible capital assets are trending on budget of \$48.2 million as total commitments of \$27.2 million, including expenditures of \$3.5 million for the first quarter, represent 56% of the budget. No real property acquisitions were concluded during the first quarter.

Risk Analysis

No new significant corporate risks have been identified during the first quarter of the 2016-2017 financial year.

Significant Changes Related to Operations, Personnel and Programs

During the first quarter of 2016-2017, the Executive Director of Capital Planning announced his resignation effective 30 June 2016. The process to recruit a replacement is underway.

The NCC successfully implemented during the first quarter of 2016-2017 a new financial system which became operational 1 July 2016.

No other significant changes with regard to NCC operations or programs occurred during the quarter ended 30 June 2016.

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 and other revenues. The NCC draws down its parliamentary appropriations according to prior year actuals as approved by 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.

Additional details as to the use of the parliamentary appropriations can be found in the NCC's Quarterly Financial Statements at 30 June 2016 (Note 10).

Unaudited Financial Statements

For the three months ended 30 June 2016

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
26 August 2016

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

	30 June 2016	31 March 2016
FINANCIAL ASSETS		
Cash and cash equivalents (Note 3)	84,039	92,648
Restricted cash and cash equivalents - light rail transit (Note 4)	62,622	62,465
Accounts receivable		
Federal government departments and agencies	3,275	5,346
Others	3,155	3,785
Investments (Note 3)	19,057	18,987
	172,148	183,231
LIABILITIES		
Accounts payable and accrued liabilities		
Federal government departments and agencies	341	4,876
Others	10,317	14,361
Light rail transit (Note 4)	59,745	59,800
Provision for environmental cleanup	50,401	50,345
Deferred revenue (Note 5)	13,865	12,412
Employee future benefits (Note 6)	4,463	4,551
Other liabilities (Note 7)	6,381	1,856
	145,513	148,201
NET FINANCIAL ASSETS	26,635	35,030
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 8)	607,742	608,254
Prepaid expenses	9,544	2,472
Other non-financial assets	2,305	2,350
	619,591	613,076
ACCUMULATED SURPLUS	646,226	648,106

The notes are an integral part of the financial statements.

NATIONAL CAPITAL COMMISSION
STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS (UNAUDITED)

For the period ended 30 June
(in thousands of dollars)

	2016-2017 Annual Budget (Note 2)	2016 Actual	2015 Actual
REVENUES			
Rental operations and easements	22,508	5,854	5,973
Interest	2,041	428	461
Monetary Sponsorship	-	-	124
Headquarters sublease	2,277	544	618
User access fees	2,587	511	490
Recoveries	8,453	698	431
Other revenues	11,957	152	218
	49,823	8,187	8,315
EXPENSES (Note 9)			
Capital Planning	3,053	771	928
Capital Stewardship and Protection	94,368	20,125	19,046
Internal Services	32,718	7,726	7,781
	130,139	28,622	27,755
Deficit before funding from the Government of Canada	(80,316)	(20,435)	(19,440)
Funding from the Government of Canada			
Parliamentary appropriations for operating expenditures (Note 10)	67,806	14,462	16,731
Parliamentary appropriations for tangible capital assets (Note 10)	22,399	4,093	5,640
	90,205	18,555	22,371
(Deficit) Surplus for the period	9,889	(1,880)	2,931
Accumulated surplus at beginning of the period	649,815	648,106	645,779
Accumulated surplus at end of the period	659,704	646,226	648,710

The notes are an integral part of the financial statements.

NATIONAL CAPITAL COMMISSION
STATEMENT OF CHANGE IN NET FINANCIAL ASSETS (UNAUDITED)

For the period ended 30 June
(in thousands of dollars)

	2016-2017 Annual budget (Note 2)	2016 Actual	2015 Actual
(Deficit) surplus for the period	9,889	(1,880)	2,931
Acquisition and improvements of tangible capital assets (Note 8)	(47,025)	(3,619)	(4,663)
Amortization of tangible capital assets (Note 8)	17,934	4,129	4,244
Net loss/(gain) on disposal of tangible capital assets	(11,472)	2	(117)
Proceeds from disposal of tangible capital assets	16,389	-	119
	(24,174)	512	(417)
Change in prepaid expenses	-	(7,072)	(2,055)
Change in other non-financial assets	177	45	44
	177	(7,027)	(2,011)
(Decrease) increase in net financial assets	(14,108)	(8,395)	503
Net financial assets at beginning of the period	37,197	35,030	46,564
Net financial assets at end of the period	23,089	26,635	47,067

The notes are an integral part of the financial statements.

NATIONAL CAPITAL COMMISSION
STATEMENT OF CASH FLOWS (UNAUDITED)
For the period ended 30 June
(in thousands of dollars)

	2016	2015
OPERATING ACTIVITIES		
Cash receipts from parliamentary appropriations		
for operating expenditures	13,118	12,430
Cash receipts from rental operations and easements	6,792	4,519
Cash receipts from other operations	3,005	1,405
Cash paid to suppliers	(19,644)	(17,249)
Cash paid to employees	(10,121)	(9,151)
Interest received	628	654
Disbursements for contaminated sites	(254)	(141)
Cash flows used by operating activities	(6,476)	(7,533)
CAPITAL ACTIVITIES		
Cash receipts from parliamentary appropriations		
for tangible capital assets	3,093	3,944
Acquisition and improvements of tangible capital assets	(5,084)	(4,419)
Proceeds from disposal of tangible capital assets	-	119
Disbursements for environmental cleanup	(1)	(125)
Cash flows used by capital activities	(1,992)	(481)
INVESTING ACTIVITIES		
Cash receipts for light rail transit project	157	204
Disbursements for investments purchased	(141)	(595)
Cash receipts from investments sold	-	400
Cash flows provided by investing activities	16	9
Decrease in cash and cash equivalents	(8,452)	(8,005)
Cash and cash equivalents at beginning of the period	155,113	165,664
Cash and cash equivalents at end of the period	146,661	157,659
Represented by:		
Cash and cash equivalents	84,039	89,347
Restricted cash and cash equivalents - Light rail transit	62,622	68,312
	146,661	157,659

The notes are an integral part of the financial statements.

NOTES TO THE QUARTERLY FINANCIAL STATEMENTS (UNAUDITED)

30 June 2016

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 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 has adopted all aspects of the Directive.

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 31 March 2016.

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)

30 June 2016

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 recognition of contingent liabilities are the most significant items for which estimates are used. Actual results could materially differ from those estimates.

Budget Figures

The 2016-2017 budget figures as presented in the *2016-2017 to 2020-2021 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 or of 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 30 June 2016, the Cash and cash equivalents include \$84.0 million (\$92.6 million as at 31 March 2016) in cash, invested at weighted average interest rate of 1.2 percent (1.2 percent as at 31 March 2016).

B. INVESTMENTS

As at 30 June 2016, long-term portfolio of investments include bonds of provincial governments, totalling \$19.1 million (\$19.0 million as at 31 March 2016), invested at a weighted average interest rate of 3.8 percent (3.8 percent as at 31 March 2016).

(in thousands of dollars)	30 June 2016		31 March 2016	
	Cost	Quoted Market Value	Cost	Quoted Market Value
Provincial governments	19,057	20,646	18,987	20,522
	19,057	20,646	18,987	20,522

C. DESIGNATED FUNDS

As at 30 June 2016, Cash and cash equivalents included \$48.2 million (\$47.9 million as at 31 March 2016) 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)

30 June 2016

4. Light Rail Transit

The following table includes amounts received as well as the net interest earned to date. Interest of \$0.2 million (\$0.2 million as at 30 June 2015) has been recorded and is 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, is as follows.

(in thousands of dollars)

	31 March 2016	Interest	30 June 2016
Security deposit	50,994	128	51,122
Performance deposit	11,471	29	11,500
Total	62,465	157	62,622

As at 30 June 2016, the NCC has recognized revenues totalling \$0.2 million (\$0.6 million as at 30 June 2015) as it continues to provide the city access to the light rail transit properties for a defined period of time. The “Light rail transit” liability has been reduced accordingly and totals \$59.7 million (\$59.8 million as at 31 March 2016).

5. Deferred revenue

Deferred revenues are composed of the following.

(in thousands of dollars)

	30 June 2016	31 March 2016
Deferred rental revenues	7,841	8,278
Deferred easement and license of occupation revenues	3,241	2,795
Other deferred revenues	2,783	1,339
	13,865	12,412

The deferred rental revenue is primarily the present value of the minimum future lease payments that the NCC has collected under land lease agreements. The present value for the current agreements was established 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)

30 June 2016

6. Employee Future benefits

Severance benefits ceased to accumulate when the new collective agreement was signed in February 2013. As at 30 June 2016, the severance benefit 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. The NCC provides cumulative sick leave benefits to its employees and estimates the obligation based on the probability of usage by employees, based on historical data.

The accrued benefit obligation for these plans amounts to \$4.5 million (\$4.6 million as at 31 March 2016) and is detailed in the table below. These other 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.

(in thousands of dollars)

	30 June 2016	31 March 2016
Accrued benefit obligation, beginning of the period	4,551	3,674
Cost for the period	-	1,650
Benefits paid during the period	(88)	(773)
Accrued benefit obligation, end of the period	4,463	4,551

7. Other Liabilities

Other liabilities are composed of the following.

(in thousands of dollars)

	30 June 2016	31 March 2016
Deferred rent inducement	5,191	669
Unsettled land exchange ¹	1,000	1,000
Unsettled expropriation ²	190	187
	6,381	1,856

1. The unsettled land exchange will be completed when the third party involved in the exchange is ready to receive the goods and/or services under the agreement.

2. The unsettled expropriation is payable on demand.

NOTES TO THE QUARTERLY FINANCIAL STATEMENTS (UNAUDITED)

30 June 2016

8. Tangible Capital Assets

(in thousands of dollars)

	COST				ACCUMULATED AMORTIZATION				Net Book Value 30 June 2016	Net Book Value 31 March 2016
	Opening Balance	Acquisitions	Disposals / Adjustments	Closing Balance	Opening Balance	Amortization expense	Disposals / Adjustments	Closing Balance		
Land ¹	299,736	103	7	299,832	-	-	-	-	299,832	299,736
Buildings and Infrastructure ²	736,539	3,488	30	739,997	436,365	3,805	35	440,135	299,862	300,174
Leasehold improvements	12,491	-	-	12,491	9,368	160	-	9,528	2,963	3,123
Equipment ²	16,910	28	-	16,938	11,689	164	-	11,853	5,085	5,221
	1,065,676	3,619	37	1,069,258	457,422	4,129	35	461,516	607,742	608,254

1. The land cost includes \$0.2 million (\$0.2 million as at 31 March 2016) of unsettled expropriation and land exchange liabilities.

2. The total cost of buildings and infrastructure and computers and software include \$21.4 million (\$18.2 million as at 31 March 2016) 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 30 June 2016, no asset held for sale was disclosed separately.

NOTES TO THE QUARTERLY FINANCIAL STATEMENTS (UNAUDITED)

June 30, 2016

9. Expenses by Object

The following provides a summary of expenses by object.

(in thousands of dollars)	2016-2017 Annual Budget (Note 2)	30 June 2016	30 June 2015
Goods and services	61,790	13,087	12,380
Salaries and employee benefits	41,082	9,132	8,850
Amortization	17,934	4,129	4,244
Payments in lieu of municipal taxes	9,333	2,272	2,281
Net loss on disposal of tangible capital assets	-	2	-
	130,139	28,622	27,755

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 as expenses, and are included under “Goods and services.” For the period ended 30 June 2016, antiques, works of art and monuments totaled \$0.7 million (\$29,000 as at 30 June 2015).

10. Parliamentary Appropriations

(in thousands of dollars)

	30 June 2016	30 June 2015
Parliamentary appropriations for operating expenditures¹		
Amount received during the period	14,462	11,509
Amount receivable at the end of the period	-	5,222
	14,462	16,731
Parliamentary appropriations for tangible capital assets²		
Amount received during the period	4,093	3,944
Amount receivable at the end of the period	-	1,696
	4,093	5,640
Parliamentary appropriations recorded during the period	18,555	22,371

1. As at 30 June 2016 and 2015, the amounts approved for the years ending 31 March 2017 and 2016 totaled \$66.4 million and \$69.1 million, respectively.

2. As at 30 June 2016 and 2015, the amounts approved for the years ending 31 March 2017 and 2016 totaled \$22.4 million and \$23.6 million, respectively.