

NATIONAL CAPITAL COMMISSION  
COMMISSION DE LA CAPITALE NATIONALE

**QUARTERLY FINANCIAL REPORT FOR THE NINE MONTHS  
ENDED DECEMBER 31, 2023**

Canada



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## **MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE NINE MONTHS ENDED DECEMBER 31, 2023**

The nine months ended December 31, 2023 resulted in a surplus of \$12.3 million. The surplus is primarily resulting from higher than planned interest revenues (\$10.2M), lower than planned goods and services expenses (\$7.4M) and amortization (\$2.7 million), which are partly offset by lower than planned recoveries (\$5.4M), rental operations and easements revenues (\$1.4M), and other revenues (\$0.8M).

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

Revenues decreased by \$15.8 million, or 22.9% compared to the same period in the previous year, mainly as a result of the following:

- Gain on disposal decrease of \$28.3 million, or 100% to \$0; and
- User access fees decrease of \$2.2 million, or 57% to \$1.7 million.

Offset in part by:

- Interest revenues increase of \$7.3 million, or 104.7% to \$14.3 million;
- Other revenues increase of \$5.8 million, or 120.9% to \$10.6 million;
- Rental operations increase of \$1.3 million, or 6.5% to \$21.5 million; and
- Recoveries increase of \$0.3 million, or 5.9% to \$5.0 million.

Operating expenses increased by \$10.7 million, or 9.9%, compared to the same period in the previous year. The results by Program were as follows:

- Stewardship and protection increase of \$6.7 million, or 8.3%, to \$86.9 million;
- Internal services increase of \$2.4 million, or 10.0% to \$26.3 million; and
- Long-term planning increase of \$1.6 million or 40.3%, to \$5.7 million.

Funding from the Government of Canada through parliamentary appropriations decreased by \$38.2 million compared to the same period last year at \$78.1 million. The results by main categories of appropriations were as follows:

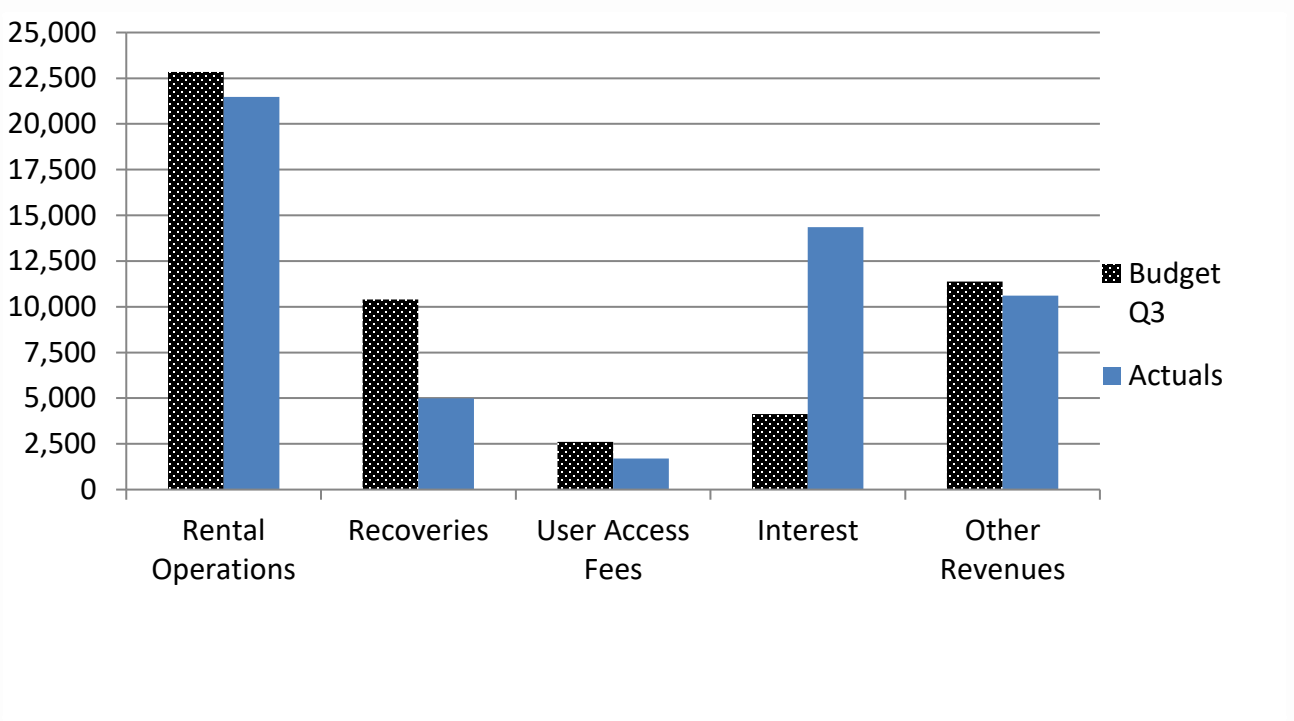
- Appropriations for operating expenditures decreased by \$1.3 million, or 2.4%, to \$55.5 million; and
- Appropriations for capital expenditures decreased by \$36.8 million, or 62.0% to \$22.6 million.

### **B. Budgetary Analysis**

The budgeted revenue for the 2023-2024 fiscal year includes non-recurring items such as contributions and recoveries related to the South Shore Riverfront Park project, Interprovincial Bridges initiatives and commemorations, with \$12.1 million recognized at the end of the third quarter, representing 45.7% of the annual budget. Total recurring revenues of \$41.1 million represent 97.9% of the annual budget as of December 31, 2023.

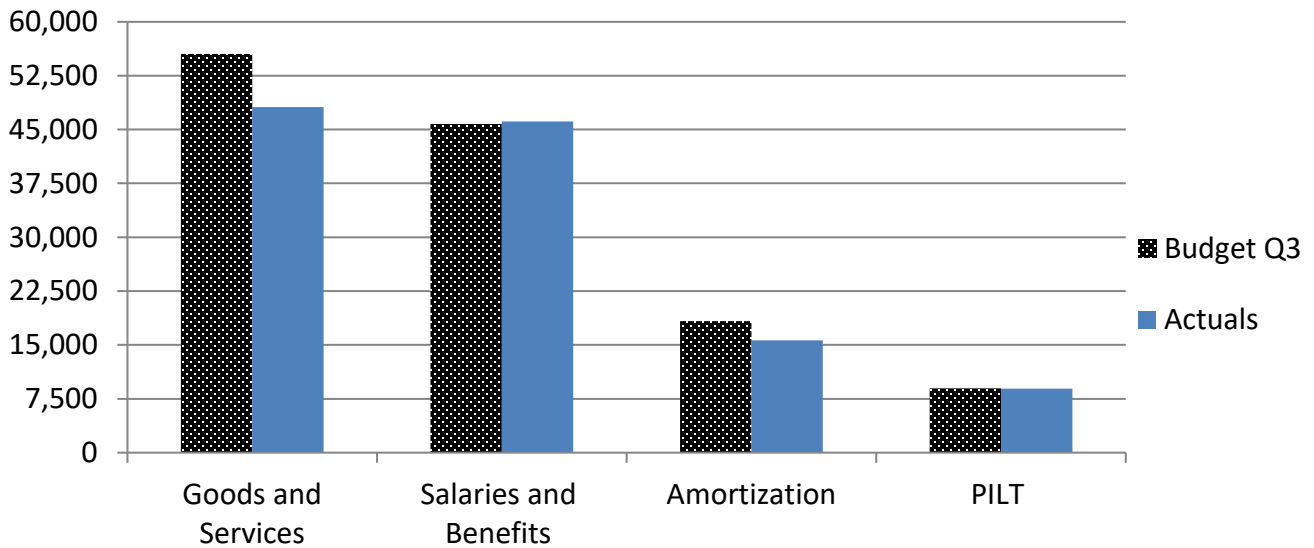
The following chart provides details of the third quarter revenues of \$53.2 million compared to the budget of \$51.4 million. Interest revenues are above budget, whereas Recoveries, Rental operations and easements, User access fees, and Other revenues are tracking behind budget.

### Revenues by type (\$000's)



The following chart provides details of the third quarter operating expenses of \$119.0 million compared to the budget of \$128.5 million. The favorable variance compared to budget is due primarily to lower than planned goods and services of \$7.4 million and amortization of \$2.7 million, offset by a salary deficit of \$0.4 million.

### Operating expenses by object (\$000's)



### C. Use of Parliamentary Appropriations

The NCC receives its funding from a number of sources: parliamentary appropriations, rental operations and easements, user access fees, cost recoveries, investment revenues, gains on disposal of tangible capital assets and other revenues. The NCC draws down its parliamentary appropriations according to cash flow projections provided to the Minister of Public Service and Procurement Canada. 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 recognized \$78.1 million, or 75.8% of its annual budget for appropriations for the period ended December, 31, 2023. Parliamentary appropriations drawdowns are based on forecasted cash flow expenditures. The following table illustrates the forecast of the parliamentary appropriations by vote.

**NCC Parliamentary Appropriations by vote (\$000's)**

<b>Vote</b>	<b>Annual Budget</b>	<b>Gov't Apps Recognized</b>	<b>% Recognized</b>	<b>Approved Supplementary Estimates</b>	<b>Forecast to March 2024</b>
Operational vote	69,724	53,100	76.2%	-	17,429
Deferred Appropriations	-	2,464	-	-	-
<i>sub-total</i>	69,724	55,564	79.7%	-	17,429
Capital vote	25,040	18,780	75.0%	-	6,260
Supplementary Estimates	-	-	-	-	-
Deferred Appropriations	8,250	3,789	45.9%	-	4,461
<i>sub-total</i>	33,290	22,569	67.8%	-	10,721
<b>Total</b>	<b>103,014</b>	<b>78,133</b>	<b>75.8%</b>	-	<b>28,150</b>

Additional details on the parliamentary appropriations can be found in the NCC's Quarterly Financial Statements of December, 31, 2023. (Note 8).

## D. Capital Expenditure

Investments by main categories of capital expenditures were as follows:

<b>For the nine months ending December 31, 2023 (in thousands of dollars)</b>	<b>Actuals</b>
<b>Roads and Bridges</b> Champlain Bridge	11,274
<b>Historical Properties</b> Official Residences, NCC River House Interior Fit-Up	8,417
<b>Rental Properties</b>	1,964
<b>Development Properties</b> LeBreton Flats redevelopment	3,116
<b>Heritage and Cultural Precinct</b>	1,277
<b>Green Assets</b> Kiweki Point, South Shore Riverfront Park development, Parliament Hill Escarpment, Gatineau River and Lake Leamy Shorelines	35,406
<b>Recreational Facilities</b> Lac Philippe Campground	7,738
<b>Equipment</b>	1,050
<b>Property Acquisition (incl. Green Fund)</b>	25,302
<b>Other</b>	8,542
<b>2023-2024 Q3 Total Actuals</b>	104,086
<b>2022-2023 Q3 Total Actuals</b>	40,149
<b>Variance</b>	63,937
<b>2023-2024 Budget</b>	166,571
<b>% Achieved</b>	62%
<b>%Actuals &amp; Committed</b>	141%

## E. Statement of Financial Position Summary

Financial assets totalled \$346.9 million as of December, 31, 2023, a decrease of \$53.4 million or 13.3% from \$400.3 million as of March 31, 2023, attributable primarily to a decrease of \$83.4 million in cash and cash equivalents offset in part by an increase of \$30.1 million in investments.

Liabilities totalled \$269.1 million as of December, 31, 2023, an increase of \$18.0 million or 7.2% from \$251.0 million as of March 31, 2023, attributable primarily to an increase of \$31.9 million in accounts payable and accrued liabilities, offset in part by a decreases of \$11.9 million in deferred revenues and \$1.6 million in the provision for environmental remediation.

Non-financial assets totalled \$911.0 million as of December, 31, 2023, an increase of \$83.7 million or 10.1% from \$827.2 million as of March 31, 2023, reflecting mostly increases in tangible capital assets net of amortization as a result of advancement of Capital projects funded from Budget 2020.

## **F. Risks and Mitigation Strategies**

The NCC uses an integrated risk management framework to identify, manage and mitigate its risks, and applies this framework in strategic decision making, operational planning, and project management. 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 mitigation measures for the planning period. These key corporate and operational risks are monitored and revisited throughout the year, and their trends, as well as the effectiveness of mitigation measures, are reported to the board of directors each quarter.

On an ongoing basis, the corporation identifies opportunities to enhance its risk management framework and leverage more comprehensive risk information for decision-making, in order to take appropriate actions to implement necessary mitigation strategies and maintain resilience.

### **Key Risks and Mitigation Measures**

As of December 31, 2023, the NCC has identified three key corporate risks that exceed its risk tolerance:

1. Asset Management: Since 2018-2019, the NCC has made significant capital investments to address critical requirements and address the deteriorating condition of its assets, supported by funding provided by the Government of Canada, striving to overcome the impacts of preceding decades of underinvestment. Concurrently, the corporation is implementing measures continuously to improve its processes, systems, and practices in asset management and investment planning. There is a risk that a lack of consistent integration of portfolio planning, resource allocation, and project delivery may limit the NCC's ability to effectively manage risks tied to asset deterioration and to advocate for funding increases.

To mitigate this risk, the NCC will continue to work on assets in need of critical repairs, revitalize and restore them to good condition in accordance with additional appropriations, including measures to augment their resilience to climate change and extreme weather events.

The NCC will leverage new funding to implement an Investment Planning Program that integrates long-term asset management, continue to implement a cyclical asset condition inspection program, continue to maintain data through the lifecycle of an asset, as well as solidify requirements for asset prioritization based on portfolio planning.

The NCC will plan and implement the replacement of the integrated financial and asset management systems to support end user. The Corporation will also establish and implement approaches to mitigate the impacts of persistent, high inflation and other significant factors escalating project costs to ensure overall program costs remain within the limits of existing allocated and earmarked funding.

The NCC will capitalize on repatriation of the commercial real estate portfolio as an opportunity to further integrate portfolio planning, resource allocation, and project delivery across the NCC's inventory of assets. The corporation will continue asset management efforts through the implementation of the new accounting standard for the Asset Retirement Obligations Program.

2. Authorities: The NCC's legislated authorities have remained largely unchanged since the corporation's inception in 1959. Shortcomings within these authorities present challenges for the NCC in its efforts to conserve and protect built and natural assets, and to conduct real property transactions in modern terms, in support of its mandate. There is a risk that the corporation's limited legislated authorities may inhibit the delivery of the NCC's mandate and its capacity to influence external actors.

To mitigate this risk, the NCC intend to increase the assertiveness in the delivery of the corporation's mandate within the current legislative framework, scope of authorities, and level of resources. In addition, the corporation will continue to work with and support government partners in bringing forward solutions to increase the NCC's legislative and regulatory authorities.

3. Human Resource Capacity: Governments and businesses are facing considerable challenges, across Canada and the National Capital Region, as they strive to recruit and retain employees with appropriate knowledge, skills, and experience. There is a risk that real and perceived challenges in its competitiveness to hire and retain staff may impact the NCC's capacity to adequately deliver its core mandate.

To mitigate this risk, the NCC will improve talent attraction and retention by a series of actions which includes updating and implementing the Diversity, Inclusion and Employment Equity Plan; continuing to promote an engaging, diverse, and inclusive workplace that attracts and retains talent; improving the corporation's ability to adapt its work arrangements and workplace environments to support staff work/life flexibility.

The NCC will also be monitoring the implications of migrating to a hybrid model workplace and adjusting its implementation, as necessary, as lessons are learned; as well as exploring budget options to facilitate the hiring of personnel on an indeterminate rather than term basis. A review of the NCC's overall employee recognition, compensation, and benefits to ensure competitiveness will be undertaken; options for the establishment of a talent development program will be explored. The NCC will be developing criteria to determine the circumstances under which the hiring of candidates from outside the National Capital Region may be considered to staff certain positions.

As part of these strategies, the NCC will mitigate the loss of institutional knowledge incurred due to increasing retirement rates by exploring and implementing succession planning initiatives, and leverage the NCC's dual status under the Financial Administration Act to optimize flexibility offered to staff.



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

In May 2020, the NCC welcomed the allocation of an additional appropriation aimed to address the urgent health and safety requirements of NCC assets. Fiscal year 2022-2023 is the third year of this \$173.6 million three-year program. The investment will help the NCC continue the work started through Budget 2018 funding to address the corporation's deferred maintenance deficit. In 2023-2024, the NCC anticipates it will complete most projects that were funded through additional appropriations received in May 2020.

No other significant changes with regard to NCC operations, personnel or programs occurred during the three-month period ended December 31, 2023.

# Unaudited Financial Statements

## For the nine months ended December 31, 2023

### 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's Directive on Accounting Standards: GC 5200 Crown Corporations Quarterly Financial Reports, 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.



Tobi Nussbaum  
Chief Executive Officer



Tania Kingsberry, CPA, CA  
Vice-President Corporate Services and  
Chief Financial Officer

Ottawa, Canada  
February 20, 2024

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

	December 31, 2023	March 31, 2023
<b>FINANCIAL ASSETS</b>		
Cash and cash equivalents (Note 3)	210,880	294,322
Restricted cash and cash equivalents (Note 4)	8,600	7,238
Accounts receivable	17,086	18,440
Investments (Note 3)	110,376	80,306
	<b>346,942</b>	<b>400,306</b>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	61,627	29,737
Light rail transit (Note 4)	2,313	2,248
Provision for environmental remediation	72,124	73,693
Asset retirement obligations	28,912	28,912
Deferred revenues (Note 5)	82,373	94,316
Employee future benefits	9,834	10,207
Other liabilities	11,902	11,929
	<b>269,085</b>	<b>251,042</b>
<b>NET FINANCIAL ASSETS</b>	<b>77,857</b>	<b>149,264</b>
<b>NON-FINANCIAL ASSETS</b>		
Tangible capital assets (Note 6)	905,988	819,690
Prepaid expenses	711	3,329
Other non-financial assets	4,270	4,220
	<b>910,969</b>	<b>827,239</b>
<b>ACCUMULATED SURPLUS</b>	<b>988,826</b>	<b>976,503</b>

The notes are an integral part of the financial statements.

Approved by the Board of Directors



Maryse Gaudreault  
Chair, Board of Directors



Tanya Gracie  
Chair, Audit Committee

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

For the nine months ended December 31 (in thousands of dollars)

	2023-2024 Annual Budget	Three months ended December 31		Nine months ended December 31	
		2023 Actual	2022 Restated Actual	2023 Actual	2022 Restated Actual
	(Note 2)				
<b>REVENUES</b>					
Rental operations and easements	30,458	7,516	6,708	21,479	20,172
Recoveries	13,869	1,978	2,098	4,991	4,711
User access fees	3,470	512	1,973	1,693	3,938
Interest	5,506	4,989	3,212	14,347	7,009
Gain on disposal of assets held for sale	-	-	-	-	28,256
Gain on disposal of tangible capital assets	-	63	38	69	77
Other revenues	15,180	4,343	2,326	10,613	4,804
	<b>68,483</b>	<b>19,401</b>	<b>16,355</b>	<b>53,192</b>	<b>68,967</b>
<b>EXPENSES (Note 7)</b>					
Long-term planning	14,198	2,074	1,510	5,723	4,078
Stewardship and protection	112,730	28,164	28,357	86,936	80,239
Internal services	44,454	8,517	8,069	26,343	23,956
	<b>171,382</b>	<b>38,755</b>	<b>37,936</b>	<b>119,002</b>	<b>108,273</b>
<b>Deficit before funding from the Government of Canada</b>	<b>(102,899)</b>	<b>(19,354)</b>	<b>(21,581)</b>	<b>(65,810)</b>	<b>(39,306)</b>
<b>Funding from the Government of Canada</b>					
Parliamentary appropriations for operating expenditures (Note 8)	69,724	18,361	18,969	55,564	56,907
Parliamentary appropriations for tangible capital assets (Note 8)	33,290	8,238	19,775	22,569	59,410
	<b>103,014</b>	<b>26,599</b>	<b>38,744</b>	<b>78,133</b>	<b>116,317</b>
<b>Surplus for the period</b>	<b>115</b>	<b>7,245</b>	<b>17,163</b>	<b>12,323</b>	<b>77,011</b>
<b>Accumulated surplus at beginning of the period</b>	<b>979,713</b>	<b>981,581</b>	<b>890,967</b>	<b>976,503</b>	<b>831,119</b>
<b>Accumulated surplus at end of the period</b>	<b>979,828</b>	<b>988,826</b>	<b>908,130</b>	<b>988,826</b>	<b>908,130</b>

The notes are an integral part of the financial statements.

**NATIONAL CAPITAL COMMISSION**  
**STATEMENT OF CHANGE IN NET FINANCIAL ASSETS (UNAUDITED)**  
For the nine months ended December 31 (in thousands of dollars)

	2023-2024 Annual budget (Note 2)	2023 Actual	2022 Restated Actual
<b>Surplus for the period</b>	<b>115</b>	<b>12,323</b>	<b>77,011</b>
Acquisition and improvements of tangible capital assets (Note 6)	(162,906)	(102,070)	(40,213)
Amortization of tangible capital assets (Note 6)	24,395	15,624	16,498
Gain on disposal of tangible capital assets	-	(69)	(77)
Loss on disposal of tangible capital assets	-	234	237
Proceeds from disposal of tangible capital assets	-	69	77
Realized loss from sale-leaseback transaction	-	(91)	(137)
Write-down of tangible capital assets	-	5	-
	<b>(138,511)</b>	<b>(86,298)</b>	<b>(23,615)</b>
Change in prepaid expenses	-	2,618	1,286
Change in other non-financial assets	135	(50)	-
	<b>135</b>	<b>2,568</b>	<b>1,286</b>
<b>Increase (decrease) in net financial assets</b>	<b>(138,261)</b>	<b>(71,407)</b>	<b>54,682</b>
<b>Net financial assets at beginning of the period</b>	<b>145,587</b>	<b>149,264</b>	<b>49,480</b>
<b>Net financial assets at end of the period</b>	<b>7,326</b>	<b>77,857</b>	<b>104,162</b>

The notes are an integral part of the financial statements.

**NATIONAL CAPITAL COMMISSION**  
**STATEMENT OF CASH FLOWS (UNAUDITED)**  
For the nine months ended December 31 (in thousands of dollars)

	2023	2022
<b>OPERATING ACTIVITIES</b>		
Cash receipts from parliamentary appropriations		
for operating expenditures	53,847	58,189
Cash receipts from rental operations and easements	23,336	19,822
Cash receipts from other operations	10,208	6,846
Cash paid to suppliers	(50,853)	(50,684)
Cash paid to employees	(43,098)	(39,680)
Interest received	14,274	5,501
Disbursements related to the management and remediation of sites	(494)	(375)
Proceeds from disposal of assets held for sale	-	30,000
<b>Cash flows provided by operating activities</b>	<b>7,220</b>	<b>29,619</b>
<b>CAPITAL ACTIVITIES</b>		
Cash receipts from parliamentary appropriations		
for tangible capital assets	18,780	90,756
Acquisition and improvements of tangible capital assets	(76,255)	(29,683)
Proceeds from disposal of tangible capital assets	69	77
Disbursements for environmental remediation	(2,998)	(1,298)
<b>Cash flows provided (used) by capital activities</b>	<b>(60,404)</b>	<b>59,852</b>
<b>INVESTING ACTIVITIES</b>		
Cash receipts for Chambers Building Fund	1,296	1,157
Disbursements for investments purchased	(100,707)	(61,130)
Cash receipts from investment sold	70,515	20,284
<b>Cash flows used by investing activities</b>	<b>(28,896)</b>	<b>(39,689)</b>
<b>Increase (decrease) in cash and cash equivalents</b>	<b>(82,080)</b>	<b>49,782</b>
<b>Cash and cash equivalents at beginning of the period</b>	<b>301,560</b>	<b>215,168</b>
<b>Cash and cash equivalents at end of the period</b>	<b>219,480</b>	<b>264,950</b>
<b>Represented by:</b>		
<b>Cash and cash equivalents</b>	<b>210,880</b>	<b>257,795</b>
<b>Restricted cash and cash equivalents</b>	<b>8,600</b>	<b>7,155</b>
	<b>219,480</b>	<b>264,950</b>

The notes are an integral part of the financial statements.

## NOTES TO THE QUARTERLY FINANCIAL STATEMENTS (UNAUDITED)

For the nine months ended December 31, 2023 (in thousands of dollars, unless otherwise specified)

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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 has met the requirements of the directive effective since 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).

These quarterly financial statements should be read in conjunction with the annual audited financial statements dated March 31, 2023 which detail the applicable accounting policies.

The same accounting policies and methods of computation are followed in the quarterly financial statements as compared with the most recent annual 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, and the reported amounts of revenues and expenses for the reporting period. Estimated useful lives of tangible capital assets, provision for environmental remediation, asset retirement obligations, employee future benefits, write-downs 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 management's best estimates.

## NOTES TO THE QUARTERLY FINANCIAL STATEMENTS (UNAUDITED)

For the nine months ended December 31, 2023 (in thousands of dollars, unless otherwise specified)

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### Budget Figures

The 2023-2024 budget figures, as presented in the *2023-2024 to 2027-2028 Corporate Plan*, yet to be approved by the government, 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

#### A. CASH AND CASH EQUIVALENTS

As at December 31, 2023, cash and cash equivalents include \$210.9 million (\$294.3 million as at March 31, 2023) in cash, invested at a weighted average interest rate of 5.4% (3.4% as at March 31, 2023).

#### B. INVESTMENTS

As at December 31, 2023, the investment portfolio includes bonds of provincial governments and guaranteed investment certificates, totalling \$110.4 million (\$80.3 million as at March 31, 2023) invested at a weighted average interest rate of 5.7% (2.2% as at March 31, 2023).

	December 31, 2023		March 31, 2023	
	Amortized Cost	Quoted Market Value	Amortized Cost	Quoted Market Value
Provincial governments	10,376	9,995	10,306	9,866
Guaranteed investment certificates	100,000	100,000	70,000	70,000
	<b>110,376</b>	<b>109,995</b>	<b>80,306</b>	<b>79,866</b>

#### C. DESIGNATED FUNDS

As at December 31, 2023, cash and cash equivalents include \$192.3 million (\$272.3 million as at March 31, 2023) in designated funds whose use is internally designated or limited for the sole purpose for which they have been segregated.



## NOTES TO THE QUARTERLY FINANCIAL STATEMENTS (UNAUDITED)

For the nine months ended December 31, 2023 (in thousands of dollars, unless otherwise specified)

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### 4. Restricted Cash and Cash Equivalents

#### A. Light Rail Transit (LRT)

The City of Ottawa (the City) has undertaken a significant project to convert the existing bus rapid transit system to a light rail transit system. This system continues to affect several NCC properties, which are subject to change until such time as the actual land requirements are finalized.

The LRT liability, which represents Stage 1 of the LRT project totals \$2.3 million (\$2.2 million as at March 31, 2023).

#### B. Chambers Building Fund

As set out in the ground lease for 40 Elgin Street (Chambers Building), the tenant must remit an annual amount to the NCC strictly for the purpose to fund future capital improvements for this building. The funding requirement began October 31, 2018 and will continue annually until the end of the lease in 2056. The fund balance as at December 31, 2023 represents \$6.9 million (\$5.6 million as at March 31, 2023). These funds are being administered by the NCC. A related liability is recorded on the Statement of Financial Position under "Other liabilities".

### 5. Deferred Revenues

Deferred revenues are composed of the following.

	December 31, 2023	March 31, 2023
Deferred rental revenues	9,157	9,508
Deferred easement and license of occupation revenues	21,983	20,002
Other deferred revenues	51,233	64,806
	<b>82,373</b>	<b>94,316</b>

The deferred rental revenues are primarily the present value of the minimum future lease payments that the NCC has collected under four different land lease agreements. The present value for the current agreements was determined using discount rates of 4.0%, 4.27%, 6.01% and 6.5%. These deferred rental revenues will be recognized as income over the term of the lease agreements, which have different termination dates extending to 2075. During the year, \$0.3 million (\$0.3 million to December 31, 2022) of deferred rental revenue was recognized as income.

Deferred easement and licence of occupation revenues are primarily comprised of \$9.1 million (\$9.2 million as at March 31, 2023) of easement revenue and \$0.3 million (\$0.7 million as at March 31, 2023) of licences of occupation for LRT Phase 1 and 2. Deferred licence of occupation revenues for LRT will be recognized as income over a period of approximately 5 years, while deferred easement revenues for LRT will be recognized over a period of 99 years. The majority of other deferred easement revenue will be recognized over a 49-year period.

## **NOTES TO THE QUARTERLY FINANCIAL STATEMENTS (UNAUDITED)**

For the nine months ended December 31, 2023 (in thousands of dollars, unless otherwise specified)

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Other deferred revenues consist mainly of a contribution by Public Services and Procurement Canada (PSPC) of \$27.0 million (\$30.8 million as at March 31, 2023) for renovations to the NCC's new headquarters office space which is expected to be completed by 2026, a City of Ottawa contribution of \$9.3 million (\$18.3 million as at March 31, 2023) for the South Shore Riverfront Park development which is recognized as work is performed and is expected to be completed by 2025, a contribution by Veterans Affairs Canada of \$4.3 million (\$4.3 million as at March 31, 2023) for the construction of a commemoration which is expected to be completed by 2025, a contribution by Global Affairs Canada of \$5.0 million (\$5.3 million as at March 31, 2023) for the construction of a commemoration which is expected to be completed by 2025, as well as a contribution from Canadian Heritage of \$1.4 million (\$3.8 million as at March 31, 2023) for the construction of a commemoration which is expected to be completed this year.

## NOTES TO THE QUARTERLY FINANCIAL STATEMENTS (UNAUDITED)

For the nine months ended December 31, 2023 (in thousands of dollars, unless otherwise specified)

### 6. Tangible Capital Assets

	COST				ACCUMULATED AMORTIZATION				NET BOOK VALUE	
	Opening Balance	Acquisitions	Disposals / Adjustments	Closing Balance	Opening Balance	Amortization expense	Disposals / Adjustments	Closing Balance	December 31, 2023	March 31, 2023
Land <sup>1</sup>	364,734	6,006	19	370,721	-	-	-	-	<b>370,721</b>	<b>364,734</b>
Buildings and Infrastructure <sup>2</sup>	997,845	94,563	387	1,092,021	548,970	14,303	263	563,010	<b>529,011</b>	<b>448,875</b>
Leasehold improvements	15,360	-	-	15,360	12,315	251	-	12,566	<b>2,794</b>	<b>3,045</b>
Equipment <sup>2</sup>	22,399	1,501	262	23,638	19,363	1,070	257	20,176	<b>3,462</b>	<b>3,036</b>
	<b>1,400,338</b>	<b>102,070</b>	<b>668</b>	<b>1,501,740</b>	<b>580,648</b>	<b>15,624</b>	<b>520</b>	<b>595,752</b>	<b>905,988</b>	<b>819,690</b>

1. The land cost includes \$0.2 million (\$0.2 million as at March 31, 2023) of unsettled expropriation.

2. The total cost of buildings and infrastructure, and equipment includes \$123.1 million (\$70.2 million as at March 31, 2023) of construction in progress. When completed, the cost of these projects will be amortized on the basis of their estimated useful life.

## NOTES TO THE QUARTERLY FINANCIAL STATEMENTS (UNAUDITED)

For the nine months ended December 31, 2023 (in thousands of dollars, unless otherwise specified)

### 7. Expenses by Object

The following provides a summary of expenses by object.

	2023-2024 Annual Budget (Note 2)	Three months ended December 31		Nine months ended December 31	
		2023 Actual	2022 Actual	2023 Actual	2022 Actual
Goods and services	74,061	16,288	16,681	48,111	43,596
Salaries and employee benefits	61,008	14,730	12,805	46,139	39,425
Amortization	24,395	4,568	5,566	15,624	16,498
Payments in lieu of municipal taxes	11,918	3,045	2,837	8,889	8,517
Loss on disposal of tangible capital assets	-	124	47	234	237
Write-down of tangible capital assets	-	-	-	5	-
	<b>171,382</b>	<b>38,755</b>	<b>37,936</b>	<b>119,002</b>	<b>108,273</b>

For the period ended December 31, 2023, the value of antiques, works of art and monuments, acquired or built by the NCC totalled \$3.0 million (\$0.9 million as at December 31, 2022). These are recorded as expenses in “Goods and services.”

### 8. Parliamentary Appropriations

	Three months ended December 31		Nine months ended December 31	
	2023	2022	2023	2022
<b>Parliamentary appropriations for operating expenditures<sup>1</sup></b>				
Amount received during the period	17,431	18,969	53,847	58,189
Amount received from previous year	-	-	(1,553)	(1,282)
Amount to be received at the end of the period	806	-	806	-
Amount deferred from previous year	124	-	2,464	-
	<b>18,361</b>	<b>18,969</b>	<b>55,564</b>	<b>56,907</b>
<b>Parliamentary appropriations for tangible capital assets<sup>2</sup></b>				
Amount received during the period	6,260	19,585	18,780	90,756
Amount received from previous year	-	-	-	(32,000)
Amount deferred to the next period	-	-	-	-
Amount deferred from previous year	1,978	190	3,789	654
	<b>8,238</b>	<b>19,775</b>	<b>22,569</b>	<b>59,410</b>
<b>Parliamentary appropriations approved and recorded during the period</b>	<b>26,599</b>	<b>38,744</b>	<b>78,133</b>	<b>116,317</b>

1. As at December 31, 2023 and 2022, the amounts approved for the years ending March 31, 2024 and 2023 totaled \$70.5 million and \$75.9 million, respectively.

2. As at December 31, 2023 and 2022, the amounts approved for the years ending March 31, 2024 and 2023 totaled \$25.0 million and \$78.3 million, respectively.