

NATIONAL CAPITAL COMMISSION  
COMMISSION DE LA CAPITALE NATIONALE

**QUARTERLY FINANCIAL REPORT FOR THE SIX MONTHS  
ENDED SEPTEMBER 30, 2021**

Canada



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## **MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2021**

The six months ended September 30, 2021 resulted in a surplus of \$44.3 million. The surplus is primarily due to a capital surplus of \$31.9 million resulting from the timing difference between capital parliamentary appropriations received and amortization of tangible capital assets expenditures, as well as a gain on disposal of tangible capital assets of \$10.6 million, and a non recurring revenue of \$1.7 million received during the first quarter for a settlement with a third party for the removal of covenants, the option to repurchase and the right of first refusal in an agreement concerning the sale of a property.

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

Revenues increased by \$14.9 million, or 80.0% compared to the same period in the previous year, mainly as a result of the following:

- Gain on disposal of tangible capital assets increase of \$10.5 million, compared to \$0.1 million in the previous year, as a result of the disposal of a property to a federal department;
- Other revenue increase of \$3.5 million, or 807.2% to \$3.9 million as a result of a settlement of \$1.7 million with a third party for the removal of covenants, the option to repurchase and the right of first refusal in an agreement concerning the sale of a property during the first quarter;
- Recoveries increase of \$0.3 million, or 12.0% to \$2.5 million;
- User access fees increase of \$0.3 million, or 20.5% to \$2.0 million; and
- Rental operations increase of \$0.3 million, or 2.0% to \$13.6 million.

Operating expenses increased by \$0.2 million, or 0.3%, compared to the same period in the previous year. The results by Program were as follows:

- Internal services increase of \$0.9 million, or 6.1% to \$15.5 million;

Offset in part by:

- Stewardship and protection decrease of \$0.3 million, or 0.6%, to \$49.2 million; and
- Long-term planning decrease of \$0.3 million, or 12.0% to \$2.5 million.

Funding from the Government of Canada through parliamentary appropriations increased by \$6.7 million, or 9.3%, compared to the same period last year, mostly due to additional funding allocated in May 2020 to support critical repair and maintenance work on the NCC's portfolio of tangible capital assets. The results by main categories of appropriations were as follows:

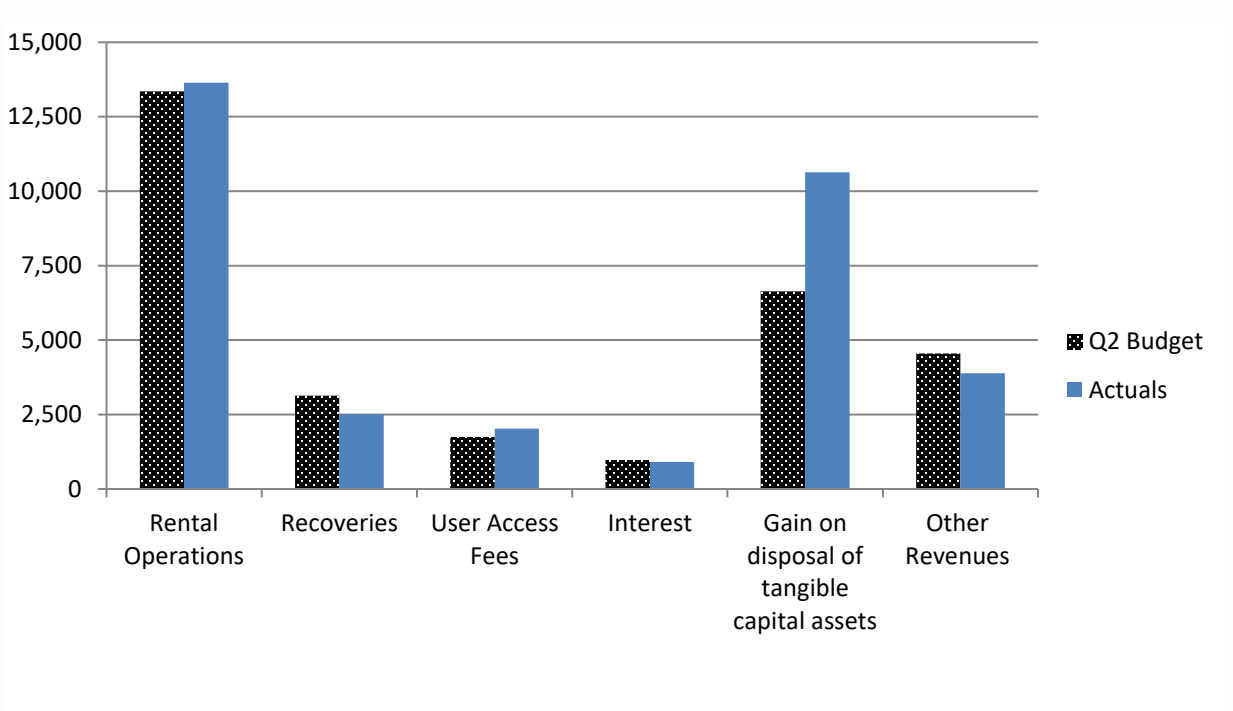
- Appropriations for operating expenditures decreased by \$0.7 million, or 1.8%, to \$35.6 million; and
- Appropriations for capital expenditures increased by \$7.3 million, or 20.8% to \$42.5 million.

### **B. Budgetary Analysis**

The budgeted revenue for the 2021-2022 fiscal year includes non-recurring items such as contributions and recoveries related to the 80 Elgin Street fit-up, the South Shore Riverfront Park project, Interprovincial Bridges initiatives and commemorations, with \$13.6 million recognized at the end of the second quarter, representing 45.1% of the annual budget. Total recurring revenues of \$20.0 million represent 56.7% of the annual budget as at September 30, 2021.

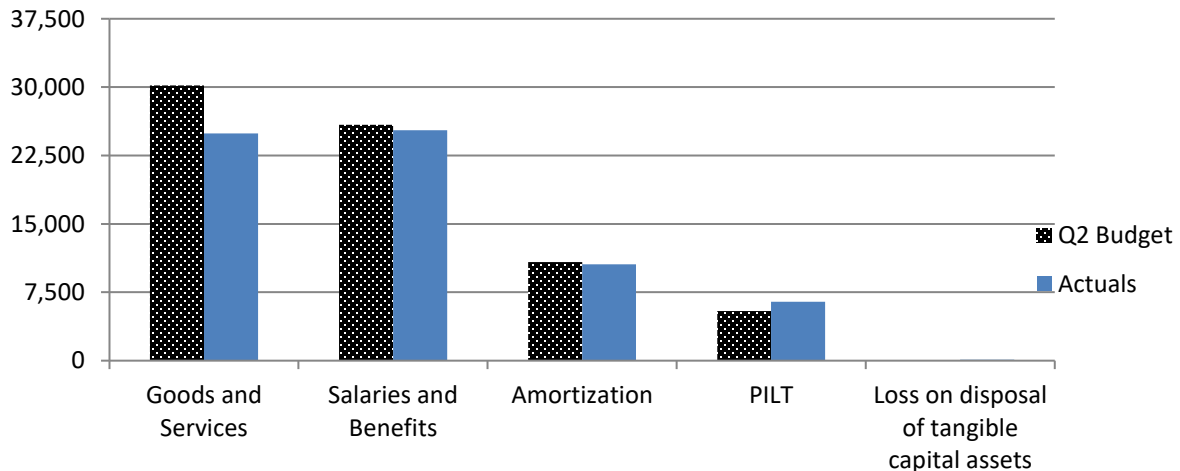
The following chart provides details of the second quarter revenues of \$33.6 million compared to the budget of \$30.4 million. Rental operations, user access fees and gain on disposal of tangible capital assets are above budget, whereas other revenues and interest are tracking behind budget.

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



The following chart provides details of the second quarter operating expenses of \$67.3 million compared to the budget of \$72.3 million. The favorable variance compared to budget is due primarily to a surplus of \$5.3 million in goods and services expenses due to lower than planned professional services and delays in environmental projects, salary savings of \$0.6 million to date due to vacancies, offset by a deficit of \$1.0 million due to higher than planned payment in lieu of municipal taxes expenses.

### 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 received \$78.0 million, or 49.1% of its annual budget for appropriations for the period ended September 30, 2021. 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 2022</b>
Operational vote	74,000	35,560	48.1%	-	38,440
Supplementary estimates	-	-	-	2,449	2,449
<i>sub-total</i>	74,000	35,560	48.1%	2,449	40,889
Capital vote	84,946	42,473	50.0%	-	42,473
Reprofiling request	-	-	-	-	-
<i>sub-total</i>	84,946	42,473	50.0%	-	42,473
<b>Total</b>	<b>158,946</b>	<b>78,033</b>	<b>49.1%</b>	<b>2,449</b>	<b>83,362</b>

Additional details on the parliamentary appropriations can be found in the NCC's Quarterly Financial Statements at September 30, 2021 (Note 8).

## D. Capital Expenditure

Investments by main categories of capital expenditures were as follows:

<b>For the three months ended September 30, 2021 (\$000's)</b>	<b>Actuals</b>
<b>Roads &amp; bridges</b>	
Portage Bridge Abutments Rehabilitation	1,067
<b>Historical properties</b>	
Official Residences	5,024
<b>Rental properties</b>	499
<b>Development properties</b>	
LeBreton Flats redevelopment	390
<b>Green assets</b>	
Nepean Point Rehabilitation, Parliament Hill Escarpment Rehabilitation, Gatineau Park Rehabilitation Program	6,765
<b>Other projects</b>	
Project management costs	3,974
<b>Equipment expenditures</b>	891
<b>Real property acquisitions</b>	
Acquisition of 80 Elgin Street, Ottawa Funded from segregated Acquisition and Disposal Fund	25,033
<b>Total 2021-2022 Q2 Actuals</b>	<b>43,643</b>
<b>Total 2020-2021 Q2 Actuals</b>	<b>25,812</b>
<b>Variance</b>	<b>17,831</b>
<b>2021-2022 Budget</b>	<b>143,550</b>
<b>% Achieved</b>	<b>30%</b>
<b>% Committed</b>	<b>54%</b>

## E. Statement of Financial Position Summary

Financial assets totalled \$238.6 million as at September 30, 2021, an increase of \$21.8 million or 10.1% from \$216.8 million as at March 31, 2021, attributable primarily to an increase of \$29.7 million in investments due to timing differences between receipt of parliamentary appropriations and other sources of funding compared to disbursements related to the delivery of projects, mainly offset by a reduction of \$5.1 million in accounts receivables mainly due to parliamentary appropriations recognized at year-end for the collective agreement and received during the first quarter.

Liabilities totalled \$179.7 million as at September 30, 2021, an increase of \$4.8 million or 2.8% from \$174.9 million as at March 31, 2021, attributable primarily to an increase in accounts payable and accrued liabilities.

Non-financial assets totalled \$756.5 million as at September 30, 2021, an increase of \$27.3 million or 3.7% from \$729.2 million as at March 31, 2021, 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. The corporation 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.

For the 2021–2022 to 2025–2026 planning period, the NCC has identified four major corporate risk categories: COVID-19, capacity, safety and security, and reputation and influence.

### **COVID-19**

The pandemic continues to have an impact on the daily operations of the NCC. The corporation is pursuing its efforts to safely provide services and programming while respecting provincial and regional health and safety requirements. This includes increasing user access to NCC lands, such as Gatineau Park, the Greenbelt, urban parks, pathways, and parkways, to facilitate active mobility and support the health and well-being of residents. Additionally, efforts are ongoing to shift certain recurring activities online, such as public consultations and the Urbanism Lab lecture series.

The pandemic's effects on construction activity across the National Capital Region continue to cause delays in the delivery of projects and have increased overall costs. Public health measures required to slow the spread of COVID-19 have also significantly impacted the revenue of the NCC's commercial tenants, many of whom remain unable to pay rent. The NCC will continue to support its tenants during the challenging months ahead by working closely with those who require federal support measures, to ensure a robust and resilient recovery. To offset revenue losses incurred as a result of the pandemic, the corporation is also working with PSPC and other government stakeholders to access additional funding earmarked in the fiscal framework.

Finally, COVID-19 continues to impact the corporation's work environment. The NCC is working to diligently implement health and safety measures in all its workplaces, reviewing and adapting measures in response to evolving public health directives. This includes encouraging staff who are able to work remotely to do so, as well as implementing a return-to-work framework that reflects current operational realities and responds to the needs of NCC staff.

### **Capacity**

Capacity risks relate to the NCC's ability to maintain sufficient levels of both financial and human resources to be resilient to a changing business environment. They also relate to the NCC's ability to prioritize effectively in order to deliver its activities and manage its assets.

As the steward of federal lands and assets in the National Capital Region, the NCC is mandated to ensure that they are safe, appropriate and sustainable for Canadians to experience. The NCC has worked diligently alongside federal partners and central agencies on funding solutions to protect its public infrastructure. In 2018, the Government of Canada provided \$55 million in funding over two years to support the restoration of 23 critical

assets to “good” condition. Projects enabled by this investment included the repair of pathways affected by the 2017 flooding, and the restoration of bridges, buildings, walls, roads, parkways and commemorative monuments. This was an important first step for the organization in its efforts to reduce its deferred maintenance deficit of \$600 million. Building on this, in May 2020, the government allocated additional funding of \$173.6 million to the NCC over three years to immediately assist in addressing the most critical health and safety issues, largely targeting assets that were damaged in the spring 2019 flooding. These funds will also contribute to making the NCC’s two interprovincial bridges more resilient to the effects of climate change. For more details, see Appendix C.

These additional appropriations over five years (2018–2019 to 2022–2023) from the Government of Canada have provided the NCC with the necessary resources to significantly improve the condition of priority assets. It should be noted that these investments did not fund projects required to address the condition of assets with the official residences portfolio.

Moving forward, the NCC will continue to collaborate with government to identify long-term sustainable funding solutions that address all assets in its portfolio, most importantly the official residences, to ensure that NCC assets remain safe, resilient and enjoyable for current and future generations of residents and visitors in the National Capital Region. These solutions could include a permanent increase in the corporation’s operating appropriations to protect the government’s recent investments. As part of its long-term financial sustainability strategy, the NCC is also in the process of exploring strategies to augment revenue generation and optimize the use of real property, while also identifying efficiencies and cost containment measures in response to challenges related to operating appropriations.

To enhance accountability and improve the prioritization of critical initiatives, the NCC will continue to review and clarify the roles and responsibilities of corporate committees, as well as increase transparency and communication regarding its decision-making process and resource allocation.

In terms of human resource capacity, the NCC continues to focus on developing strategies to attract, manage and retain a talented workforce and optimize business processes. These strategies form the bulk of the initiatives included in Priority 6, which aims to have the NCC mitigate this risk by becoming an employer of choice in the National Capital Region.

## **Reputation and Influence**

Reputation and influence risks relate to the NCC’s ability to maintain a positive reputation and be able to influence partners, stakeholders, the public and elected officials.

To protect its reputation and influence, the NCC engages with stakeholders, partners and the public, and builds awareness of the benefit that the organization provides to the Capital Region. The NCC will pursue the implementation of its Communications Strategy, which uses a proactive approach to engage partners and the general public, as well as communicate policies and processes related to the corporation’s regulatory roles. Similarly, the NCC will review and implement its external relations plan, and will pursue efforts to raise awareness among stakeholders regarding its key corporate challenges, including those related to insufficient resources and limited legislative authorities.

The NCC utilizes the diverse backgrounds and the expertise of the members of its board of directors to strengthen its capacity and influence. The corporation is also actively involved in many highly visible



projects in the National Capital Region in which it engages with municipalities, and consults with other major stakeholders on planning initiatives.

### **Safety and Security**

Safety and security risks relate to the deterioration of conditions of the NCC's assets due to deferred maintenance (insufficient funding to implement prioritization of maintenance and renewal activities), which could cause health and safety issues. This risk was also identified in the OAG's 2017 Special Examination Report.

Risk response measures consist of leveraging the additional parliamentary appropriations of \$173.6 million allocated in May 2020 over the next three years to continue to address critical public health and safety risks, which include consideration and planning for climate change resiliency. They also consist of developing and implementing long-term asset management plans that integrate a phased, multi-year asset condition inspection program and a centralized information management system that supports life cycle management requirements. These measures are necessary to ensure effective planning and resource allocation processes, as well as to establish clear project outcomes that support the NCC's mandate and program delivery. Overall, these activities will assist the corporation in continuing its work on assets in need of critical repairs in the long term, as supported by parliamentary appropriations.

### **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. 2021-2022 is the second 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.

The magnitude of the COVID-19 impact on the NCC going-forward depends on the progress of prevention and containment of the pandemic, its duration, the implementation of related control policies, the capacity of the economy to recover, the accessibility of users to NCC's premises, as well as government assistance with financial measures. As the full impact and the duration of the outbreak cannot be estimated at this point in time, the NCC will closely monitor the situation and continue to assess the impact of the pandemic on its operations and financial performance and take necessary action to mitigate the resulting business risk.

During the second quarter of 2021-2022, the NCC announced the appointment of a new Vice-President Human Resources branch.

No other significant changes with regard to NCC operations, personnel or programs occurred during the three month period ended September 30, 2021.

# Unaudited Financial Statements

## For the six months ended September 30, 2021

### 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



Michel Houle, CPA, CMA  
Vice-President Corporate Services and  
Chief Financial Officer

Ottawa, Canada  
November 19, 2021

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

	September 30, 2021	March 31, 2021
<b>FINANCIAL ASSETS</b>		
Cash and cash equivalents (Note 3)	184,526	187,284
Restricted cash and cash equivalents (Note 4)	4,872	4,859
Accounts receivable	9,584	14,684
Investments (Note 3)	39,659	9,968
	<b>238,641</b>	<b>216,795</b>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	28,018	23,933
Light rail transit (Note 4)	2,349	2,344
Provision for environmental remediation	64,803	64,049
Deferred revenues (Note 5)	62,069	61,481
Employee future benefits	10,086	10,495
Other liabilities	12,339	12,551
	<b>179,664</b>	<b>174,853</b>
<b>NET FINANCIAL ASSETS</b>	<b>58,977</b>	<b>41,942</b>
<b>NON-FINANCIAL ASSETS</b>		
Tangible capital assets (Note 6)	748,362	722,435
Prepaid expenses	3,873	2,422
Other non-financial assets	4,264	4,353
	<b>756,499</b>	<b>729,210</b>
<b>ACCUMULATED SURPLUS</b>	<b>815,476</b>	<b>771,152</b>

The notes are an integral part of the financial statements.

Approved by the Board of Directors



Marc Seaman  
Chair, Board of Directors



Tanya Gracie  
Chair, Audit Committee

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

For the six months ended September 30 (in thousands of dollars)

	2021-2022 Annual Budget (Note 2)	Three months ended September 30		Six months ended September 30	
		2021	2020	2021	2020
<b>REVENUES</b>					
Rental operations and easements	26,693	7,163	7,078	13,640	13,371
Recoveries	6,267	1,720	1,321	2,513	2,243
User access fees	3,492	1,433	1,069	2,024	1,679
Interest	1,943	427	449	912	893
Gain on disposal of tangible capital assets	6,633	10,633	-	10,633	60
Other revenues	21,103	1,930	222	3,883	428
	<b>66,131</b>	<b>23,306</b>	<b>10,139</b>	<b>33,605</b>	<b>18,674</b>
<b>EXPENSES (Note 7)</b>					
Long-term planning	8,370	1,405	1,484	2,547	2,894
Stewardship and protection	102,540	25,258	25,878	49,250	49,558
Internal services	33,672	7,437	7,236	15,517	14,631
	<b>144,582</b>	<b>34,100</b>	<b>34,598</b>	<b>67,314</b>	<b>67,083</b>
<b>Deficit before funding from the Government of Canada</b>	<b>(78,451)</b>	<b>(10,794)</b>	<b>(24,459)</b>	<b>(33,709)</b>	<b>(48,409)</b>
<b>Funding from the Government of Canada</b>					
Parliamentary appropriations for operating expenditures (Note 8)	74,000	17,801	19,570	35,560	36,222
Parliamentary appropriations for tangible capital assets (Note 8)	84,946	21,237	29,221	42,473	35,159
	<b>158,946</b>	<b>39,038</b>	<b>48,791</b>	<b>78,033</b>	<b>71,381</b>
<b>Surplus for the period</b>	<b>80,495</b>	<b>28,244</b>	<b>24,332</b>	<b>44,324</b>	<b>22,972</b>
<b>Accumulated surplus at beginning of the period</b>	<b>761,844</b>	<b>787,232</b>	<b>719,730</b>	<b>771,152</b>	<b>721,090</b>
<b>Accumulated surplus at end of the period</b>	<b>842,339</b>	<b>815,476</b>	<b>744,062</b>	<b>815,476</b>	<b>744,062</b>

The notes are an integral part of the financial statements.

**NATIONAL CAPITAL COMMISSION**  
**STATEMENT OF CHANGE IN NET FINANCIAL ASSETS (UNAUDITED)**  
For the six months ended September 30 (in thousands of dollars)

	2021-2022 Annual budget (Note 2)	2021	2020
<b>Surplus for the period</b>	<b>80,495</b>	<b>44,324</b>	<b>22,972</b>
Acquisition and improvements of tangible capital assets (Note 6)	(137,364)	(45,752)	(25,802)
Amortization of tangible capital assets (Note 6)	21,607	10,558	9,974
Gain on disposal of tangible capital assets	(6,633)	(10,633)	(60)
Loss on disposal of tangible capital assets	-	91	96
Proceeds from disposal of tangible capital assets	14,467	19,900	60
Realized loss from sale-leaseback transaction	-	(91)	(92)
	<b>(107,923)</b>	<b>(25,927)</b>	<b>(15,824)</b>
Change in prepaid expenses	-	(1,451)	(2,551)
Change in other non-financial assets	135	89	89
	<b>135</b>	<b>(1,362)</b>	<b>(2,462)</b>
<b>Increase in net financial assets</b>	<b>(27,293)</b>	<b>17,035</b>	<b>4,686</b>
<b>Net financial assets at beginning of the period</b>	<b>21,902</b>	<b>41,942</b>	<b>24,429</b>
<b>Net financial assets at end of the period</b>	<b>(5,391)</b>	<b>58,977</b>	<b>29,115</b>

The notes are an integral part of the financial statements.

**NATIONAL CAPITAL COMMISSION**  
**STATEMENT OF CASH FLOWS (UNAUDITED)**  
For the six months ended September 30 (in thousands of dollars)

	2021	2020
<b>OPERATING ACTIVITIES</b>		
Cash receipts from parliamentary appropriations		
for operating expenditures	41,691	37,439
Cash receipts from rental operations and easements	13,742	10,193
Cash receipts from other operations	5,853	1,273
Cash paid to suppliers	(31,577)	(31,781)
Cash paid to employees	(25,646)	(24,775)
Interest received	1,083	1,242
Disbursements related to the management and remediation of sites	(102)	(388)
<b>Cash flows provided (used) by operating activities</b>	<b>5,044</b>	<b>(6,797)</b>
<b>CAPITAL ACTIVITIES</b>		
Cash receipts from parliamentary appropriations		
for tangible capital assets	42,473	35,159
Acquisition and improvements of tangible capital assets	(39,867)	(26,617)
Proceeds from disposal of tangible capital assets	19,900	60
Disbursements for environmental remediation	(454)	(477)
<b>Cash flows provided by capital activities</b>	<b>22,052</b>	<b>8,125</b>
<b>INVESTING ACTIVITIES</b>		
Cash receipts for the light rail transit project	-	6
Cash receipts for Chambers Building Fund	9	12
Disbursements for investments purchased	(30,341)	(1,065)
Cash receipts from investment sold	491	800
<b>Cash flows used by investing activities</b>	<b>(29,841)</b>	<b>(247)</b>
<b>Increase (decrease) in cash and cash equivalents</b>	<b>(2,745)</b>	<b>1,081</b>
<b>Cash and cash equivalents at beginning of the period</b>	<b>192,143</b>	<b>166,842</b>
<b>Cash and cash equivalents at end of the period</b>	<b>189,398</b>	<b>167,923</b>
<b>Represented by:</b>		
<b>Cash and cash equivalents</b>	<b>184,526</b>	<b>163,221</b>
<b>Restricted cash and cash equivalents</b>	<b>4,872</b>	<b>4,702</b>
	<b>189,398</b>	<b>167,923</b>

The notes are an integral part of the financial statements.

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

For the six months ended September 30, 2021 (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 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, 2021 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, 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 six months ended September 30, 2021 (in thousands of dollars, unless otherwise specified)

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### Budget Figures

The 2021-2022 budget figures, as presented in the *2021-2022 to 2025-2026 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

#### A. CASH AND CASH EQUIVALENTS

As at September 30, 2021, cash and cash equivalents include \$184.5 million (\$187.3 million as at March 31, 2021) in cash, invested at a weighted average interest rate of 0.7 percent (0.8 percent as at March 31, 2021).

#### B. INVESTMENTS

As at September 30, 2021, the long-term investment portfolio includes bonds of provincial governments and a guaranteed investment certificate, totalling \$39.7 million (\$10.0 million as at March 31, 2021) invested at a weighted average interest rate of 1.3 percent (2.7 percent as at March 31, 2021).

	September 30, 2021		March 31, 2021	
	Amortized Cost	Quoted Market Value	Amortized Cost	Quoted Market Value
Provincial governments	9,659	9,953	9,968	10,265
Guaranteed investment certificate	30,000	30,000	-	-
	<b>39,659</b>	<b>39,953</b>	<b>9,968</b>	<b>10,265</b>

#### C. DESIGNATED FUNDS

As at September 30, 2021, cash and cash equivalents include \$127.5 million (\$109.7 million as at March 31, 2021) 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 six months ended September 30, 2021 (in thousands of dollars, unless otherwise specified)

### 4. Restricted Cash and Cash Equivalents

	March 31, 2021	Interest 2021-2022	September 30, 2021
LRT Stage 1 - Security deposit	184	-	<b>184</b>
LRT Stage 1 - Performance deposit	1,377	5	<b>1,382</b>
	<b>1,561</b>	<b>5</b>	<b>1,566</b>
Chambers Building Fund	3,298	8	<b>3,306</b>
<b>Total</b>	<b>4,859</b>	<b>13</b>	<b>4,872</b>

#### 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 above table include balances for the two LRT projects and interest earned during the period.

The LRT liability, which represents Stage 1 and 2 of the LRT project, totals \$2.3 million (\$2.3 million as at March 31, 2021).

#### 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. 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.

	September 30, 2021	March 31, 2021
Deferred rental revenues	9,832	10,000
Deferred easement and license of occupation revenues	19,065	16,937
Other deferred revenues	33,172	34,544
	<b>62,069</b>	<b>61,481</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

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

For the six months ended September 30, 2021 (in thousands of dollars, unless otherwise specified)

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discount rates of 4.0 percent, 4.27 percent, 6.01 percent and 6.5 percent. 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, \$0.2 million (\$0.2 million to September 30, 2020) of deferred rental revenue was recognized as income.

Deferred easement and licence of occupation revenues are primarily comprised of \$9.0 million (\$9.0 million as at March 31, 2021) of easement revenue and \$1.8 million (\$2.2 million as at March 31, 2021) of licences of occupation for LRT Phase 1 and 2. Deferred licence of occupation revenues will be recognized as income over a period of approximately 5 years, while easement revenues will be recognized over a period of 99 years.

Other deferred revenues consist mainly of a City of Ottawa contribution of \$22.2 million (\$22.5 million as at March 31, 2021) for the Sir John A. Macdonald Parkway improvement 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, 2021) for the construction of a commemoration which is expected to be completed by 2025, as well as a contribution by Global Affairs Canada of \$3.7 million (\$3.7 million as at March 31, 2021) for the construction of a commemoration which is expected to be completed by 2022.

## NOTES TO THE QUARTERLY FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended September 30, 2021 (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	September 30, 2021	March 31, 2021
Land <sup>1</sup>	330,719	6,927	2,881	334,765	-	-	-	-	<b>334,765</b>	<b>330,719</b>
Buildings and Infrastructure <sup>2</sup>	901,535	38,375	19,445	920,465	518,637	9,424	13,060	515,001	<b>405,464</b>	<b>382,898</b>
Leasehold improvements	15,120	42	-	15,162	11,608	212	-	11,820	<b>3,342</b>	<b>3,512</b>
Equipment <sup>2</sup>	22,984	408	16	23,376	17,678	922	15	18,585	<b>4,791</b>	<b>5,306</b>
	<b>1,270,358</b>	<b>45,752</b>	<b>22,342</b>	<b>1,293,768</b>	<b>547,923</b>	<b>10,558</b>	<b>13,075</b>	<b>545,406</b>	<b>748,362</b>	<b>722,435</b>

1. The land cost includes \$0.2 million (\$0.2 million as at March 31, 2021) of unsettled expropriation.

2. The total cost of buildings and infrastructure, and equipment includes \$53.2 million (\$35.5 million as at March 31, 2021) 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 six months ended September 30, 2021 (in thousands of dollars, unless otherwise specified)

### 7. Expenses by Object

The following provides a summary of expenses by object.

	2021-2022	Three months ended		Six months ended	
	Annual Budget	September 30		September 30	
	(Note 2)	2021	2020	2021	2020
Goods and services	60,403	12,544	14,332	24,931	27,496
Salaries and employee benefits	51,710	12,581	11,989	25,257	23,595
Amortization	21,607	5,285	4,996	10,558	9,974
Payments in lieu of municipal taxes	10,862	3,645	3,235	6,477	5,922
Loss on disposal of tangible capital assets	-	45	46	91	96
	<b>144,582</b>	<b>34,100</b>	<b>34,598</b>	<b>67,314</b>	<b>67,083</b>

For the period ended September 30, 2021, the value of antiques, works of art and monuments, acquired or built by the NCC totalled \$0.5 million (\$0.9 million at September 2020). These are recorded as expenses in “Goods and services.”

### 8. Parliamentary Appropriations

	Three months ended		Six months ended	
	September 30		September 30	
	2021	2020	2021	2020
<b>Parliamentary appropriations for operating expenditures<sup>1</sup></b>				
Amount received during the period	17,759	19,570	35,518	36,222
Amount received from previous year	42	-	42	-
	<b>17,801</b>	<b>19,570</b>	<b>35,560</b>	<b>36,222</b>
<b>Parliamentary appropriations for tangible capital assets<sup>2</sup></b>				
Amount received during the period	21,237	29,221	42,473	35,159
	<b>21,237</b>	<b>29,221</b>	<b>42,473</b>	<b>35,159</b>
<b>Parliamentary appropriations approved and recorded during the period</b>	<b>39,038</b>	<b>48,791</b>	<b>78,033</b>	<b>71,381</b>

1. As at September 30, 2021 and 2020, the amounts approved for the years ending March 31, 2022 and 2021 totaled \$73.5 million and \$72.4 million, respectively.

2. As at September 30, 2021 and 2020, the amounts approved for the years ending March 31, 2022 and 2021 totaled \$84.9 million and \$70.3 million, respectively.

### 9. Comparative Figures

Certain comparative figures have been reclassified to conform to the presentation adopted in the current year.