

NATIONAL CAPITAL COMMISSION  
COMMISSION DE LA CAPITALE NATIONALE

**QUARTERLY FINANCIAL REPORT FOR THE NINE MONTHS  
ENDED DECEMBER 31, 2019**

Canada



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## **MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE NINE MONTHS ENDED DECEMBER 31, 2019**

The nine month period ended December 31, 2019 resulted in a surplus of \$47.2 million. The surplus is primarily due to timing differences with respect to the receipt and use of government appropriations including an amount of \$34.8 million representing the difference between capital parliamentary appropriations received and amortization of tangible capital assets expenditures, a \$6.4 million compensation recorded as other revenues in the first quarter, received in exchange for the right to develop a property with additional density subject to design review, as well as a \$8.4 million gain on disposal of tangible capital assets for the Light Rail Transit (LRT) stage 1 land disposals. Recurring revenues and recurring operating expenses are slightly above budget. Investments in capital assets were lower than planned.

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

Revenues increased by \$15.5 million, or 51.5% 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 \$8.3 million, to \$8.4 million, as a result of the LRT stage 1 land disposals;
- Other revenues of \$6.4 million for a compensation received in exchange for the right to develop a property with additional density;
- Rental operations increase of \$1.1 million, or 6.5% to \$18.9 million;
- Interest revenues increase of \$1.0 million, or 53.6% to \$2.9 million;
- Recoveries increase of \$0.8 million, or 36.3% to \$3.1 million;
- User access fees increase of 0.2 million, or 5.0% to \$3.4 million; and
- Monetary sponsorships increase of 0.1 million, or 80.4% to \$0.2 million.

Offset in part by:

- Other revenues decrease of \$2.3 million, or 75.3% to \$0.8 million primarily as a result of \$2.1 million in compensation for contamination received from Public Service and Procurement Canada (PSPC) for land transferred to the NCC which was fully recognized as revenue during the first quarter of 2018-2019.

Operating expenses increased by \$9.2 million, or 9.7%, compared to the same period in the previous year. The results by Program were as follows:

- Stewardship and protection increased by \$8.6 million, or 11.4%, to \$75.7 million, primarily due to a writedown of tangible capital assets (\$2.1 million), non-recurring projects funded from Budget 2018 including the emerald ash borer remediation efforts (\$1.3 million), increased repair and maintenance mainly due to 2019 spring flooding (\$1.2 million), increased salaries and employee benefits (\$0.8 million) as well as amortization and payment in lieu of municipal taxes (\$1.0 million);
- Internal services increased by \$0.6 million, or 2.4% to \$25.0 million; and
- Long-term planning increased marginally to \$3.1 million.

Funding from the Government of Canada through parliamentary appropriations increased by \$20.1 million, or 23.6%, compared to the same period last year, mostly due to additional funding received as part of Budget 2018 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:

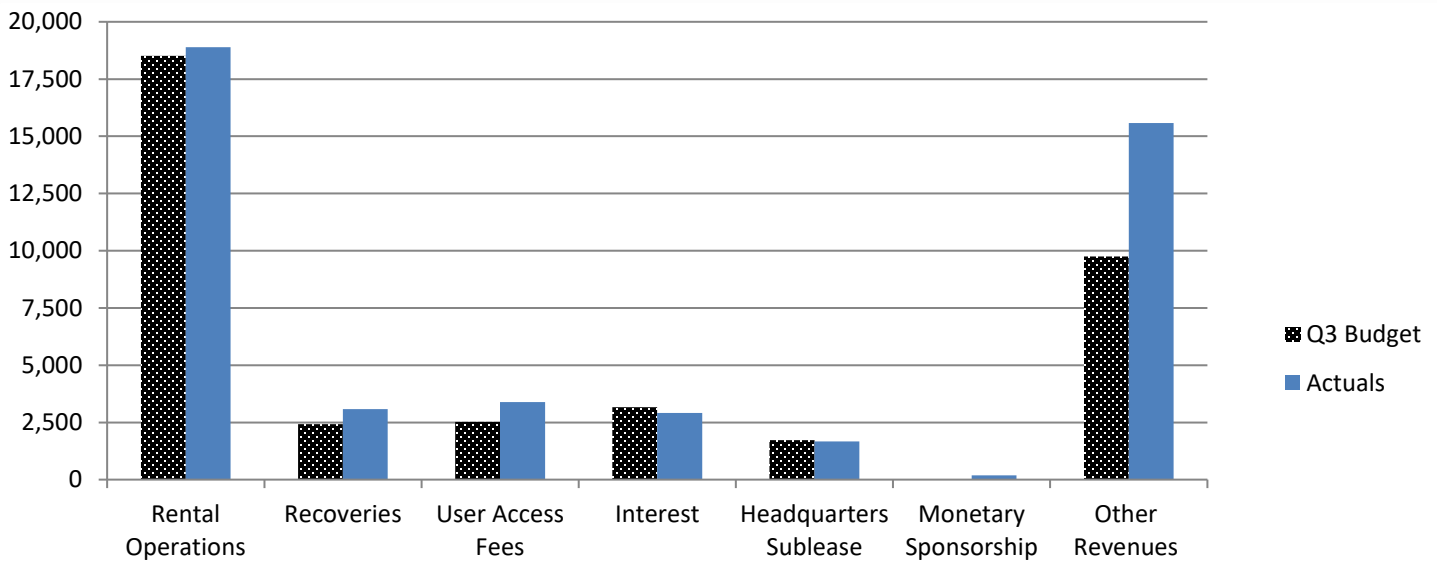
- Appropriations for operating expenditures increased by \$3.0 million, or 5.6%, to \$55.6 million;
- Appropriations for capital expenditures increased by \$17.1 million, an increase of 52.6% to \$49.6 million.

## B. Budgetary Analysis

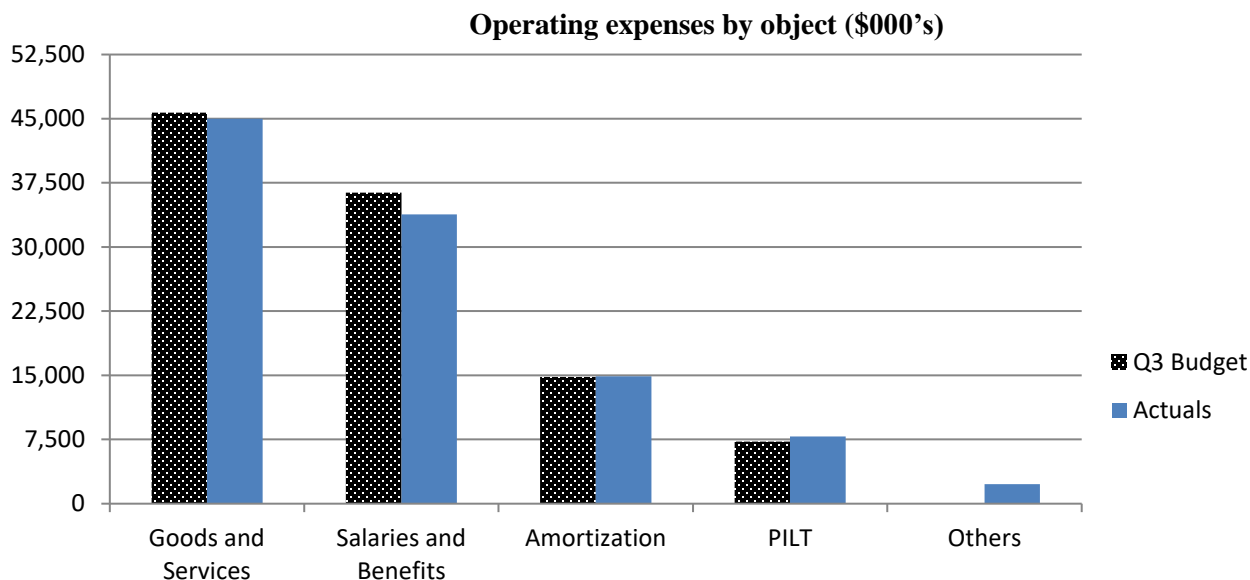
The budgeted revenue for the 2019-2020 fiscal year includes non-recurring items such as the gain on the LRT stage 1 land disposal, the compensation received in exchange for the right to develop a property with additional density, recoveries and contributions related to various projects and commemorations, with \$17.1 million recognized by the end of the third quarter, representing 147.5% of the annual budget. Total recurring revenues of \$28.6 million represent 78.2% of the annual budget as at December 31, 2019.

The following chart provides details of the third quarter revenues of \$45.7 million compared to the budget of \$38.1 million. Other revenues surplus is due to the unplanned compensation received in exchange for the right to develop a property with additional density subject to design review and a gain on disposal of tangible capital assets as a result of the LRT stage 1 land disposal; interest revenue and headquarters sublease are tracking slightly behind budget, whereas rental operations, recoveries, user access fees and monetary sponsorships are tracking slightly above budget, mostly as result of timing differences and non-recurring items which are expected to resorb themselves by year-end.

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



The following chart provides details of the third quarter operating expenses of \$103.8 million compared to the budget of \$104.1 million. The favorable variance is due primarily to salary savings of \$2.6 million compared to budget to date due to vacancies, as well as timing differences in goods and services expenses regarding the construction of a commemoration monument and operational projects funded from the Federal Contaminated Site Action Plan, partly offset by unbudgeted writedowns of tangible capital assets.



### 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 \$105.3 million, or 77.3% of its annual budget for appropriations for the period ended December 31, 2019. Parliamentary appropriations drawdowns are based on forecasted cash flow expenditures. The following illustrates the forecast of the parliamentary appropriations by vote.

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

Vote	Annual Budget	Gov't Apps Recognized	% Recognized	Approved Supplementary Estimates	Forecast to March 2020
Operational vote	73,810	55,624	75.4%	-	18,186
Supplementary estimates	-	-	-	-	-
<i>sub-total</i>	73,810	55,624	75.4%	-	18,186
Capital vote	62,453	49,643	79.5%	-	12,810
Reprofiling request	-	-	-	-	-
<i>sub-total</i>	62,453	49,643	79.5%	-	12,810
<b>Total</b>	<b>136,263</b>	<b>105,267</b>	<b>77.3%</b>	-	<b>30,996</b>

Additional details on the parliamentary appropriations can be found in the NCC's Quarterly Financial Statements at December 31, 2019 (Note 8).

#### D. Capital Expenditure

Investments by main categories of capital expenditures were as follows:

<b>For the nine months ended December 31, 2019 (\$000's)</b>	<b>Actuals</b>
<b>Roads &amp; bridges</b>	16,942
<b>Historical properties</b>	11,591
<b>Rental properties</b>	1,611
<b>Development properties</b>	1,799
<b>Green assets</b>	6,561
<b>Other projects</b> Primarily project management costs	5,880
<b>Equipment expenditures</b>	1,148
<b>Real property acquisitions</b> From segregated Acquisition and Disposal Fund	267

<b>Total 2019-2020 Q3 Actuals</b>	<b>45,799</b>
<b>Total 2018-2019 Q3 Actuals</b>	<b>20,087</b>
<b>Variance</b>	<b>25,712</b>

<b>2019-2020 Budget</b>	<b>78,823</b>
<b>% Achieved</b>	<b>58%</b>
<b>% Committed</b>	<b>98%</b>

#### E. Statement of Financial Position Summary

Financial assets totalled \$227.4 million as at December 31, 2019, an increase of \$31.5 million or 16.1% from \$195.9 million as at March 31, 2019, attributable primarily to timing differences between receipt of parliamentary appropriations and other contributions compared to disbursements related to the delivery of projects.

Liabilities totalled \$205.5 million as at December 31, 2019, an increase of \$9.4 million or 4.8% from \$196.1 million as at March 31, 2019, primarily attributable to a \$18.6 million increase in accounts payable and accrued liability due to higher accrual values at the end of December 2019 compared to the prior year, \$20.5 million increase in deferred revenues primarily due to easements and license of occupation revenues for the LRT stage 2, and other deferred revenues increases due to a contribution received from the City of Ottawa for the Sir John A. Macdonald Parkway and for a contribution from Global Affairs Canada for the construction of a commemoration. These increases were partly offset by a decrease of \$30.7 million of the light rail transit liability as a result of a \$10.8 million performance deposit returned to the City of Ottawa and \$13.1 million that were transferred into deferred revenue.

Non-financial assets totalled \$694.4 million as at December 31, 2019, an increase of \$25.1 million or 3.8% from \$669.2 million as at March 31, 2019, reflecting mostly increases in tangible capital assets net of amortization as a result of increased Capital Expenditures for projects funded from Budget 2018.

## **F. Integrated Risk Management**

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 risk response measures for the planning period. These key corporate risks and operational risks are monitored 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 2019–2020 to 2023–2024 planning period, the NCC has identified three major corporate risk categories: capacity, reputation and influence, and safety and security.

### **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, effectively deliver its mandate and manage its assets.

Moving forward, the NCC will continue to collaborate with government to identify long-term sustainable funding solutions to ensure that its assets remain safe, resilient and enjoyable for current and future generations of visitors to the National Capital Region.

As part of its long-term financial sustainability strategy, the NCC is 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.

In terms of human resource capacity, the NCC has made this a focus, and has included elements of this risk in one of its priorities for this planning period. The corporation 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 Integrated Communications Plan, 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 engage stakeholders regarding its key corporate challenges, including those related to constrained resources and legislative authorities.

The NCC 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 or insufficient prioritization of maintenance and renewal activities, which could cause health and safety issues. This risk was also identified in the OAG's Special Examination Report—2017.

Risk response measures consist of continuing to work on assets in need of critical repairs restoring them to good condition in accordance with Budget 2018. The Corporation is developing an investment plan in order to provide recommendations on resource allocation processes and portfolio strategy. This includes a phased, multi-year asset condition inspection program; regular inspections of lands and assets; and plans, policies and procedures that are part of the NCC's day-to-day activities. The NCC is also conducting a comprehensive review of its information systems and information requirements to further support the development and implementation of its long-term investment plan.

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

In Budget 2018, the Government announced an investment of \$55 million over two years (2018–2019 to 2019–2020) in support of critical repair and maintenance work on the NCC's portfolio of tangible capital assets. This funding allocation will enable the corporation to begin addressing the maintenance requirements of priority assets, thereby ensuring that these specific assets do not cause health and safety concerns.

The Government of Canada announced on November 20, 2019 that ministerial responsibility for the National Capital Commission will now reside with the minister of Public Services and Procurement Canada (PSPC).

During the third quarter of 2019-2020, in light of staffing retirements and changes, the NCC announced organizational changes that will ensure senior management resources are more aligned with its mandate:

- From the existing Capital Planning branch, two new branches will be created. A new Capital Planning branch consisting of the Long Range Planning and Transportation division, Federal Approvals and Heritage and Archaeology Programs division, as well as the Sustainable Development and Environmental Services division as the NCC anticipates growth in both volume and complexity in these important areas. A different and new branch, Design & Construction will encompass the existing Design and Construction division.
- The existing Public and Corporate Affairs branch and Legal Services and Commission Secretariat branch will be merged into a new Public, Legal and Corporate and Affairs branch.

No other significant changes with regard to NCC operations, personnel or programs occurred during the three month period ended December 31, 2019.



# Unaudited Financial Statements

## For the nine months ended December 31, 2019

### 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.



Tobi Nussbaum  
Chief Executive Officer



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

Ottawa, Canada  
February 25, 2020

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

December 31, 2019      March 31, 2019

**FINANCIAL ASSETS**

Cash and cash equivalents (Note 3)	151,808	75,336
Restricted cash and cash equivalents (Note 4)	58,691	79,907
Accounts receivable	7,725	11,301
Investments (Note 3)	9,134	29,357
	<b>227,358</b>	<b>195,901</b>

**LIABILITIES**

Accounts payable and accrued liabilities	37,225	18,633
Light rail transit (Note 4)	42,710	73,437
Provision for environmental cleanup	64,459	65,354
Deferred revenue (Note 5)	39,067	18,610
Employee future benefits	9,139	9,598
Other liabilities	12,932	10,463
	<b>205,532</b>	<b>196,095</b>

**NET FINANCIAL ASSETS (NET DEBT)**

	<b>21,826</b>	<b>(194)</b>
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**NON-FINANCIAL ASSETS**

Tangible capital assets (Note 6)	688,564	660,564
Prepaid expenses	1,241	3,494
Other non-financial assets	4,575	5,189
	<b>694,380</b>	<b>669,247</b>

**ACCUMULATED SURPLUS**

	<b>716,206</b>	<b>669,053</b>
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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 nine months ended December 31 (in thousands of dollars)

	2019-2020 Annual Budget (Note 2)	Three months ended December 31		Nine months ended December 31	
		2019	2018	2019	2018
<b>REVENUES</b>					
Rental operations and easements	24,761	6,166	5,420	18,893	17,745
User access fees	3,445	1,502	1,393	3,382	3,222
Recoveries	3,214	1,267	471	3,077	2,257
Interest	4,701	1,038	714	2,916	1,899
Headquarters sublease	1,729	655	445	1,669	1,701
Monetary sponsorship	-	25	-	184	102
Gain on disposal of tangible capital assets	8,812	3,614	-	8,414	131
Other revenues	1,521	58	527	7,167	3,102
	<b>48,183</b>	<b>14,325</b>	<b>8,970</b>	<b>45,702</b>	<b>30,159</b>
<b>EXPENSES (Note 7)</b>					
Long-term planning	6,606	1,025	934	3,100	3,090
Stewardship and protection	93,964	26,683	21,911	75,707	67,090
Internal services	35,622	8,064	7,768	25,009	24,417
	<b>136,192</b>	<b>35,772</b>	<b>30,613</b>	<b>103,816</b>	<b>94,597</b>
<b>Deficit before funding from the Government of Canada</b>	<b>(88,009)</b>	<b>(21,447)</b>	<b>(21,643)</b>	<b>(58,114)</b>	<b>(64,438)</b>
<b>Funding from the Government of Canada</b>					
Parliamentary appropriations for operating expenditures (Note 8)	73,810	18,108	19,737	55,624	52,661
Parliamentary appropriations for tangible capital assets (Note 8)	62,453	15,821	11,210	49,643	32,520
	<b>136,263</b>	<b>33,929</b>	<b>30,947</b>	<b>105,267</b>	<b>85,181</b>
<b>Surplus for the period</b>	<b>48,254</b>	<b>12,482</b>	<b>9,304</b>	<b>47,153</b>	<b>20,743</b>
<b>Accumulated surplus at beginning of the period</b>	<b>657,574</b>	<b>703,724</b>	<b>659,339</b>	<b>669,053</b>	<b>647,900</b>
<b>Accumulated surplus at end of the period</b>	<b>705,828</b>	<b>716,206</b>	<b>668,643</b>	<b>716,206</b>	<b>668,643</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)

	2019-2020 Annual budget (Note 2)	Three months ended December 31		Nine months ended December 31	
		2019	2018	2019	2018
<b>Suplus for the period</b>	<b>48,254</b>	<b>12,482</b>	<b>9,304</b>	<b>47,153</b>	<b>20,743</b>
Acquisition and improvements of tangible capital assets (Note 6)	(73,898)	(17,527)	(7,927)	(45,518)	(33,621)
Amortization of tangible capital assets (Note 6)	19,740	5,128	4,866	14,869	14,434
Gain on disposal of tangible capital assets	(8,812)	(3,614)	-	(8,414)	(131)
Loss on disposal of tangible capital assets	1,072	45	79	137	1,036
Proceeds from disposal of tangible capital assets	9,469	3,935	-	8,919	481
Realized loss from sale-leaseback transaction	-	(45)	(45)	(137)	(137)
Writedown of tangible capital assets	-	2,144	-	2,144	-
	<b>(52,429)</b>	<b>(9,934)</b>	<b>(3,027)</b>	<b>(28,000)</b>	<b>(17,938)</b>
Change in prepaid expenses	-	2,547	2,562	2,253	2,240
Change in other non-financial assets	177	596	44	614	(217)
	<b>177</b>	<b>3,143</b>	<b>2,606</b>	<b>2,867</b>	<b>2,023</b>
<b>Increase in net financial assets</b>	<b>(3,998)</b>	<b>5,691</b>	<b>8,883</b>	<b>22,020</b>	<b>4,828</b>
<b>Net financial assets (net debt) at beginning of the period</b>	<b>(16,708)</b>	<b>16,135</b>	<b>(1,570)</b>	<b>(194)</b>	<b>2,485</b>
<b>Net financial assets at end of the period</b>	<b>(20,706)</b>	<b>21,826</b>	<b>7,313</b>	<b>21,826</b>	<b>7,313</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)

	Three months ended December 31		Nine months ended December 31	
	2019	2018	2019	2018
<b>OPERATING ACTIVITIES</b>				
Cash receipts from parliamentary appropriations for operating expenditures	12,072	19,737	56,482	53,437
Cash receipts from rental operations and easements	10,889	6,644	23,141	17,435
Cash receipts from other operations	1,744	2,003	23,463	12,905
Cash paid to suppliers	(17,803)	(14,233)	(50,193)	(42,362)
Cash paid to employees	(10,424)	(14,926)	(35,173)	(36,793)
Interest received	1,436	736	3,308	1,875
Disbursements related to the management and remediation of sites	(21)	(207)	(310)	(471)
<b>Cash flows provided (used) by operating activities</b>	<b>(2,107)</b>	<b>(246)</b>	<b>20,718</b>	<b>6,026</b>
<b>CAPITAL ACTIVITIES</b>				
Cash receipts from parliamentary appropriations for tangible capital assets	9,584	11,210	49,643	32,520
Cash disbursements for the light rail transit project	(9,795)	-	(9,795)	-
Acquisition and improvements of tangible capital assets	(10,600)	(6,666)	(24,429)	(19,828)
Proceeds from disposal of tangible capital assets	182	-	198	131
Disbursements for environmental cleanup	(2,248)	(170)	(2,684)	(240)
<b>Cash flows provided (used) by capital activities</b>	<b>(12,877)</b>	<b>4,374</b>	<b>12,933</b>	<b>12,583</b>
<b>INVESTING ACTIVITIES</b>				
Cash receipts for the light rail transit project	366	356	1,120	955
Cash disbursements for the light rail transit project	(1,020)	-	(1,020)	-
Cash receipts for Chambers Building Fund	1,554	-	1,572	-
Disbursements for investments purchased	(126)	(10,697)	(1,114)	(10,973)
Cash receipts from investment sold	20,400	400	21,047	400
<b>Cash flows provided (used) by investing activities</b>	<b>21,174</b>	<b>(9,941)</b>	<b>21,605</b>	<b>(9,618)</b>
<b>Increase (decrease) in cash and cash equivalents</b>	<b>6,190</b>	<b>(5,813)</b>	<b>55,256</b>	<b>8,991</b>
<b>Cash and cash equivalents at beginning of the period</b>	<b>204,309</b>	<b>134,720</b>	<b>155,243</b>	<b>119,916</b>
<b>Cash and cash equivalents at end of the period</b>	<b>210,499</b>	<b>128,907</b>	<b>210,499</b>	<b>128,907</b>
<b>Represented by:</b>				
<b>Cash and cash equivalents</b>	<b>151,808</b>	<b>63,977</b>	<b>151,808</b>	<b>63,977</b>
<b>Restricted cash and cash equivalents</b>	<b>58,691</b>	<b>64,930</b>	<b>58,691</b>	<b>64,930</b>
	<b>210,499</b>	<b>128,907</b>	<b>210,499</b>	<b>128,907</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, 2019 (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 met the requirements of the directive effective 2015-2016.

### **2. Significant Accounting Policies**

#### **BASIS OF ACCOUNTING**

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

These quarterly financial statements should be read in conjunction with the annual audited financial statements dated March 31, 2019.

Financial assets and non-financial assets, as well as liabilities 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.

## NOTES TO THE QUARTERLY FINANCIAL STATEMENTS (UNAUDITED)

For the nine months ended December 31, 2019 (in thousands of dollars, unless otherwise specified)

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

### Budget Figures

The 2019-2020 budget figures, as presented in the *2019-2020 to 2023-2024 Corporate Plan*, are included, as appropriate, in the Statement of Operations and Accumulated surplus and the Statement of Change in Net Financial Assets.

### 3. Cash and Cash Equivalents and Investments

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

#### A. CASH AND CASH EQUIVALENTS

As at December 31, 2019, cash and cash equivalents include \$151.8 million (\$75.3 million as at March 31, 2019) in cash, invested at a weighted average interest rate of 2.4 percent (2.1 percent as at March 31, 2019).

#### B. INVESTMENTS

As at December 31, 2019, there are no short-term investments (\$10.0 million at 2.9 percent as at March 31, 2019).

As at December 31, 2019, the long-term investment portfolio includes bonds of provincial governments, totalling \$9.1 million (\$19.4 million as at March 31, 2019) invested at a weighted average interest rate of 3.0 percent (3.7 percent as at March 31, 2019).

	December 31, 2019		March 31, 2019	
	Amortized Cost	Quoted Market Value	Amortized Cost	Quoted Market Value
Guaranteed investment certificate	-	-	10,000	10,000
Provincial governments	9,134	9,552	19,357	19,812
	<b>9,134</b>	<b>9,552</b>	<b>29,357</b>	<b>29,812</b>

## NOTES TO THE QUARTERLY FINANCIAL STATEMENTS (UNAUDITED)

For the nine months ended December 31, 2019 (in thousands of dollars, unless otherwise specified)

### C. DESIGNATED FUNDS

As at December 31, 2019, cash and cash equivalents include \$71.9 million (\$41.1 million as at March 31, 2019) in designated funds whose use is designated or limited for the sole purpose for which they have been segregated.

## 4. Restricted cash and cash equivalents

	Amount received	Interest	Amount returned/transferred	December 31, 2019
LRT Stage 1 - Security deposit	49,026	5,189	-	<b>54,215</b>
LRT Stage 1 - Performance deposit	24,500	1,538	(24,678)	<b>1,360</b>
LRT Stage 2 - Confederation line deposit	13,028	65	(13,093)	-
	<b>86,554</b>	<b>6,792</b>	<b>(37,771)</b>	<b>55,575</b>
Chambers Building Fund	3,088	28	-	<b>3,116</b>
<b>Total</b>	<b>89,642</b>	<b>6,820</b>	<b>(37,771)</b>	<b>58,691</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 will affect several NCC properties, which are subject to change until such time as the actual land requirements are finalized.

The above table includes amounts that have been either received, returned or transferred, as well as the net interest earned to date. During the period, net interest of \$35,000 (\$1.0 million in 2018) has been recorded and included in the Financial Assets under “Restricted cash and cash equivalents” and under the “Light rail transit” liability. The accumulated interest recorded as at December 31, 2019, was \$6.8 million (\$5.3 million as at March 31, 2019).

The Light rail transit liability totals \$42.7 million (\$73.4 million as at March 31, 2019).

### B. Chambers Building Fund

As set out in the ground lease with Allied, the tenant must remit an annual amount to the NCC strictly for the purpose to fund future capital improvements for 40 Elgin Street. 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 under “Other liabilities”.



## NOTES TO THE QUARTERLY FINANCIAL STATEMENTS (UNAUDITED)

For the nine months ended December 31, 2019 (in thousands of dollars, unless otherwise specified)

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### 5. Deferred revenue

Deferred revenues are composed of the following.

	December 31, 2019	March 31, 2019
Deferred rental revenues	10,409	7,121
Deferred easement and license of occupation revenues	16,442	5,863
Other deferred revenues	12,216	5,626
	<b>39,067</b>	<b>18,610</b>

The deferred rental revenue is primarily the present value of the minimum future lease payments that the NCC has collected under of three different land lease agreements. The present value for the current agreements was determined using discount rates of 4.27 percent, 6.01 percent and 6.5 percent. This deferred rental revenue will be recognized in income over the term of the lease agreements, which have different termination dates extending to 2068. During the period, \$0.1 million (\$0.1 million to December 31, 2018) of deferred rental revenue was recognized as income.

Deferred easement and license of occupation revenues are primarily comprised of \$7.7 million of easement revenue and \$2.9 million of LRT Phase 2 licenses of occupation. Deferred license 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 \$5.2 million for the Sir John A. Macdonald Parkway improvement which will be recognized as work is completed, as well as a contribution of Global Affairs Canada of \$3.5 million for the construction of a commemoration.

## NOTES TO THE QUARTERLY FINANCIAL STATEMENTS (UNAUDITED)

For the nine months ended December 31, 2019 (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, 2019	March 31, 2019
Land <sup>1</sup>	326,605	2,615	505	328,715	-	-	-	-	328,715	326,605
Buildings and Infrastructure <sup>2</sup>	808,323	41,195	2,171	847,347	484,054	13,469	27	497,496	349,851	324,269
Leasehold improvements	15,120	-	-	15,120	10,665	406	-	11,071	4,049	4,455
Equipment <sup>2</sup>	20,129	1,708	56	21,781	14,894	994	56	15,832	5,949	5,235
	<b>1,170,177</b>	<b>45,518</b>	<b>2,732</b>	<b>1,212,963</b>	<b>509,613</b>	<b>14,869</b>	<b>83</b>	<b>524,399</b>	<b>688,564</b>	<b>660,564</b>

1. The land cost includes \$0.2 million (\$0.2 million as at March 31, 2019) of unsettled expropriation.

2. The total cost of buildings and infrastructure, and equipment include \$34.5 million (\$20.9 million as at March 31, 2019) of construction in progress. When completed, the cost of these projects will be amortized on the basis on their estimated useful life.

## NOTES TO THE QUARTERLY FINANCIAL STATEMENTS (UNAUDITED)

For the nine months ended December 31, 2019 (in thousands of dollars, unless otherwise specified)

### 7. Expenses by Object

The following provides a summary of expenses by object.

	2019-2020 Annual Budget	Three months ended December 31		Nine months ended December 31	
		2019	2018	2019	2018
	(Note 2)				
Goods and services	57,880	14,988	13,340	45,006	39,362
Salaries and employee benefits	47,846	10,884	9,932	33,811	32,521
Amortization	19,740	5,128	4,866	14,869	14,434
Payments in lieu of municipal taxes	9,654	2,583	2,396	7,849	7,244
Writedown of tangible capital assets	-	2,144	-	2,144	-
Loss on disposal of tangible capital assets	1,072	45	79	137	1,036
	<b>136,192</b>	<b>35,772</b>	<b>30,613</b>	<b>103,816</b>	<b>94,597</b>

Antiques, works of art and monuments acquired or built by the NCC and those donated to the Canadiana Fund or the NCC are not recorded as tangible capital assets but are recorded as expenses and are included in "Goods and services." For the period ended December 31, 2019, the value of antiques, works of art and monuments totalled \$0.9 million (\$0.8 million to December 31, 2018).

### 8. Parliamentary Appropriations

	Three months ended December 31		Nine months ended December 31	
	2019	2018	2019	2018
<b>Parliamentary appropriations for operating expenditures<sup>1</sup></b>				
Amount received during the period	18,108	19,737	55,444	52,661
Amount received from previous year	-	-	180	-
	<b>18,108</b>	<b>19,737</b>	<b>55,624</b>	<b>52,661</b>
<b>Parliamentary appropriations for tangible capital assets<sup>2</sup></b>				
Amount received during the period	15,821	11,210	49,643	32,520
	<b>15,821</b>	<b>11,210</b>	<b>49,643</b>	<b>32,520</b>
<b>Parliamentary appropriations approved and recorded during the period</b>	<b>33,929</b>	<b>30,947</b>	<b>105,267</b>	<b>85,181</b>

1. As at December 31, 2019 and 2018, the amounts approved for the years ending March 31, 2020 and 2019 totaled \$73.8 million and \$71.1 million, respectively.

2. As at December 31, 2019 and 2018, the amounts approved for the years ending March 31, 2020 and 2019 totaled \$62.5 million and \$40.3 million, respectively.