

NATIONAL CAPITAL COMMISSION
COMMISSION DE LA CAPITALE NATIONALE

**QUARTERLY FINANCIAL REPORT FOR THE NINE MONTHS
ENDED DECEMBER 31, 2021**

Canada



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MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE NINE MONTHS ENDED DECEMBER 31, 2021

The nine months ended December 31, 2021 resulted in a surplus of \$67.4 million. The surplus is primarily due to a capital surplus of \$47.8 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 \$17.7 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 \$22.2 million, or 74.6% 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 \$17.6 million, compared to \$0.1 million in the previous year, as a result of the disposal of a property to a federal department and a property to the City of Ottawa;
- Other revenue increase of \$2.9 million, or 237.9% to \$4.1 million mainly 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;
- Rental operations increase of \$0.9 million, or 4.6% to \$20.6 million;
- User access fees increase of \$0.5 million, or 13.1% to \$4.1 million; and
- Recoveries increase of \$0.3 million, or 7.3% to \$4.0 million.

Operating expenses increased by \$1.0 million, or 1.0%, compared to the same period in the previous year. The results by Program were as follows:

- Internal services increase of \$0.9 million, or 3.9% to \$23.4 million; and
- Stewardship and protection increase of \$0.5 million, or 0.7%, to \$74.4 million;

Offset in part by:

- Long-term planning decrease of \$0.4 million, or 9.7% to \$3.8 million.

Funding from the Government of Canada through parliamentary appropriations increased by \$9.9 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:

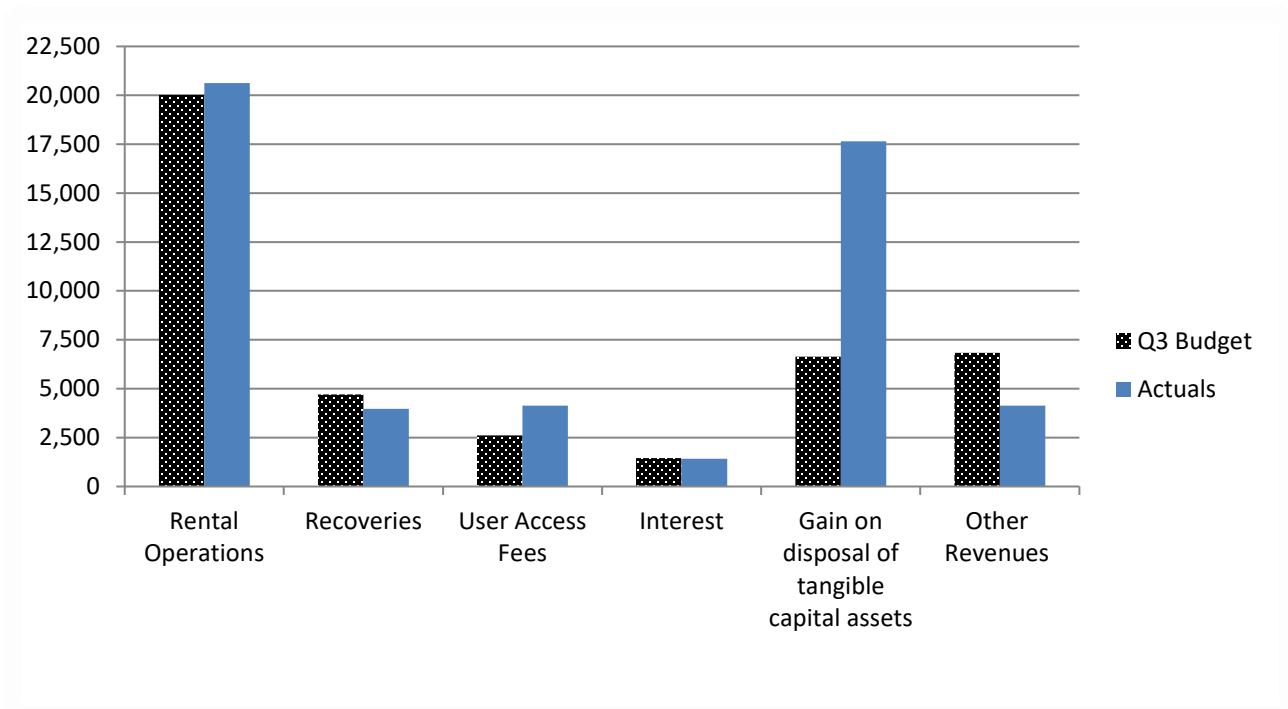
- Appropriations for operating expenditures decreased by \$1.0 million, or 1.9%, to \$53.3 million; and
- Appropriations for capital expenditures increased by \$11.0 million, or 20.8% to \$63.7 million.

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 \$21.4 million recognized at the end of the third quarter, representing 70.5% of the annual budget. Total recurring revenues of \$30.6 million represent 85.3% of the annual budget as at December 31, 2021.

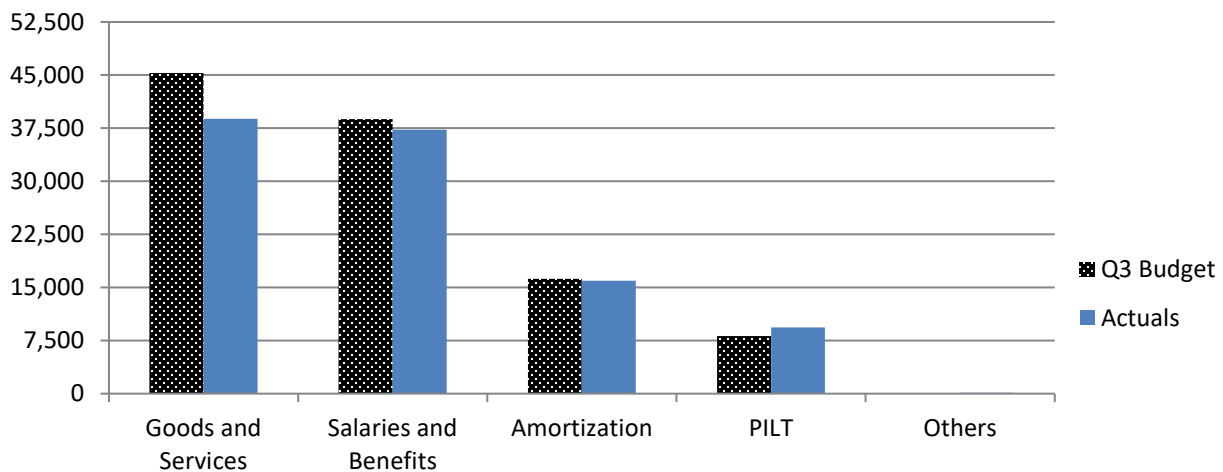
The following chart provides details of the year to date third quarter revenues of \$51.9 million compared to the budget of \$42.3 million. Rental operations, user access fees and gain on disposal of tangible capital assets are above budget, whereas other revenues and recoveries are tracking behind budget.

Revenues by type (\$000's)



The following chart provides details of the third quarter operating expenses of \$101.5 million compared to the budget of \$108.4 million. The favorable variance compared to budget is due primarily to a surplus of \$6.5 million in goods and services expenses due to lower than planned professional services, delays in environmental projects and timing differences in the delivery of operating projects, salary savings of \$1.5 million year to date due to vacancies, offset by a deficit of \$1.2 million due to higher than planned payment in lieu of municipal taxes expenses mainly as a result of retroactive adjustments.

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 \$117.0 million, or 73.6% of its annual budget for appropriations for the period ended December 31, 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)

Vote	Annual Budget	Gov't Apps Recognized	% Recognized	Approved Supplementary Estimates	Forecast to March 2022
Operational vote	74,000	53,290	72.0%	-	20,710
Supplementary estimates	-	-	-	2,449	2,449
<i>sub-total</i>	74,000	53,290	72.0%	2,449	23,159
Capital vote	84,946	63,709	75.0%	-	21,237
Reprofiling request	-	-	-	-	-
<i>sub-total</i>	84,946	63,709	75.0%	-	21,237
Total	158,946	116,999	73.6%	2,449	44,396

Additional details on the parliamentary appropriations can be found in the NCC's Quarterly Financial Statements at December 31, 2021 (Note 8).

D. Capital Expenditure

Investments by main categories of capital expenditures were as follows:

For the three months ended December 31, 2021 (\$000's)	Actuals
Roads & bridges Portage Bridge Shorelines, Hog's Back Swing Bridge	1,804
Historical properties Official Residences Program, National Capital River Pavilion	6,495
Rental properties	788
Development properties LeBreton Flats redevelopment	2,938
Green assets Nepean Point Rehabilitation, Colonel By Pathway Wall, LeBreton Flats Pathway	12,339
Other projects Project management costs	6,178
Equipment expenditures	911
Real property acquisitions Acquisition of 80 Elgin Street, Ottawa Funded from segregated Acquisition and Disposal Fund	25,050
Total 2021-2022 Q3 Actuals	56,503
Total 2020-2021 Q3 Actuals	43,249
Variance	13,254
2021-2022 Budget	143,550
% Achieved	39%
% Committed	58%

E. Statement of Financial Position Summary

Financial assets totalled \$255.8 million as at December 31, 2021, an increase of \$39.0 million or 18.0% from \$216.8 million as at March 31, 2021, attributable primarily to an increase of \$29.4 million in investments and \$13.0 million in cash and cash equivalents 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 \$4.5 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 \$175.9 million as at December 31, 2021, an increase of \$1.0 million or 0.6% from \$174.9 million as at March 31, 2021, attributable primarily to an increase in deferred easement and license of occupation revenues.

Non-financial assets totalled \$758.7 million as at December 31, 2021, an increase of \$29.5 million or 4.0% 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 and real property acquisitions.

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.

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 continue to monitor the situation and assess the impact of the pandemic on its operations and financial performance and take necessary action to mitigate the resulting business risk.

During the third quarter of 2021-2022, the NCC announced the departure of its Vice-President Capital Planning branch.

No other significant changes with regard to NCC operations, personnel or programs occurred during the three month period ended December 31, 2021.

Unaudited Financial Statements

For the nine months ended December 31, 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
February 28, 2022

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

	December 31, 2021	March 31, 2021
FINANCIAL ASSETS		
Cash and cash equivalents (Note 3)	200,291	187,284
Restricted cash and cash equivalents (Note 4)	5,955	4,859
Accounts receivable	10,143	14,684
Investments (Note 3)	39,370	9,968
	255,759	216,795
LIABILITIES		
Accounts payable and accrued liabilities	24,330	23,933
Light rail transit (Note 4)	2,192	2,344
Provision for environmental remediation	62,949	64,049
Deferred revenues (Note 5)	63,071	61,481
Employee future benefits	10,074	10,495
Other liabilities	13,307	12,551
	175,923	174,853
NET FINANCIAL ASSETS	79,836	41,942
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 6)	753,516	722,435
Prepaid expenses	964	2,422
Other non-financial assets	4,220	4,353
	758,700	729,210
ACCUMULATED SURPLUS	838,536	771,152

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)

	2021-2022	Three months ended		Nine months ended	
	Annual Budget (Note 2)	December 31 2021	December 31 2020	December 31 2021	December 31 2020
REVENUES					
Rental operations and easements	26,693	6,983	6,348	20,623	19,719
Recoveries	6,267	1,450	1,452	3,963	3,695
User access fees	3,492	2,114	1,981	4,138	3,660
Interest	1,943	510	491	1,422	1,384
Gain on disposal of tangible capital assets	6,633	7,020	8	17,653	68
Other revenues	21,103	250	795	4,133	1,223
	66,131	18,327	11,075	51,932	29,749
EXPENSES (Note 7)					
Long-term planning	8,370	1,215	1,272	3,762	4,166
Stewardship and protection	102,540	25,113	24,272	74,363	73,830
Internal services	33,672	7,905	7,904	23,422	22,535
	144,582	34,233	33,448	101,547	100,531
Deficit before funding from the Government of Canada	(78,451)	(15,906)	(22,373)	(49,615)	(70,782)
Funding from the Government of Canada					
Parliamentary appropriations for operating expenditures (Note 8)	74,000	17,730	18,111	53,290	54,333
Parliamentary appropriations for tangible capital assets (Note 8)	84,946	21,236	17,580	63,709	52,739
	158,946	38,966	35,691	116,999	107,072
Surplus for the period	80,495	23,060	13,318	67,384	36,290
Accumulated surplus at beginning of the period	761,844	815,476	744,062	771,152	721,090
Accumulated surplus at end of the period	842,339	838,536	757,380	838,536	757,380

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)

	2021-2022 Annual budget (Note 2)	2021	2020
Surplus for the period	80,495	67,384	36,290
Acquisition and improvements of tangible capital assets (Note 6)	(137,364)	(56,456)	(42,910)
Amortization of tangible capital assets (Note 6)	21,607	15,930	15,404
Gain on disposal of tangible capital assets	(6,633)	(17,653)	(68)
Loss on disposal of tangible capital assets	-	153	142
Proceeds from disposal of tangible capital assets	14,467	27,082	68
Realized loss from sale-leaseback transaction	-	(137)	(137)
	(107,923)	(31,081)	(27,501)
Change in prepaid expenses	-	1,458	210
Change in other non-financial assets	135	133	133
	135	1,591	343
Increase in net financial assets	(27,293)	37,894	9,132
Net financial assets at beginning of the period	21,902	41,942	24,429
Net financial assets at end of the period	(5,391)	79,836	33,561

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)

	2021	2020
OPERATING ACTIVITIES		
Cash receipts from parliamentary appropriations		
for operating expenditures	59,451	55,550
Cash receipts from rental operations and easements	20,988	16,771
Cash receipts from other operations	9,754	21,006
Cash paid to suppliers	(46,407)	(48,233)
Cash paid to employees	(41,811)	(34,748)
Interest received	1,642	1,770
Disbursements related to the management and remediation of sites	(172)	(567)
Cash flows provided by operating activities	3,445	11,549
CAPITAL ACTIVITIES		
Cash receipts from parliamentary appropriations		
for tangible capital assets	63,709	52,739
Acquisition and improvements of tangible capital assets	(48,376)	(44,708)
Proceeds from disposal of tangible capital assets	26,923	68
Disbursements for environmental remediation	(3,052)	(907)
Cash flows provided by capital activities	39,204	7,192
INVESTING ACTIVITIES		
Cash receipts for Chambers Building Fund	1,089	156
Disbursements for investments purchased	(30,615)	(1,584)
Cash receipts from investment sold	980	809
Cash flows used by investing activities	(28,546)	(619)
Increase in cash and cash equivalents	14,103	18,122
Cash and cash equivalents at beginning of the period	192,143	166,842
Cash and cash equivalents at end of the period	206,246	184,964
Represented by:		
Cash and cash equivalents	200,291	180,115
Restricted cash and cash equivalents	5,955	4,849
	206,246	184,964

The notes are an integral part of the financial statements.

NOTES TO THE QUARTERLY FINANCIAL STATEMENTS (UNAUDITED)

For the nine months ended December 31, 2021 (in thousands of dollars, unless otherwise specified)

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, 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 nine months ended December 31, 2021 (in thousands of dollars, unless otherwise specified)

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 December 31, 2021, cash and cash equivalents include \$200.3 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 December 31, 2021, the long-term investment portfolio includes bonds of provincial governments and a guaranteed investment certificate, totalling \$39.4 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).

	December 31, 2021		March 31, 2021	
	Amortized Cost	Quoted Market Value	Amortized Cost	Quoted Market Value
Provincial governments	9,370	9,600	9,968	10,265
Guaranteed investment certificate	30,000	30,068	-	-
	39,370	39,668	9,968	10,265

C. DESIGNATED FUNDS

As at December 31, 2021, cash and cash equivalents include \$139.0 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 nine months ended December 31, 2021 (in thousands of dollars, unless otherwise specified)

4. Restricted Cash and Cash Equivalents

	March 31, 2021	Amount received 2021-2022	Interest 2021-2022	December 31, 2021
LRT Stage 1 - Security deposit	184	-	1	185
LRT Stage 1 - Performance deposit	1,377	-	7	1,384
	1,561	-	8	1,569
Chambers Building Fund	3,298	1,075	13	4,386
Total	4,859	1,075	21	5,955

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 includes 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 \$2.2 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.

	December 31, 2021	March 31, 2021
Deferred rental revenues	9,609	10,000
Deferred easement and license of occupation revenues	19,985	16,937
Other deferred revenues	33,477	34,544
	63,071	61,481

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 nine months ended December 31, 2021 (in thousands of dollars, unless otherwise specified)

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, \$0.4 million (\$0.3 million as at December 31, 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 \$1.7 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 \$22.0 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 nine months ended December 31, 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	December 31, 2021	March 31, 2021
Land ¹	330,719	7,402	3,045	335,076	-	-	-	-	335,076	330,719
Buildings and Infrastructure ²	901,535	48,104	19,928	929,711	518,637	14,257	13,528	519,366	410,345	382,898
Leasehold improvements	15,120	503	-	15,623	11,608	268	-	11,876	3,747	3,512
Equipment ²	22,984	447	15	23,416	17,678	1,405	15	19,068	4,348	5,306
	1,270,358	56,456	22,988	1,303,826	547,923	15,930	13,543	550,310	753,516	722,435

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 include \$53.8 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 nine months ended December 31, 2021 (in thousands of dollars, unless otherwise specified)

7. Expenses by Object

The following provides a summary of expenses by object.

	2021-2022 Annual Budget (Note 2)	Three months ended December 31		Nine months ended December 31	
		2021	2020	2021	2020
Goods and services	60,403	13,901	13,305	38,832	40,801
Salaries and employee benefits	51,710	12,010	11,814	37,267	35,409
Amortization	21,607	5,372	5,430	15,930	15,404
Payments in lieu of municipal taxes	10,862	2,888	2,853	9,365	8,775
Loss on disposal of tangible capital assets	-	62	46	153	142
	144,582	34,233	33,448	101,547	100,531

For the period ended December 31, 2021, the value of antiques, works of art and monuments, acquired or built by the NCC totalled \$1.0 million (\$1.0 million at December 2020). These are recorded as expenses in “Goods and services.”

8. Parliamentary Appropriations

	Three months ended December 31		Nine months ended December 31	
	2021	2020	2021	2020
Parliamentary appropriations for operating expenditures¹				
Amount received during the period	17,759	18,111	53,277	54,333
Amount received from previous year	(29)	-	13	-
	17,730	18,111	53,290	54,333
Parliamentary appropriations for tangible capital assets²				
Amount received during the period	21,236	17,580	63,709	52,739
	21,236	17,580	63,709	52,739
Parliamentary appropriations approved and recorded during the period	38,966	35,691	116,999	107,072

1. As at December 31, 2021 and 2020, the amounts approved for the years ending March 31, 2022 and 2021 totalled \$73.5 million and \$77.2 million, respectively.

2. As at December 31, 2021 and 2020, the amounts approved for the years ending March 31, 2022 and 2021 totalled \$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.