

NATIONAL CAPITAL COMMISSION

QUARTERLY FINANCIAL REPORT FOR THE PERIOD

ENDED JUNE 30, 2012

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NATIONAL CAPITAL COMMISSION NARRATIVE DISCUSSION FOR THE PERIOD ENDED JUNE 30, 2012

Financial Results

The National Capital Commission (NCC) recorded an increase of \$1.4 million (17 percent) in revenues during the first quarter of 2012–2013, compared with the same period last year. The largest increase was recorded in other revenues as a result of a higher net gain on disposal of tangible capital assets (\$0.7 million) as well as donations received (\$0.4 million). Increased partner recoveries for life cycle management operations also contributed to the positive variance (\$0.3 million).

Expenses increased by \$0.2 million (1 percent), compared with the quarter ended June 30, 2011. Expenses recorded under the Capital Experience program were lower than last year with the completion of the Royal Canadian Navy Monument in 2011–2012 (\$0.5 million) while costs for life cycle management operations and environmental consulting increased (\$0.5 million), in the Capital Stewardship and Protection program.

Results for the first quarter of 2012–2013 are in line with annual revenue and expenditure forecasts to be shown in the Summary of the Corporate Plan 2012–2013 to 2016–2017, with the exception of the revenue fluctuations noted above.

Risk Analysis

In its 2011–2012 annual report, the NCC identified its potential inability to reduce the gap between current and required funding levels as a key corporate risk, particularly during these financially challenging times. A potential loss of influence and maintaining its reputation intact are also considered key corporate risks. In an effort to mitigate these risks, the organization has taken a number of measures, notably re-examining financial management strategies, better leveraging of partnerships to obtain the desired effect and a review of its quality control mechanisms for service delivery. More information is provided in the NCC's 2011–2012 annual report.

Significant Changes Related to Operations, Personnel and Programs

No significant changes with regard to NCC operations, personnel or programs occurred during the quarter ended June 30, 2012.

Use of Parliamentary Appropriations

The NCC derives its funding from different sources: parliamentary appropriations, rental operations and easements, investment revenues, sponsorship, user access fees, recoveries and other fees. The NCC draws down its parliamentary appropriations according to cash flow projections established for its disbursements. The expenditures recorded are not tied to a specific source of funding. Accordingly, a reconciliation of the amount of appropriations received and receivable to the amount of appropriations used is not applicable.

More information regarding the use of the parliamentary appropriations can be found in note 7 to the quarterly financial statements of the NCC.

Financial Statements

First Quarter 2012-2013

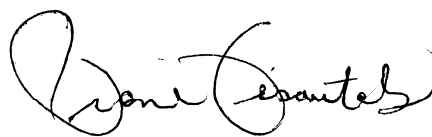
Statement of Management Responsibility

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 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.



Marie Lemay, P.Eng., ing.
Chief Executive Officer



Pierre Désautels, CMA
Vice-President, Finance and Procurement, and
Chief Financial Officer

Ottawa, Canada
August 22, 2012

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

	June 30, 2012	March 31, 2012
FINANCIAL ASSETS		
Cash and cash equivalents (note 3)	92,845	76,758
Accounts receivable		
Federal government departments and agencies	2,028	2,892
Tenants and others	3,052	3,813
Investments (note 3)	35,605	49,195
	133,530	132,658
LIABILITIES		
Accounts payable and accrued liabilities		
Federal government departments and agencies	1,919	1,585
Others	14,886	15,191
Provision for environmental cleanup	42,500	42,500
Employee future benefits	8,776	8,603
Deferred rental revenue	4,568	4,615
Other liabilities (note 4)	4,529	4,581
	77,178	77,075
NET FINANCIAL ASSETS	56,352	55,583
NON-FINANCIAL ASSETS		
Tangible capital assets (note 5)	586,431	583,839
Prepaid expenses	5,190	3,269
Other non-financial assets	1,686	1,730
	593,307	588,838
ACCUMULATED SURPLUS	649,659	644,421

The notes are an integral part of the financial statements.

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

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

	2012-2013 Annual Budget (note 2)	2012 Actual	2011 Actual
REVENUES			
Rental operations and easements	19,085	4,807	4,900
Interest	2,120	576	644
Sponsorship			
Monetary	991	331	208
Goods and services	240	33	28
Headquarters sublease	2,024	499	464
User access fees	1,310	546	452
Recoveries	5,060	1,964	1,761
Other revenues	2,456	1,284	152
	33,286	10,040	8,609
EXPENSES (notes 1 and 6)			
Capital Experience	29,526	8,408	9,119
Capital Planning	6,227	1,186	1,241
Capital Stewardship and Protection	81,639	18,751	18,002
Internal Services	30,442	7,675	7,459
	147,834	36,020	35,821
Deficit before funding from the Government of Canada	(114,548)	(25,980)	(27,212)
Funding from the Government of Canada			
Parliamentary appropriations for operating expenditures (note 7)	92,331	23,083	19,600
Parliamentary appropriations for tangible capital assets (note 7)	23,454	8,135	10,608
	115,785	31,218	30,208
Surplus for the period	1,237	5,238	2,996
Accumulated surplus at beginning of the period		644,421	643,662
Accumulated surplus at end of the period		649,659	646,658

The notes are an integral part of the financial statements.

NATIONAL CAPITAL COMMISSION
STATEMENT OF CHANGE IN NET FINANCIAL ASSETS (UNAUDITED)
For the period ended June 30 (in thousands of dollars)

	2012-2013 Annual budget (note 2)	2012 Actual	2011 Actual
Surplus for the period	1,237	5,238	2,996
Acquisition and improvements of tangible capital assets (note 5)	(40,133)	(8,048)	(7,724)
Amortization of tangible capital assets (note 5)	22,979	5,256	5,193
Net gain on disposal of tangible capital assets	(1,400)	(719)	(20)
Proceeds from disposal of tangible capital assets	2,000	919	-
	(16,554)	(2,592)	(2,551)
Change in prepaid expenses	-	(1,921)	(2,689)
Change in other non-financial assets	177	44	44
	177	(1,877)	(2,645)
Increase (decrease) in net financial assets	(15,140)	769	(2,200)
Net financial assets at beginning of the period		55,583	59,016
Net financial assets at end of the period		56,352	56,816

The notes are an integral part of the financial statements.

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

	2012	2011
OPERATING ACTIVITIES		
Cash receipts from parliamentary appropriations		
for operating expenditures	23,687	19,922
Cash receipts from rental operations and easements	5,009	5,314
Cash receipts from other operations	2,831	3,461
Cash paid to suppliers	(20,408)	(25,896)
Cash paid to employees	(11,362)	(12,372)
Interest received	848	498
Disbursements for contaminated sites	(240)	(96)
Cash flows provided (used) by operating activities	365	(9,169)
CAPITAL ACTIVITIES		
Cash receipts from parliamentary appropriations		
for tangible capital assets	8,135	7,118
Acquisition and improvements of tangible capital assets	(6,760)	(12,196)
Proceeds from disposal of tangible capital assets	919	-
Disbursements for environmental cleanup	(60)	(83)
Cash flows provided (used) by capital activities	2,234	(5,161)
INVESTING ACTIVITIES		
Disbursements for investments purchased	(108)	(20,907)
Cash receipts from investments sold	13,596	9,469
Cash flows provided (used) by investing activities	13,488	(11,438)
Increase (decrease) in cash and cash equivalents	16,087	(25,768)
Cash and cash equivalents at beginning of the period	76,758	44,744
Cash and cash equivalents at end of the period	92,845	18,976

The notes are an integral part of the financial statements.

NOTES TO THE QUARTERLY FINANCIAL STATEMENTS (UNAUDITED)

June 30, 2012 (in thousands of dollars)

1. Authority and Objectives

The National Capital Commission (NCC) was established in 1959 by the *National Capital Act* (1958). The NCC is an agent Crown corporation without share capital named in Part I of Schedule III to 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 *National Capital Act* as amended in 1988, are the following:

- a. 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; and
- b. to organize, sponsor or promote such public activities and events in the National Capital Region as will enrich the cultural and social fabric of Canada, taking into account the federal character of Canada, the equality of status of the official languages of Canada and the heritage of the people of Canada.

As well as these objectives, in 1988, the Act gave the NCC an important additional power: to coordinate the policies and programs of the Government of Canada with respect to the organization, sponsorship or promotion by departments of public activities and events related to the National Capital Region.

The NCC is also responsible for the management and maintenance of the capital assets of the official residences located in the National Capital Region. It 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 chosen should reflect Canada's heritage, artistic traditions and historical associations, or complement the architectural style of a particular residence.

Program Activity Definitions and Objectives

The NCC delivers its mandate through four program activities, which form the structure on which the NCC bases its reporting to Parliament and to Canadians; each program activity has an expected result. The following are the objectives for each program activity.

Capital Experience

The objective of the Capital Experience program is to generate pride through programming and other services in the Capital. This program produces a series of high-profile events and festivals (e.g. Canada Day and Winterlude), commemorations, interpretation, educational programs, visitor and recreational services and programs. In addition, through outreach activities that bring the Capital to Canadians across the country and national messaging, the NCC works toward increasing awareness of Canada's Capital Region as a place where Canadian heritage, culture and achievements can be experienced.

Capital Planning

Through the Capital Planning program, the NCC guides and coordinates the use of federal lands to ensure that they inspire Canadians, meet the needs of government and reflect the role and significance of the Capital. Through long-term plans, the

NOTES TO THE QUARTERLY FINANCIAL STATEMENTS (UNAUDITED)

June 30, 2012 (in thousands of dollars)

identification of a National Interest Land Mass (NILM) and review and approval processes, the NCC is able to ensure that land use in Canada's Capital Region reflects and respects the significance, natural environment, and heritage of the Capital. The organization also collaborates with federal, provincial and municipal governments on transportation issues.

Capital Stewardship and Protection

Through Capital Stewardship and Protection, the NCC aims to protect assets of national significance in Canada's Capital Region as a legacy and to continue to enhance the Capital for current and future generations of Canadians. As steward of federal lands and assets in the region, the organization rehabilitates, manages, develops maintains and safeguards the Capital's most treasured cultural, natural and heritage assets while ensuring safe, respectful and appropriate public access is maintained. The NCC also promotes and regulates public activities on federal lands and conserves natural resources through sound environmental management. Through its involvement in land development projects such as Lebreton Flats, its acquisition of national interest properties and its disposal of surplus properties, the NCC is further able to ensure that its vision for the Capital is reflected in Canada's Capital Region.

Internal Services

Internal Services works closely with all program areas in order to support the delivery of projects, offer professional expertise, and liaise with key external federal departments and central agencies.

2. Significant Accounting Policies

BASIS OF ACCOUNTING

These financial statements are prepared in accordance with Canadian public sector accounting standards (PSAS) established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants and reflect the policies below.

Both financial and non-financial assets are reported on the statement of financial position. Non-financial assets are normally employed to provide future services and are charged to expense through amortization or upon utilization. Non-financial assets are not taken into consideration when determining the net financial assets, but rather are added to the net financial assets to determine the accumulated surplus.

No intangibles are recognized in the financial statements.

Measurement Uncertainty

The preparation of financial statements in accordance with Canadian PSAS requires management to make estimates and assumptions that affect the reported amounts of financial assets, liabilities and non-financial assets at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Provision for environmental cleanup, employee future benefits, unsettled land exchanges, estimated useful lives of tangible capital assets,

NOTES TO THE QUARTERLY FINANCIAL STATEMENTS (UNAUDITED)

June 30, 2012 (in thousands of dollars)

tangible capital asset impairment loss and contingent liabilities are the most significant items for which estimates are used. Actual results could materially differ from those estimates.

Budget Figures (unaudited)

The 2012-2013 budget is reflected in the statement of operations and accumulated surplus, and the statement of change in net financial assets. Budget data presented in these financial statements is based upon the 2012-2013 projections and estimates used to establish the financial tables presented in the *2012-2013 to 2016-2017 Corporate Plan*.

3. Cash and Cash Equivalents and Investments

The NCC's policy is to invest excess cash in guaranteed investment certificates, bankers' acceptances, guaranteed notes, term deposits, and securities of the Government of Canada or of a provincial government. 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 June 30, 2012, the cash and cash equivalents include \$92.8 million (\$76.8 million at March 31, 2012) in cash.

B. INVESTMENTS

As at June 30, 2012, short-term portfolio investments include bankers' acceptances and bearer deposit notes, which amounted to \$7.9 million (\$21.5 million at March 31, 2012) at a weighted average interest rate of 1.4 percent (1.5 percent at March 31, 2012) and have an average term-to-maturity of 12 months (12 months at March 31, 2012).

As at June 30, 2012, long-term portfolio investments include bonds of the Government of Canada and of provincial governments, which amounted to \$27.7 million (\$27.7 million at March 31, 2012) at a weighted average interest rate of 3.9 percent (3.9 percent at March 31, 2012).

	June 30 2012		March 31, 2012	
	Cost	Quoted Market Value	Cost	Quoted Market Value
Federal government	1,107	1,122	1,121	1,137
Provincial governments	26,495	28,290	26,583	28,041
Bankers' acceptances and bearer deposit notes	7,892	7,893	21,488	21,497
Other	111	111	3	3
	35,605	37,416	49,195	50,678

C. DESIGNATED FUNDS

As at June 30, 2012, included in the cash and cash equivalents, short-term and long-term portfolio investments mentioned above, \$53.5 million (\$36.5 million at March 31, 2012), \$7.9 million (\$21.5 million at March 31, 2012) and \$8.0 million

NOTES TO THE QUARTERLY FINANCIAL STATEMENTS (UNAUDITED)

June 30, 2012 (in thousands of dollars)

(\$7.9 million at March 31, 2012), respectively, are designated. These investments include funds whose use is designated or limited to the sole purpose for which they have been segregated.

4. Other Liabilities

Other liabilities comprise the following:

	June 30, 2012	March 31, 2012
Deferred rent inducement	1,354	1,400
Unsettled land exchanges ¹	2,626	2,626
Unsettled expropriation ²	179	176
Other liabilities	370	379
	4,529	4,581

1. The unsettled land exchanges will be completed when the third parties involved in the exchanges will be ready to receive the goods and/or services under the agreements.

2. The unsettled expropriation is payable on demand.

NOTES TO THE QUARTERLY FINANCIAL STATEMENTS (UNAUDITED)

June 30, 2012 (in thousands of dollars)

5. Tangible Capital Assets

	COST				ACCUMULATED AMORTIZATION				Net Book Value June 30, 2012	Net Book Value March 31, 2012
	Opening Balance	Acquisitions	Disposals / Adjustments	Closing Balance	Opening Balance	Amortization expense	Disposals / Adjustments	Closing Balance		
Land ¹	292,006	639	12	292,633	-	-	-	-	292,633	292,006
Buildings and Infrastructure ²	660,417	6,749	351	666,815	378,789	4,800	163	383,426	283,389	281,628
Leasehold improvements	11,747	-	-	11,747	6,989	136	-	7,125	4,622	4,758
Equipment	19,436	660	-	20,096	13,989	320	-	14,309	5,787	5,447
	983,606	8,048	363	991,291	399,767	5,256	163	404,860	586,431	583,839

1. The land cost include \$1.8 million (\$1.8 million at March 31, 2012) of unsettled expropriation and land exchanges.

2. The total cost of buildings and infrastructure includes \$26.0 million (\$21.4 million at March 31, 2012) of construction in progress. When completed, the cost of these projects will be amortized on the basis on their estimated useful life.

6. Expenses by Object

Summary of expenses by object:

	June 30, 2012	June 30, 2011
Salaries and employess benefits	12,325	12,207
Goods and services	15,559	15,650
Goods and services in kind	33	28
Payments in lieu of municipal taxes	2,847	2,743
Amortization	5,256	5,193
	36,020	35,821

Antiques, works of art and monuments acquired or built by the NCC and those donated to the Canadiana Fund are not recorded as tangible capital assets. These assets are recorded as expenses and are included under "Goods and services" in the table above. For the period ended June 30, 2012, antiques, works of art and monuments amounted to \$0.2 million (\$0.6 million at June 30, 2011).

7. Parliamentary Appropriations

	June 30, 2012	June 30, 2011
Parliamentary appropriations for operating expenditures¹		
Amount received during the period	23,083	19,600
Parliamentary appropriations for tangible capital assets²		
Amount received during the period	8,135	7,118
Amount receivable at the end of the period	-	3,490
	8,135	10,608
Parliamentary appropriations recorded during the period	31,218	30,208

1. As at June 30, 2012 and 2011, the amounts approved for the years ending March 31, 2013 and 2012 totaled \$93.0 million and \$78.4 million respectively.

2. As at June 30, 2012 and 2011, the amounts approved for the years ending March 31, 2013 and 2012 totaled \$32.5 million and \$32.0 million respectively.

8. Comparative Figures

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