

**NATIONAL CAPITAL COMMISSION**

**QUARTERLY FINANCIAL REPORT FOR THE PERIOD**

**ENDED JUNE 30, 2014**

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# **NATIONAL CAPITAL COMMISSION NARRATIVE DISCUSSION FOR THE PERIOD ENDED JUNE 30, 2014**

## **Financial Results**

The National Capital Commission (NCC) recorded a decrease of \$1.3 million (14 percent) in revenues at the end of the first quarter of 2014-2015, compared with the same period last year. This is mainly attributable to a decrease in recoveries related to Canada Day activities transferred to Canadian Heritage (\$0.9 million) and the War of 1812 Monument (\$0.4 million).

Expenses increased by \$4.9 million (15 percent), compared with the period ended June 30, 2013. The increase stems mainly from the contribution to the City of Gatineau for the Jacques-Cartier Street initiative (\$10.0 million) and a net loss on disposal of tangible capital assets related to the NCC's withdrawal of the bike share service Capital BIXI (\$0.6 million). These increases are partly compensated by a reduction in salaries and other operating expenditures resulting from the transfer of the activity and event mandate to Canadian Heritage (\$1.5 million and \$2.2 million respectively), as well as lower severance payments and restructuring costs (\$1.5 million and \$0.4 million respectively).

Results at the end of the first quarter of 2014–2015 are in line with annual revenue and expenditure projections to be shown in the Summary of the Corporate Plan 2014–2015 to 2018–2019.

## **Risk Analysis**

In its 2013–2014 annual report, the NCC identified capacity, and reputation and influence as key corporate risks. Capacity risks relate to the NCC's ability to have sufficient human and financial resources to effectively deliver its mandate. Reputation and influence risks relate to the NCC's ability to improve and foster a positive reputation, and influence its partners, stakeholders and the public. In an effort to mitigate these risks, the organization examines new ways of engaging with public and stakeholders, implements a corporate financial sustainability strategy, leverages private-sector funding, reviews governance and project management processes, plans and monitors human resources. The NCC acts as a value-added partner with all levels of government and the private sector, increases the corporation's participation in partnerships, exercises influence in urban development and capital projects, and implements a proactive communications strategy.

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

In accordance with Bill C-60 changing the NCC's mandate, the organization, sponsorship and promotion of public activities and events in the National Capital Region were transferred to Canadian Heritage as of September 30, 2013. The NCC assumed program delivery in these areas until that date.

The analysis of financial results presented above is based on actual results for 2013–2014 as shown in notes 8 and 10 to the financial statements.

## **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 9 to the quarterly financial statements of the NCC.

# Financial Statements

## First Quarter 2014-2015

### 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.



Dr. Mark Kristmanson  
Chief Executive Officer



Manon Rochon, CIRC  
Acting, Executive Director, Corporate Services and  
Chief Financial Officer

Ottawa, Canada  
August 25, 2014

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

	June 30, 2014	March 31, 2014
<b>FINANCIAL ASSETS</b>		
Cash and cash equivalents (note 3)	85,157	95,432
Cash and cash equivalents restricted to light rail transit (note 4)	74,931	74,679
Accounts receivable		
Federal government departments and agencies	1,746	5,632
Tenants and others	1,804	2,098
Investments (note 3)	27,977	27,957
	<b>191,615</b>	<b>205,798</b>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities		
Federal government departments and agencies	582	1,008
Others	13,148	16,709
Light rail transit (note 4)	73,655	73,628
Provision for environmental cleanup	24,184	24,224
Employee future benefits (note 5)	3,982	4,243
Deferred rental revenue	8,193	8,305
Other liabilities (note 6)	4,251	4,494
	<b>127,995</b>	<b>132,611</b>
<b>NET FINANCIAL ASSETS</b>	<b>63,620</b>	<b>73,187</b>
<b>NON-FINANCIAL ASSETS</b>		
Tangible capital assets (note 7)	586,405	586,542
Prepaid expenses	4,550	2,445
Other non-financial assets	1,331	1,375
	<b>592,286</b>	<b>590,362</b>
<b>ACCUMULATED SURPLUS</b>	<b>655,906</b>	<b>663,549</b>

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)

	2014-2015 Annual Budget (note 2)	2014 Actual	2013 Actual
<b>REVENUES</b>			
Rental operations and easements	19,427	5,570	4,785
Interest	2,717	610	575
Monetary Sponsorship	-	68	68
Headquarters sublease	2,022	565	574
User access fees	1,900	497	519
Recoveries	2,918	313	609
Other revenues	5,706	88	210
	<b>34,690</b>	<b>7,711</b>	<b>7,340</b>
<b>EXPENSES (note 8)</b>			
Capital Planning	3,530	935	1,336
Capital Stewardship and Protection	90,781	29,216	18,652
Internal Services	30,797	7,295	7,740
	<b>125,108</b>	<b>37,446</b>	<b>27,728</b>
<b>Deficit before funding from the Government of Canada</b>	<b>(90,418)</b>	<b>(29,735)</b>	<b>(20,388)</b>
<b>Funding from the Government of Canada</b>			
Parliamentary appropriations for operating expenditures (note 9)	64,737	16,184	16,597
Parliamentary appropriations for tangible capital assets (note 9)	23,630	5,908	8,227
	<b>88,367</b>	<b>22,092</b>	<b>24,824</b>
<b>Transferred activities</b>			
Deficit due to Canadian Heritage transfer (note 10)	-	-	(151)
<b>Surplus (Deficit) for the period</b>	<b>(2,051)</b>	<b>(7,643)</b>	<b>4,285</b>
<b>Accumulated surplus at beginning of the period</b>	<b>661,931</b>	<b>663,549</b>	<b>647,966</b>
<b>Accumulated surplus at end of the period</b>	<b>659,880</b>	<b>655,906</b>	<b>652,251</b>

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)

	2014-2015 Annual budget (note 2)	2014 Actual	2013 Actual
<b>Surplus (deficit) for the period</b>	<b>(2,051)</b>	<b>(7,643)</b>	<b>4,285</b>
Acquisition and improvements of tangible capital assets (note 7)	(29,224)	(4,867)	(4,779)
Amortization of tangible capital assets (note 7)	17,564	4,387	4,297
Net (gain)/loss on disposal of tangible capital assets	(4,620)	617	(11)
Proceeds from disposal of tangible capital assets	6,600	-	41
	<b>(9,680)</b>	<b>137</b>	<b>(452)</b>
Change in prepaid expenses	-	(2,105)	(686)
Consumption in other non-financial assets	177	44	45
	<b>177</b>	<b>(2,061)</b>	<b>(641)</b>
<b>Increase (decrease) in net financial assets</b>	<b>(11,554)</b>	<b>(9,567)</b>	<b>3,192</b>
<b>Net financial assets at beginning of the period</b>	<b>61,556</b>	<b>73,187</b>	<b>60,464</b>
<b>Net financial assets at end of the period</b>	<b>50,002</b>	<b>63,620</b>	<b>63,656</b>

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)

	2014	2013
<b>OPERATING ACTIVITIES</b>		
Cash receipts from parliamentary appropriations		
for operating expenditures	16,579	20,338
Cash receipts from rental operations and easements	5,428	8,745
Cash receipts from other operations	4,808	3,577
Cash paid to suppliers	(28,193)	(19,022)
Cash paid to employees	(9,534)	(14,469)
Interest received	720	622
Disbursements for contaminated sites	(276)	(81)
<b>Cash flows used by operating activities</b>	<b>(10,468)</b>	<b>(290)</b>
<b>CAPITAL ACTIVITIES</b>		
Cash receipts from parliamentary appropriations		
for tangible capital assets	5,907	8,228
Acquisition and improvements of tangible capital assets	(5,425)	(9,363)
Proceeds from disposal of tangible capital assets	-	41
Disbursements for environmental cleanup	(179)	(1,332)
<b>Cash flows provided (used) by capital activities</b>	<b>303</b>	<b>(2,426)</b>
<b>INVESTING ACTIVITIES</b>		
Cash receipts for light rail transit project	252	248
Disbursements for investments purchased	(610)	(500)
Cash receipts from investments sold	500	400
<b>Cash flows provided by investing activities</b>	<b>142</b>	<b>148</b>
<b>Decrease in cash and cash equivalents</b>	<b>(10,023)</b>	<b>(2,568)</b>
<b>Cash and cash equivalents at beginning of the period</b>	<b>170,111</b>	<b>154,553</b>
<b>Cash and cash equivalents at end of the period</b>	<b>160,088</b>	<b>151,985</b>
<b>Represented by:</b>		
<b>Cash and cash equivalents</b>	<b>85,157</b>	<b>78,074</b>
<b>Cash and cash equivalents restricted to light rail transit</b>	<b>74,931</b>	<b>73,911</b>
	<b>160,088</b>	<b>151,985</b>

The notes are an integral part of the financial statements.

# NOTES TO THE QUARTERLY FINANCIAL STATEMENTS (UNAUDITED)

June 30, 2014 (in thousands of dollars)

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## 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*. Its objects and purposes, as stated in the *National Capital Act* as amended in 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 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.

## 2. Significant Accounting Policies

### BASIS OF ACCOUNTING

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

These quarterly financial statements should be read in conjunction with the annual audited financial statements dated March 31, 2014.

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 exchange, estimated useful lives of tangible capital assets, write-down of capital assets and contingent liabilities are the most significant items for which estimates are used. Actual results could materially differ from those estimates.

## NOTES TO THE QUARTERLY FINANCIAL STATEMENTS (UNAUDITED)

June 30, 2014 (in thousands of dollars)

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### Budget Figures (unaudited)

The 2014-2015 budget is presented in the statement of operations and accumulated surplus, and the statement of change in net financial assets. Budget figures are based mainly on 2014-2015 projections to be presented in the financial tables of the *2014-2015 to 2018-2019 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, 2014, the cash and cash equivalents include \$85.2 million (\$95.4 million at March 31, 2014) in cash.

#### B. INVESTMENTS

As at June 30, 2014, long-term portfolio investments include bonds of the Government of Canada and of provincial governments, which amounted to \$28.0 million (\$28.0 million at March 31, 2014) at a weighted average interest rate of 3.6 percent (3.7 percent at March 31, 2014).

	June 30 2014		March 31, 2014	
	Cost	Quoted Market Value	Cost	Quoted Market Value
Federal government	259	259	260	261
Provincial governments	27,625	28,958	27,684	28,887
Other	93	93	13	13
	<b>27,977</b>	<b>29,310</b>	<b>27,957</b>	<b>29,161</b>

#### C. DESIGNATED FUNDS

As at June 30, 2014, included in the cash and cash equivalents and long-term portfolio investments mentioned above, \$43.7 million (\$53.7 million at March 31, 2014), and \$8.6 million (\$8.5 million at March 31, 2014), respectively, are designated. These investments include funds whose use is designated or limited to the sole purpose for which they have been segregated.

### 4. Light Rail Transit

The following table presents in detail the amounts received and the related interest earned that are included in the financial assets under "Cash and cash equivalents restricted to light rail transit". As at June 30, 2014, the NCC has recognized a

## NOTES TO THE QUARTERLY FINANCIAL STATEMENTS (UNAUDITED)

June 30, 2014 (in thousands of dollars)

revenue totalling \$0.2 million (nil at June 30, 2013) to give the City access to the properties relating to the light rail transit for a limited time. The liability “Light rail transit” has been reduced accordingly.

			30 juin 2014	31 mars 2014
	Amount received	Interests	Total	Total
Security deposit	49,015	944	49,959	49,791
Performance deposit	24,500	472	24,972	24,888
<b>Total</b>	<b>73,515</b>	<b>1,416</b>	<b>74,931</b>	<b>74,679</b>

### 5. Employee Future benefits

The severance benefits had ceased to accumulate when the new collective agreement was signed in February 2013. As at June 30, 2014, the severance benefit is the obligation for employees who decided to delay the payment until the time of termination.

The NCC also provides workers’ compensation benefits, based on benefits determined by the Workplace Safety and Insurance Board of Ontario. The value of the accrued obligation for workers’ compensation is determined using data from the Workplace Safety and Insurance Board of Ontario.

The accrued benefit obligation for these plans amounts to \$4.0 million (\$4.2 million at March 31, 2014) and is disclosed in the table below. These other benefit plans are not pre-funded, and thus have no assets, resulting in a plan deficit equal to the accrued benefit obligation. Benefits will be paid from the NCC’s future appropriations and other sources of revenue. Information about the plan, measured as at the statement of financial position date, is as follows:

	June 30, 2014	March 31, 2014
Accrued benefit obligation, beginning of the period	4,243	10,124
Cost for the period	-	100
Adjustment due to Canadian Heritage transfer	-	(472)
Benefits paid during the period	(261)	(5,509)
<b>Accrued benefit obligation, end of the period</b>	<b>3,982</b>	<b>4,243</b>

## NOTES TO THE QUARTERLY FINANCIAL STATEMENTS (UNAUDITED)

June 30, 2014 (in thousands of dollars)

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### 6. Other Liabilities

Other liabilities comprise the following:

	June 30, 2014	March 31, 2014
Deferred revenue	1,131	1,513
Deferred rent inducement	989	1,035
Unsettled land exchange <sup>1</sup>	1,000	1,000
Unsettled expropriation <sup>2</sup>	184	181
Other liabilities	947	765
	<b>4,251</b>	<b>4,494</b>

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

2. The unsettled expropriation is payable on demand.

## NOTES TO THE QUARTERLY FINANCIAL STATEMENTS (UNAUDITED)

June 30, 2014 (in thousands of dollars)

### 7. Tangible Capital Assets

	COST				ACCUMULATED AMORTIZATION				Net Book Value June 30, 2014	Net Book Value March 31, 2014
	Opening Balance	Acquisitions	Disposals / Adjustments	Closing Balance	Opening Balance	Amortization expense	Disposals / Adjustments	Closing Balance		
Land <sup>1</sup>	281,434	376	-	281,810	-	-	-	-	281,810	281,434
Buildings and Infrastructure <sup>2</sup>	706,878	4,399	32	711,245	409,011	3,920	45	412,886	298,359	297,867
Leasehold improvements	11,937	-	-	11,937	8,132	154	-	8,286	3,651	3,805
Equipment	14,379	92	904	13,567	10,943	313	274	10,982	2,585	3,436
	<b>1,014,628</b>	<b>4,867</b>	<b>936</b>	<b>1,018,559</b>	<b>428,086</b>	<b>4,387</b>	<b>319</b>	<b>432,154</b>	<b>586,405</b>	<b>586,542</b>

1. The land cost include \$0.2 million (\$0.2 million at March 31, 2014) of unsettled expropriation.

2. The total cost of buildings and infrastructure includes \$19.5 million (\$15.1 million at March 31, 2014) of construction in progress. When completed, the cost of these projects will be amortized on the basis on their estimated useful life.

## 8. Expenses by Object

Summary of expenses by object:

	2014-2015 Annual Budget (note 2)	June 30, 2014	June 30, 2013
Salaries and employee benefits	36,858	8,775	11 584
Goods and services	61,426	21,317	14 477
Goods and services in-kind	-	-	14
Payments in lieu of municipal taxes	9,260	2,350	2 169
Amortization	17,564	4,387	4 297
Net loss on disposal of tangible capital assets	-	617	-
	<b>125,108</b>	<b>37,446</b>	<b>32,541</b>
Less: Transferred Activities	-	-	(4,813)
	<b>125,108</b>	<b>37,446</b>	<b>27,728</b>

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. Assets acquired or built by the NCC are recorded as expenses and are included under “Goods and services” in the table above, whereas those donated to the Canadiana Fund or to the NCC are recorded as expenses, and are included under “Goods and services in-kind.” For the period ended June 30, 2014, antiques, works of art and monuments amounted to \$0.2 million (\$0.2 million at June 30, 2013).

## 9. Parliamentary Appropriations

	June 30, 2014	June 30, 2013
<b>Parliamentary appropriations received during the period</b>		
<b>for operating expenditures<sup>1</sup></b>	16,184	19,628
Less: Transferred Activities	-	(3,031)
	<b>16,184</b>	<b>16,597</b>
<b>Parliamentary appropriations received during the period</b>		
<b>for tangible capital assets<sup>2</sup></b>	5,908	8,227
<b>Parliamentary appropriations recorded during the period</b>	<b>22,092</b>	<b>24,824</b>

1. As at June 30, 2014 and 2013, the amounts approved for the years ending March 31, 2015 and 2014 totaled \$64.7 million and \$78.5 million respectively.

2. As at June 30, 2014 and 2013, the amounts approved for the years ending March 31, 2015 and 2014 totaled \$23.6 million and \$37.9 million respectively.

## 10. Transfer to Canadian Heritage

The Government of Canada announced on March 21, 2013, that the mandate to promote Canada's Capital Region would be transferred from the NCC to Canadian Heritage. Bill C-60, to implement certain provisions of the budget, states that the organization, sponsorship and promotion of public activities and events that will enrich the cultural and social fabric of Canada, would be transferred from the NCC to Canadian Heritage. These dispositions came into force on September 30, 2013, and are presented as transferred activities.

The deficit of the comparative year corresponding to the activities transferred to Canadian Heritage (PCH) as presented in the following table totals \$0.2 million at June 30, 2013.

	<b>June 30, 2013</b>		
	Operations of the year	Operations of activities transferred to PCH	Operations of remaining activities
<b>REVENUES</b>			
Rental operations and easements	4,785	-	4,785
Interest	575	-	575
Sponsorship			
Monetary	305	237	68
Goods and services	14	14	-
Headquarters sublease	574	-	574
User access fees	519	-	519
Recoveries	1,958	1,349	609
Other revenues	241	31	210
	<b>8,971</b>	<b>1,631</b>	<b>7,340</b>
<b>EXPENSES</b>			
Capital planning	1,336	-	1,336
Capital Stewardship and Protection	18,703	51	18,652
Capital Experience	4,077	4,077	-
Internal Services	8,425	685	7,740
	<b>32,541</b>	<b>4,813</b>	<b>27,728</b>
<b>Deficit before funding from the Government of Canada</b>	<b>(23,570)</b>	<b>(3,182)</b>	<b>(20,388)</b>
<b>Funding from the Government of Canada</b>			
Parliamentary appropriations for operating expenditures	19,628	3,031	16,597
Parliamentary appropriations for tangible capital assets	8,227	-	8,227
	<b>27,855</b>	<b>3,031</b>	<b>24,824</b>
<b>Surplus (deficit) for the year</b>	<b>4,285</b>	<b>(151)</b>	<b>4,436</b>

## 11. Comparative Figures

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