

NATIONAL CAPITAL COMMISSION
COMMISSION DE LA CAPITALE NATIONALE

**QUARTERLY FINANCIAL REPORT FOR THE NINE MONTHS
ENDED DECEMBER 31, 2018**

Canada



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MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE NINE MONTHS ENDED DECEMBER 31, 2018

The nine month period ended December 31, 2018 resulted in a surplus of \$20.7 million. The surplus is primarily due to timing differences with respect to the receipt and use of government appropriations including an amount of \$18.1 million representing the difference between capital parliamentary appropriations received and amortization of tangible capital assets expenditures. Other variances include a non-recurring compensation for contamination of \$2.1 million received from Public Service and Procurement Canada (PSPC) for land transferred to the NCC, increases of \$0.5 million in interest revenues, \$0.5 million in user access fees revenues, and other combined net increases of \$0.5 million, partly offset by a loss on disposal of tangible capital assets of \$1.0 million. Recurring revenues are slightly above budget and recurring operating expenses are consistent with budget. Investments in capital assets to date were lower than planned.

A. Year-Over-Year Results Analysis

Revenues decreased by \$4.4 million, or 12.7% compared to the same period the previous year, mainly as a result of the following:

- Recoveries decreased by \$6.3 million, or 73.6% to \$2.3 million, primarily as a result of non-recurring funding installments recognized for the National Holocaust Monument project and Official Residences projects in the previous year;
- Monetary sponsorships decreased marginally to \$0.1 million.
- Offset by interest revenues increase of \$0.5 million, or 37.8% to \$1.9 million;
- Headquarters sublease increase of \$0.1 million, or 3.2% to \$1.7 million;
- User access fees increase of \$0.5 million, or 16.3% to \$3.2 million; and
- Other revenues increase of \$1.0 million, or 44.0% to \$3.2 million primarily as a result of the \$2.1 million in compensation for contamination received from PSPC for land transferred to the NCC which was fully recognized as revenue during the first quarter of 2018-2019.

Operating expenses decreased by \$3.2 million, or 3.3%, compared to the same period the previous year. The results by Program were as follows:

- Stewardship and protection decreased by \$3.3 million, or 4.7%, to \$67.1 million, primarily due to the National Holocaust Monument project and Official Residences rehabilitation projects in the previous year, partly offset by increased amortization expense and a loss on disposal of tangible capital assets;
- Long-term planning increased by \$0.1 million, or 4.6%, to \$3.1 million;
- Internal services decreased by \$0.1 million, or 0.2%, to \$24.4 million.

Funding from the Government of Canada through parliamentary appropriations increased by \$13.1 million, or 18.2%, compared to the same period the previous year. The results by main categories of appropriations were as follows:

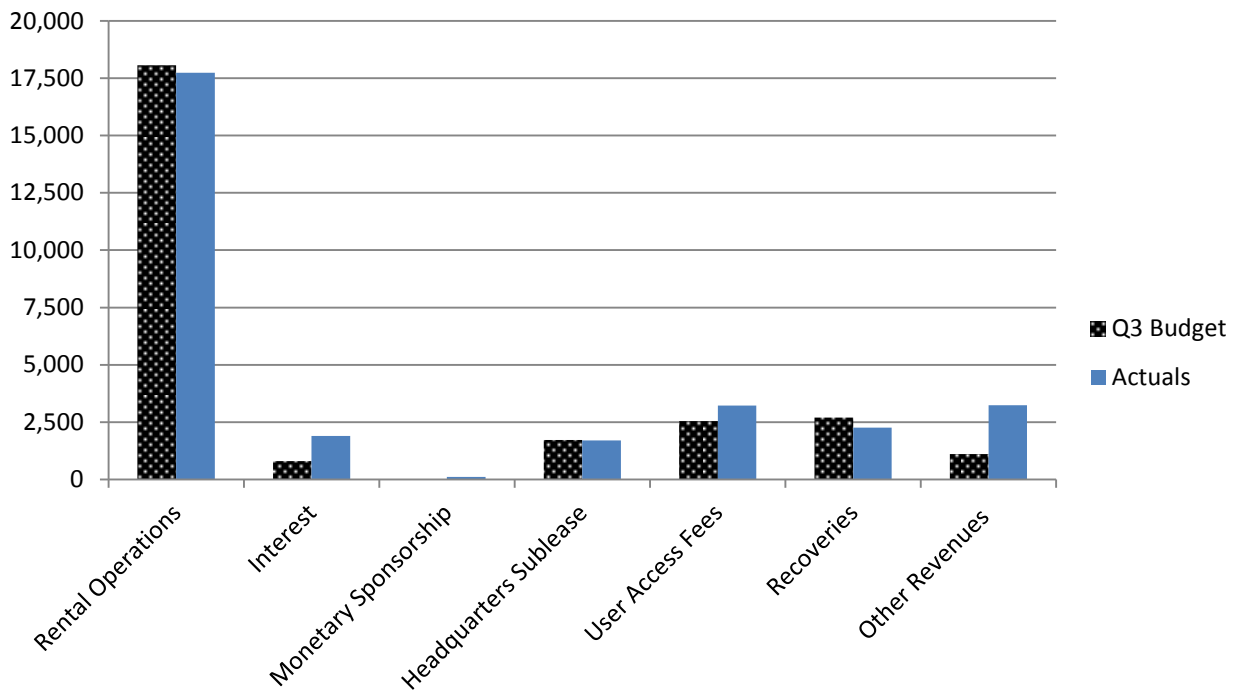
- Appropriations for operating expenditures increased by \$3.1 million, or 6.3%, to \$52.7 million due to additional funding received for the new collective agreement and as part of Budget 2018 to support critical repair and maintenance work on the NCC's portfolio of tangible capital assets;
- Appropriations for tangible capital assets increased by \$10.0 million, an increase of 44.4% to \$32.5 million 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.

B. Budgetary Analysis

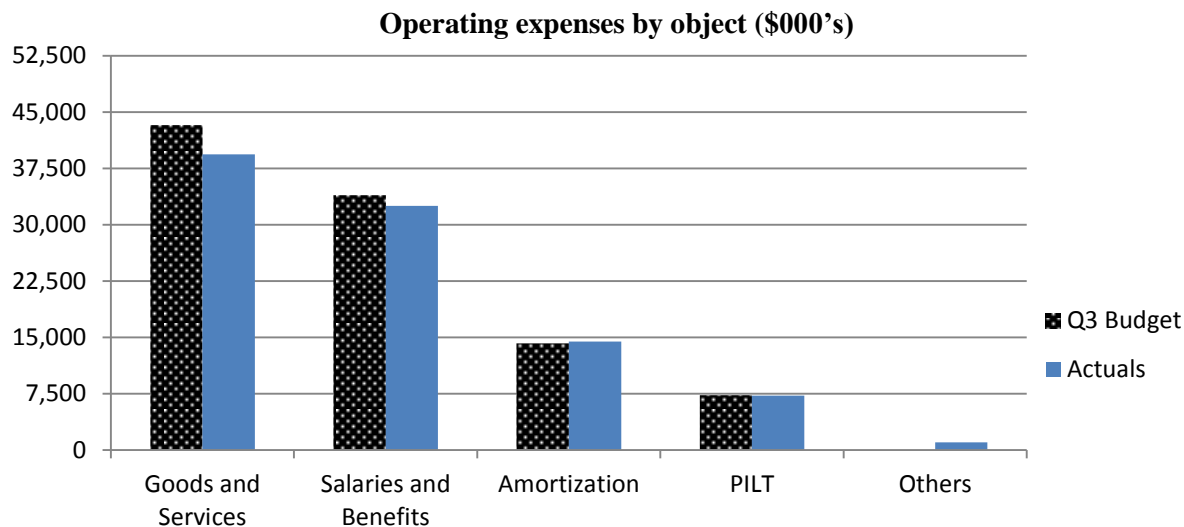
The budgeted revenue for the 2018-2019 fiscal year includes non-recurring items such as the compensation received from PSPC for land transferred to the NCC, recoveries and contributions related to various projects and commemorations, with \$2.9 million recognized by the end of the third quarter, representing 94.8% of the annual budget. Total recurring revenues of \$27.3 million represent 81.8% of the annual budget as at December 31, 2018.

The following chart provides details of the third quarter revenues compared to the budget of \$26.9 million. Notably, other revenues are trending higher than budget, due to the unplanned receipt of compensation received from PSPC for land transferred to the NCC. User access fees and interests are also trending higher than budget.

Revenues by type (\$000's)



The following chart provides details of the third quarter operating expenses of \$94.6 million compared to the budget of \$98.6 million. The variances are due primarily to timing differences as follows: delays in goods and services expenses regarding the construction of a commemoration monument (\$1.3M), operational projects funded from the Federal Contaminated Site Action Plan (\$1.6M) and lower than planned expenditures for LeBreton Flats Long Term Vision (\$0.7M), offset by a loss on disposal of tangible capital assets of \$1.0M. Salaries show a favorable variance to date of \$1.4 million due to vacancies compared to the budget.



C. Use of Parliamentary Appropriations

The NCC receives its funding from a number of sources: parliamentary appropriations, rental operations and easements, investment revenues, user access fees, cost recoveries, gains on disposals of tangible capital assets and other revenues. The NCC draws down its parliamentary appropriations according to cash flow projections provided to the Minister of Canadian Heritage. 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 \$85.2 million, or 78.6% of its annual budget for appropriations for the period ended December 31, 2018. 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 2019
Operational vote	68,117	52,661	77.3%	-	15,456
Supplementary estimates	-	-	-	3,039	3,039
<i>sub-total</i>	68,117	52,661	77.3%	3,039	18,495
Capital vote	40,312	32,520	80.7%	-	7,992
Supplementary estimates	-	-	-	(3,017)	(3,017)
<i>sub-total</i>	40,312	32,520	80.7%	(3,017)	4,775
Total	108,429	85,181	78.6%	22	23,270

Additional details on the parliamentary appropriations can be found in the NCC's Quarterly Financial Statements at December 31, 2018 (Note 8).

D. Statement of Financial Position and Capital Expenditures

Financial assets totalled \$181.8 million as at December 31, 2018, an increase of \$16.6 million or 10.0 percent from \$165.3 million as at March 31, 2018, primarily attributable to cash and cash equivalent and investments increases as a result of timing differences in the delivery of projects.

Liabilities totalled \$174.5 million as at December 31, 2018, an increase of \$11.7 million or 7.2 percent from \$162.8 million as at March 31, 2018, primarily attributable to a \$13.6-million increase in the provision for environmental cleanup due to a new remediation project, the remainder of the \$1.8-million variance is primarily attributable to increases in deferred revenues and other liabilities.

Non-financial assets totalled \$661.3 million as at December 31, 2018, an increase of \$15.9 million or 2.4 percent from \$645.4 million as at March 31, 2018, as a result of adjustments to land cost related to the provision for environmental cleanup.

Capital investments by main categories of capital expenditures were as follows:

For the nine months ended December 31, 2018 (\$000's)	Actuals
Roads & bridges	3,666
Historical properties	5,472
Rental properties	4,296
Development properties	22
Green assets	2,165
Other projects	
Primarily project management costs	3,268
Equipment expenditures	451
Real property acquisitions	
From segregated Acquisition and Disposal Fund	747

Total 2018-2019 Q3 Actuals	20,087
Total 2017-2018 Q3 Actuals	21,067
Variance	(980)

2018-2019 Budget	53,868
% Achieved	37%
% Committed	54%

E. Integrated Risk Management

The NCC uses an integrated risk management framework to identify, manage and mitigate its risks. The NCC applies this framework in strategic decision making, operational planning and project management. It is also incorporated 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. Key corporate risks and operational risks are monitored throughout the year, and their trends and 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 to maintain resilience.

For the 2018–2019 to 2022–2023 planning period, three major corporate risk categories were identified: 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 and to effectively deliver its activities and manage its assets. To mitigate the financial capacity risk, which relates to the deficiency in asset maintenance identified in the OAG's Special Examination Report—2017, the NCC completed its asset and funding review. This included the development of a long-term recapitalization plan, aimed at restoring and maintaining the condition of its assets. In 2017, the NCC worked with other government entities to secure additional funding for asset restoration and maintenance. These efforts led to the Budget 2018 investment of \$55 million over two years to revitalize NCC assets. In addition, the NCC has focused on optimizing business processes and developing human resource

strategies to attract, manage and retain a talented workforce. The NCC continues to engage internally in a manner that encourages collaboration and integration among branches, with the goal of leveraging opportunities to improve efficiencies.

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 added value that the organization provides to the National Capital Region. In 2017–2018, the NCC continued to implement its Integrated Communication Plan, which includes a proactive approach to engaging partners and to better communicating policies and processes related to NCC regulatory roles. The NCC was also involved in highly visible projects in the National Capital Region, such as the Mackenzie Avenue cycling lanes, the City of Ottawa's light rail transit (LRT) system, the redevelopment of LeBreton Flats, and efforts to promote tourism in and around Gatineau Park.

Safety and Security

Safety and security risks relate to the deterioration of conditions of the NCC's assets due to deferred maintenance and renewal activities, which could cause health and safety issues. This area of concern was also discussed in the OAG's Special Examination Report—2017. Risk response measures over the course of 2017–2018 included a detailed asset-by-asset analysis to determine the level of resources required to maintain safe, sustainable and resilient infrastructure. This analysis has provided the foundation for work that must be undertaken on NCC assets in need of critical repairs, using the funds announced in Budget 2018. Regular inspections of lands and assets, as well as ensuring that security plans, policies and procedures are up-to-date, remain a key part of the NCC's day-to-day activities.

F. 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.

During the third quarter of 2018-2019, the NCC announced the appointment of Mr. Tobi Nussbaum to the position of Chief Executive Officer, effective February 4, 2019. The NCC would also like to recognize and sincerely thank Dr. Mark Kristmanson for his years of leadership and commitment to delivering on the mission and priorities of the NCC.

No other significant changes with regard to NCC operations, personnel or programs occurred during the three month period ended December 31, 2018.

Unaudited Financial Statements

For the nine months ended December 31, 2018

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.



Mr. Tobi Nussbaum
Chief Executive Officer



Michel Houle, CPA, CMA
Executive Director, Corporate Services and
Chief Financial Officer

Ottawa, Canada
February 28, 2019

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

	December 31, 2018	March 31, 2018
FINANCIAL ASSETS		
Cash and cash equivalents (Note 3)	63,977	55,941
Restricted cash and cash equivalents - light rail transit (Note 4)	64,930	63,975
Accounts receivable		
Federal government departments and agencies	2,254	5,298
Others	6,235	5,944
Investments (Note 3)	44,448	34,136
	181,844	165,294
LIABILITIES		
Accounts payable and accrued liabilities		
Federal government departments and agencies	1,384	1,031
Others	14,603	18,800
Light rail transit (Note 4)	60,140	59,608
Provision for environmental cleanup	63,436	49,884
Deferred revenue (Note 5)	16,989	16,251
Employee future benefits	9,379	9,596
Other liabilities	8,600	7,639
	174,531	162,809
NET FINANCIAL ASSETS	7,313	2,485
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 6)	658,513	640,575
Prepaid expenses	1,383	3,623
Other non-financial assets	1,434	1,217
	661,330	645,415
ACCUMULATED SURPLUS	668,643	647,900

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)

	2018-2019 Annual Budget (Note 2)	Three months ended December 31		Nine months ended December 31	
		2018	2017	2018	2017
REVENUES					
Rental operations and easements	24,075	5,420	6,089	17,745	17,761
Interest	1,312	714	506	1,899	1,378
Monetary sponsorship	-	-	-	102	196
Headquarters sublease	2,277	445	510	1,701	1,649
User access fees	3,531	1,393	1,067	3,222	2,771
Recoveries	3,390	471	1,615	2,257	8,562
Gain on disposal of tangible capital assets	-	-	-	131	-
Other revenues	1,815	527	744	3,102	2,245
	36,400	8,970	10,531	30,159	34,562
EXPENSES (Note 7)					
Long-term planning	5,794	934	1,018	3,090	2,953
Stewardship and protection	89,612	21,911	22,527	67,090	70,404
Internal services	36,214	7,768	8,402	24,417	24,477
	131,620	30,613	31,947	94,597	97,834
Deficit before funding from the Government of Canada	(95,220)	(21,643)	(21,416)	(64,438)	(63,272)
Funding from the Government of Canada					
Parliamentary appropriations for operating expenditures (Note 8)	68,117	19,737	17,936	52,661	49,542
Parliamentary appropriations for tangible capital assets (Note 8)	40,312	11,210	9,675	32,520	22,515
	108,429	30,947	27,611	85,181	72,057
Surplus for the period	13,209	9,304	6,195	20,743	8,785
Accumulated surplus at beginning of the period	639,560	659,339	644,640	647,900	642,050
Accumulated surplus at end of the period	652,769	668,643	650,835	668,643	650,835

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)

	2018-2019 Annual budget (Note 2)	Three months ended December 31		Nine months ended Decembre 31	
		2018	2017	2018	2017
Surplus for the period	13,209	9,304	6,195	20,743	8,785
Acquisition and improvements of tangible capital assets (Note 6)	(47,217)	(7,927)	(7,020)	(33,621)	(21,425)
Amortization of tangible capital assets (Note 6)	18,937	4,866	4,717	14,434	13,664
Gain on disposal of tangible capital assets	-	-	(3)	(131)	(3)
Loss on disposal of tangible capital assets	-	79	-	1,036	4
Proceeds from disposal of tangible capital assets	-	-	4	481	4
Realized loss from sale-leaseback transaction	-	(45)	-	(137)	-
	(28,280)	(3,027)	(2,302)	(17,938)	(7,756)
Change in prepaid expenses	-	2,562	2,173	2,240	1,932
Change in other non-financial assets	177	44	44	(217)	133
	177	2,606	2,217	2,023	2,065
Increase in net financial assets	(14,894)	8,883	6,110	4,828	3,094
Net financial assets (liabilities) at beginning of the period	(6,761)	(1,570)	8,011	2,485	11,027
Net financial assets at end of the period	(21,655)	7,313	14,121	7,313	14,121

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	
	2018	2017	2018	2017
OPERATING ACTIVITIES				
Cash receipts from parliamentary appropriations				
for operating expenditures	19,737	17,935	53,437	50,038
Cash receipts from rental operations and easements	6,644	5,687	17,435	15,725
Cash receipts from other operations	2,003	940	12,905	10,973
Cash paid to suppliers	(14,439)	(14,913)	(42,362)	(49,973)
Cash paid to employees	(14,926)	(10,850)	(36,793)	(32,614)
Interest received	736	682	1,875	1,667
Disbursements related to the management and remediation of sites	-	(253)	(471)	(911)
Cash flows provided (used) by operating activities	(245)	(772)	6,026	(5,095)
CAPITAL ACTIVITIES				
Cash receipts from parliamentary appropriations				
for tangible capital assets	11,210	9,675	32,520	22,905
Acquisition and improvements of tangible capital assets	(6,837)	(7,148)	(19,828)	(21,636)
Proceeds from disposal of tangible capital assets	-	4	131	4
Disbursements for environmental cleanup	-	(4)	(240)	(65)
Cash flows provided by capital activities	4,373	2,527	12,583	1,208
INVESTING ACTIVITIES				
Cash receipts for the light rail transit project	356	241	955	602
Disbursements for investments purchased	(10,697)	(763)	(10,973)	(1,208)
Cash receipts from investments sold	400	350	400	892
Cash flows provided (used) by investing activities	(9,941)	(172)	(9,618)	286
Increase (decrease) in cash and cash equivalents	(5,813)	1,583	8,991	(3,601)
Cash and cash equivalents at beginning of the period	134,720	140,462	119,916	145,646
Cash and cash equivalents at end of the period	128,907	142,045	128,907	142,045
Represented by:				
Cash and cash equivalents	63,977	78,338	63,977	78,338
Restricted cash and cash equivalents - Light rail transit	64,930	63,707	64,930	63,707
	128,907	142,045	128,907	142,045

The notes are an integral part of the financial statements.

NOTES TO THE QUARTERLY FINANCIAL STATEMENTS (UNAUDITED)

For the nine months ended December 31, 2018 (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 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, 2018.

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.

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,

NOTES TO THE QUARTERLY FINANCIAL STATEMENTS (UNAUDITED)

For the nine months ended December 31, 2018 (in thousands of dollars, unless otherwise specified)

unsettled land exchange, 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 estimates.

Budget Figures

The 2018-2019 budget figures, as presented in the *2018-2019 to 2022-2023 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, 2018, cash and cash equivalents include \$64.0 million (\$55.9 million as at March 31, 2018) in cash, invested at a weighted average interest rate of 2.1 percent (1.5 percent as at March 31, 2018).

B. INVESTMENTS

As at December 31, 2018, the short-term investment portfolio includes guaranteed investment certificates totalling \$25.0 million (\$15.0 million as at March 31, 2018) at a weighted average effective interest rate of 2.6 percent with terms of 12 months (2.3 percent as at March 31, 2018).

As at December 31, 2018, the long-term investment portfolio includes bonds of provincial governments, totalling \$19.4 million (\$19.1 million as at March 31, 2018) invested at a weighted average interest rate of 3.7 percent (3.7 percent as at March 31, 2018).

	December 31, 2018		March 31, 2018	
	Cost	Quoted Market Value	Cost	Quoted Market Value
Provincial governments	19,448	19,757	19,136	19,631
Guaranteed investment certificate	25,000	25,000	15,000	15,000
	44,448	44,757	34,136	34,631

C. DESIGNATED FUNDS

As at December 31, 2018, cash and cash equivalents include \$32.5 million (\$33.3 million as at March 31, 2018) in designated funds whose use is designated or limited for the sole purpose for which they have been segregated.

4. Light Rail Transit

NOTES TO THE QUARTERLY FINANCIAL STATEMENTS (UNAUDITED)

For the nine months ended December 31, 2018 (in thousands of dollars, unless otherwise specified)

The following table includes amounts received at December 31, 2018 as well as the interest earned for the period. Interest of \$1.0 million (\$0.6 million to December 31, 2017) has been recorded and included in the Financial assets under “Restricted cash and cash equivalents - light rail transit” and under the “Light rail transit” liability.

The “Restricted cash and cash equivalents - light rail transit” under Financial assets are composed of the following.

	March 31, 2018	Interest	December 31, 2018
Security deposit	52,230	779	53,009
Performance deposit	11,745	176	11,921
Total	63,975	955	64,930

As at December 31, 2018, the NCC recognized revenues totalling \$0.4 million (\$0.6 million to December 31, 2017) as it continues to provide the City access to the light rail transit properties for a defined period of time, which will terminate in 2018-2019. The “Light rail transit” liability totals \$60.1 million (\$59.6 million as at March 31, 2018).

5. Deferred revenue

Deferred revenues are composed of the following.

	December 31, 2018	March 31, 2018
Deferred rental revenues	6,757	7,262
Deferred easement and license of occupation revenues	5,684	5,676
Other deferred revenues	4,548	3,313
	16,989	16,251

The deferred rental revenue is primarily the present value of the minimum future lease payments that the NCC has collected under 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, \$0.3 million (\$0.3 million to December 31, 2017) of deferred rental revenue was recognized as income.

NOTES TO THE QUARTERLY FINANCIAL STATEMENTS (UNAUDITED)

For the nine months ended December 31, 2018 (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, 2018	March 31, 2018
Land ¹	310,348	14,289	1,210	323,427	-	-	-	-	323,427	310,348
Buildings and Infrastructure ²	787,760	17,527	62	805,225	466,680	13,149	23	479,806	325,419	321,080
Leasehold improvements	13,537	1,316	-	14,853	10,154	322	-	10,476	4,377	3,383
Equipment ²	19,423	489	64	19,848	13,659	963	64	14,558	5,290	5,764
	1,131,068	33,621	1,336	1,163,353	490,493	14,434	87	504,840	658,513	640,575

1. The land cost includes \$0.2 million (\$0.2 million as at March 31, 2018) of unsettled expropriation.

2. The total cost of buildings and infrastructure, and equipment include \$24.5 million (\$15.8 million as at March 31, 2018) 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, 2018 (in thousands of dollars, unless otherwise specified)

7. Expenses by Object

The following provides a summary of expenses by object.

	2018-2019 Annual Budget (Note 2)	Three months ended December 31		Nine months ended December 31	
		2018	2017	2018	2017
Goods and services	58,331	13,340	14,179	39,362	45,022
Salaries and employee benefits	44,642	9,932	10,641	32,521	32,187
Amortization	18,937	4,866	4,717	14,434	13,664
Payments in lieu of municipal taxes	9,710	2,396	2,410	7,244	6,960
Loss on disposal of tangible capital assets	-	79	-	1,036	1
	131,620	30,613	31,947	94,597	97,834

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, 2018, the value of antiques, works of art and monuments totalled \$0.8 million (\$2.7 million to December 31, 2017).

8. Parliamentary Appropriations

	Three months ended December 31		Nine months ended December 31	
	2018	2017	2018	2017
Parliamentary appropriations for operating expenditures¹				
Amount received during the period	19,737	17,936	52,661	49,542
	19,737	17,936	52,661	49,542
Parliamentary appropriations for tangible capital assets²				
Amount received during the period	11,210	9,675	32,520	22,515
	11,210	9,675	32,520	22,515
Parliamentary appropriations approved and recorded during the period	30,947	27,611	85,181	72,057

1. As at December 31, 2018 and 2017, the amounts approved for the years ending March 31, 2019 and 2018 totaled \$71.1 million and \$65.4 million, respectively.

2. As at December 31, 2018 and 2017, the amounts approved for the years ending March 31, 2019 and 2018 totaled \$37.3 million and \$23.5 million, respectively.