

NATIONAL CAPITAL COMMISSION
COMMISSION DE LA CAPITALE NATIONALE

**QUARTERLY FINANCIAL REPORT FOR THE NINE MONTHS
ENDED DECEMBER 31, 2020**

Canada



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MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE NINE MONTHS ENDED DECEMBER 31, 2020

The nine months ended December 31, 2020 resulted in a surplus of \$36.3 million. The surplus is primarily due to a capital surplus resulting from the timing difference between capital parliamentary appropriations received and amortization of tangible capital assets expenditures. This surplus is in part offset by higher than planned operating project expenses and payments in lieu of taxes.

A. Year-Over-Year Results Analysis

Revenues decreased by \$16.0 million, or 34.9% compared to the same period in the previous year, mainly as a result of the following:

- Other revenues decrease of \$7.7 million, or 87.7% to \$1.1 million, mainly as a result of non-recurring transactions in the previous year: a compensation of \$6.4 million received in exchange for the right to develop a property with additional density, as well as the end of the Headquarters sublease in December 2019;
- Gain on disposal of tangible capital assets decrease of \$8.3 million, or 99.2% to \$0.1 million, as a result of the LRT stage 1 land disposals recorded in the previous year;
- Interest revenues decrease of \$1.5 million, or 52.5% to \$1.4 million as a result of interest rate decrease.

Offset in part by:

- Rental operations increase of \$0.8 million, or 4.4% to \$19.7 million;
- Recoveries increase of \$0.6 million, or 20.1% to \$3.7 million; and
- User access fees increase of \$0.3 million, or 8.2% to \$3.7 million.

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

- Internal services decrease of \$2.5 million, or 9.9% to \$22.5 million; and
- Stewardship and protection decrease of \$1.9 million, or 2.5%, to \$73.8 million.

Offset in part by:

- Long-term planning increase of \$1.1 million, or 34.4% to \$4.2 million mainly as a result of Interprovincial Crossing Studies in the current year.

Funding from the Government of Canada through parliamentary appropriations increased by \$1.8 million, or 1.7% compared to the same period last year. The results by main categories of appropriations were as follows:

- Appropriations for capital expenditures increased by \$3.1 million, or 6.2% to \$52.7 million.

Offset in part by:

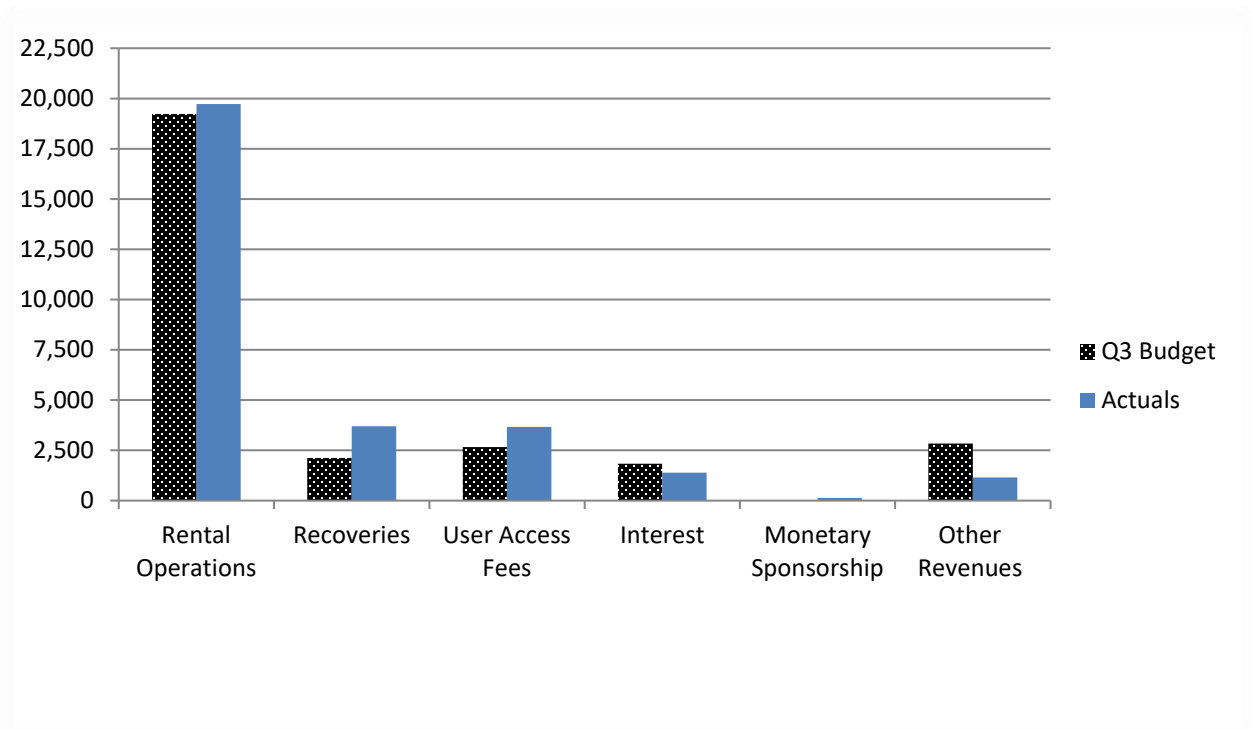
- Appropriations for operating expenditures decreased by \$1.3 million, or 2.3%, to \$54.3 million;

B. Budgetary Analysis

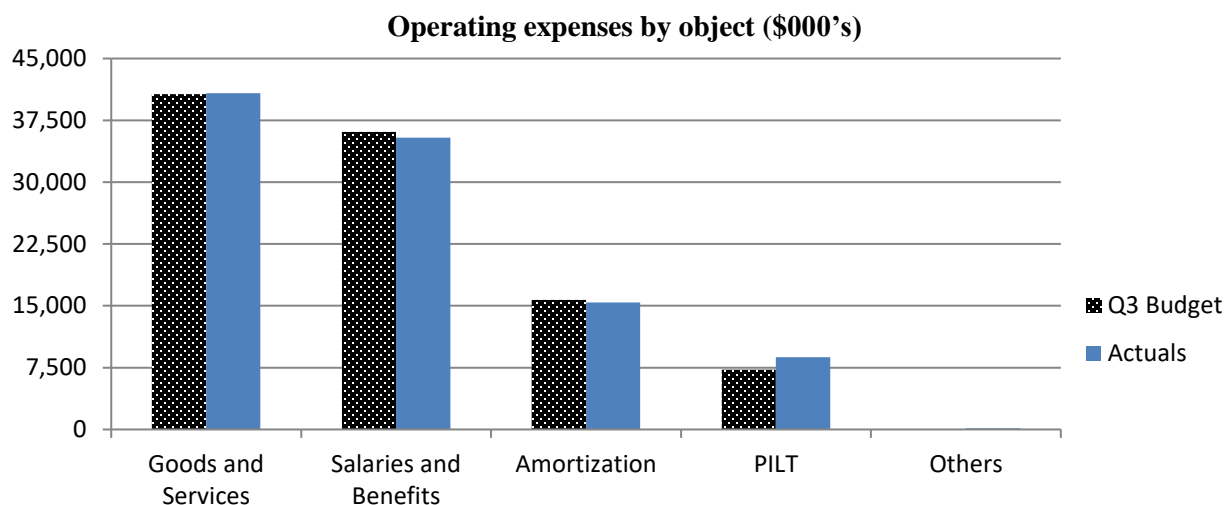
The budgeted revenue for the 2020-2021 fiscal year includes non-recurring items such as contributions related to the South Shore Riverfront Park project and commemorations, with \$2.8 million recognized at the end of the third quarter, representing 56.1% of the annual budget. Total recurring revenues of \$27.0 million represent 79.3% of the annual budget as at December 31, 2020.

The following chart provides details of the third quarter year-to-date revenues of \$29.7 million compared to the budget of \$28.7 million. Rental operations, recoveries, user access fees and monetary sponsorships are above budget, whereas interest revenue and other revenues are tracking behind budget. The COVID-19 pandemic has impacted, to a certain extent, NCC's recurring revenues from leasing operations and construction projects. However an estimate of the financial effect is not practicable at this time.

Revenues by type (\$000's)



The following chart provides details of the third quarter year-to-date operating expenses of \$100.5 million compared to the budget of \$99.7 million. The unfavorable variance is due primarily as a result of timing differences in the Memorial to the Victims of Communism and Official Residences projects, as well as higher than planned payments in lieu of taxes and bad debts mostly as a result of COVID-19 impacts. These deficits were partially offset by salary savings of \$0.7 million compared to budget to date due to vacancies, as well as \$0.3 million lower than budgeted amortization.



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 \$107.1 million, or 74.9% of its annual budget for appropriations for the period ended December 31, 2020. 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 2021
Operational vote	72,666	54,333	74.8%	-	18,333
Supplementary estimates	-	-	-	4,555	4,555
<i>sub-total</i>	72,666	54,333	74.8%	4,555	22,888
Capital vote	70,319	52,739	75.0%	-	17,580
Reprofiling request	-	-	-	-	-
<i>sub-total</i>	70,319	52,739	75.0%	-	17,580
Total	142,985	107,072	74.9%	4,555	40,468

Additional details on the parliamentary appropriations can be found in the NCC's Quarterly Financial Statements at December 31, 2020 (Note 8).

D. Capital Expenditure

Investments by main categories of capital expenditures were as follows:

For the nine months ended December 31, 2020 (\$000's)	Actual
Roads & bridges	
Hog's Back Swing Bridge, LeBreton Exit Bridge, Portage Bridge	12,109
Historical properties	
Official Residences, National Capital River Pavilion	15,797
Rental Properties	
	236
Development properties	
LeBreton Flats redevelopment	777
Green assets	
Nepean Point, Richmond Landing, De l'île pathway, Victoria Island, Gatineau Park Rehabilitation Program	8,678
Equipment	
	412
Property Acquisitions	
	7
Other Projects	
	5,233
Total 2020-2021 Q3 Actuals	43,249
Total 2019-2020 Q3 Actuals	45,799
Variance	(2,550)
2020-2021 Budget	90,752
% Achieved	48%
% Committed	70%

E. Statement of Financial Position Summary

Financial assets totalled \$205.8 million as at December 31, 2020, an increase of \$22.7 million or 12.4% from \$183.1 million as at March 31, 2020, attributable primarily to \$18.0 million increase in cash and cash equivalents mainly due to a contribution received from the City of Ottawa for the South Shore Riverfront Park development and \$4.0 million increase in accounts receivable mainly due to NCC tenants impacted by the COVID-19 pandemic.

Liabilities totalled \$172.2 million as at December 31, 2020, an increase of \$13.5 million or 8.5% from \$158.7 million as at March 31, 2020, mainly attributable to a \$15.3 million increase in deferred revenues, mainly due to a contribution received from the City of Ottawa for the South Shore Riverfront Park development, partially offset by a \$1.7 million decrease in provision for environmental remediation.

Non-financial assets totalled \$723.8 million as at December 31, 2020, an increase of \$27.1 million or 3.9% from \$696.7 million as at March 31, 2020, reflecting mostly increases in tangible capital assets net of amortization as a result of advancement of capital projects funded from additional appropriations.

F. Integrated Risk Management

The NCC uses an integrated risk management framework to identify, manage and mitigate its risks. The corporation applies this framework in strategic decision making, operational planning and project management. Enterprise risk management is integrated into the NCC's planning and reporting cycle through a risk profile exercise, which helps to identify the key corporate risks and corresponding 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 2020–2021 to 2024–2025 planning period, the NCC has identified three major corporate risk categories: capacity, reputation and influence, and safety and security.

Capacity

Capacity risks relate to the NCC's ability to maintain sufficient levels of both financial and human resources to be resilient to a changing business environment. They also relate to the NCC's ability to prioritize effectively in order to deliver its activities and manage its assets.

The corporation requires both a one-time investment to address its deferred maintenance deficit and a permanent increase to the NCC's parliamentary appropriations to ensure that the corporation has the ongoing resources required to maintain its critical infrastructure in the National Capital Region, and support corporate investments and initiatives to build a dynamic capital. To that end, the NCC worked with PSPC and key government stakeholders to realize a capital investment, allocated in May 2020 (pending government and parliamentary approval), to address the corporation's most urgent health and safety requirements. It should be noted that these investments did not fund projects required to address the condition of assets with the official residences portfolio. The NCC will continue to collaborate with government to identify long-term sustainable funding solutions to ensure that its assets remain safe, resilient and enjoyable for current and future generations of residents and visitors in the National Capital Region. These solutions would include a permanent increase in the corporation's capital and operating appropriations to protect the government's investments.

In 2018–2019, the corporation worked with the department responsible for the NCC and Treasury Board of Canada Secretariat (TBS) to better understand the parameters of use of the Acquisition and Disposal Fund. The NCC will implement the strategic use of the Acquisition and Disposal Fund, in accordance with its legislative mandate and key priorities. As part of its long-term financial sustainability strategy, the NCC is in the process of exploring strategies to augment revenue generation and optimize the use of real property, while also identifying efficiencies and cost containment measures in response to challenges related to operating appropriations.

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 has made this a focus, and has included elements of this risk in one of its priorities for this planning period. The corporation continues to focus on developing strategies to attract, manage and retain a talented workforce and optimize business processes. These strategies form the bulk of the initiatives included in Priority 6, which aims to have the NCC mitigate this risk by becoming an employer of choice in the National Capital Region.

Reputation and Influence

Reputation and influence risks relate to the NCC's ability to maintain a positive reputation and be able to influence partners, stakeholders, the public and elected officials.

To protect its reputation and influence, the NCC engages with stakeholders, partners and the public, and builds awareness of the benefit that the organization provides to the Capital Region. The NCC will pursue the implementation of its Integrated Communications Plan, which uses a proactive approach to engage partners and the general public, as well as communicate policies and processes related to the corporation's regulatory roles. Similarly, the NCC will review and implement its external relations plan, and will pursue efforts to 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. Similarly, the corporation is 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 Special Examination Report—2017.

Risk response measures consist of leveraging the latest additional parliamentary appropriations over the next three years (pending government and parliamentary approvals) to continue to address the more critical public health and safety risks, while also and developing a long-term investment plan in order to provide recommendations on resource allocation processes and portfolio strategy. This includes a phased, multi-year asset condition inspection program; regular inspections of lands and assets; and security plans, policies and procedures that are part of the NCC's day-to-day activities. The NCC is also conducting a comprehensive review of its information systems and information requirements to further support the development and implementation of its long-term investment plan. This investment planning work will help support the NCC in continuing its work on assets in need of critical repairs in the long term, as supported by parliamentary appropriations.

The NCC anticipates that the potential transfer of three interprovincial bridges would bring both opportunities and challenges to the corporation. Throughout the process of transferring these bridges, the NCC would continue to monitor the operational and corporate risks associated with the addition of these significant assets. Any identified risks would be included in the corporation's rigorous risk management process.

G. Significant Changes Related to Operations, Personnel and Programs

The COVID-19 pandemic has taken a phased toll on the overall economy and certain industries, thus having impacts, to a certain extent, on the NCC's future operations and financial position including our recurring revenues from leasing operations and construction projects. An estimate of the financial effect is not practicable at this time. For further details please refer to the March 31, 2020 audited financial statements and subsequent event note 21.

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 was used to begin addressing the maintenance requirements of priority assets, thereby ensuring that these specific assets do not cause health and safety concerns.

In May 2020, the NCC welcomed the allocation of an additional appropriation aimed to address the urgent health and safety requirements of NCC assets. This investment of \$173.6 million over three years will help the NCC continue the work started through Budget 2018 funding to address the corporation's deferred maintenance deficit.

No other significant changes with regard to NCC operations, personnel or programs occurred during the nine month period ended December 31, 2020.

Unaudited Financial Statements

For the nine months ended December 31, 2020

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 23, 2021

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

	December 31, 2020	March 31, 2020
FINANCIAL ASSETS		
Cash and cash equivalents (Note 3)	180,115	162,158
Restricted cash and cash equivalents (Note 4)	4,849	4,684
Accounts receivable	11,118	7,066
Investments (Note 3)	9,711	9,183
	205,793	183,091
LIABILITIES		
Accounts payable and accrued liabilities	28,450	27,961
Light rail transit (Note 4)	2,341	2,332
Provision for environmental remediation	62,199	63,901
Deferred revenue (Note 5)	56,913	41,640
Employee future benefits	9,671	9,992
Other liabilities	12,658	12,836
	172,232	158,662
NET FINANCIAL ASSETS	33,561	24,429
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 6)	718,334	690,833
Prepaid expenses	1,087	1,297
Other non-financial assets	4,398	4,531
	723,819	696,661
ACCUMULATED SURPLUS	757,380	721,090

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)

	2020-2021 Annual Budget (Note 2)	Three months ended December 31		Nine months ended December 31	
		2020	2019	2020	2019
REVENUES					
Rental operations and easements	25,723	6,348	6,166	19,719	18,893
Recoveries	2,824	1,452	1,267	3,695	3,077
User access fees	3,487	1,981	1,502	3,660	3,382
Interest	2,694	491	1,038	1,384	2,916
Monetary sponsorship	-	51	25	136	184
Gain on disposal of tangible capital assets	-	8	3,614	68	8,414
Other revenues	4,242	744	713	1,087	8,836
	38,970	11,075	14,325	29,749	45,702
EXPENSES (Note 7)					
Long-term planning	5,929	1,272	1,025	4,166	3,100
Stewardship and protection	102,100	24,272	26,683	73,830	75,707
Internal services	32,462	7,904	8,064	22,535	25,009
	140,491	33,448	35,772	100,531	103,816
Deficit before funding from the Government of Canada	(101,521)	(22,373)	(21,447)	(70,782)	(58,114)
Funding from the Government of Canada					
Parliamentary appropriations for operating expenditures (Note 8)	72,666	18,111	18,108	54,333	55,624
Parliamentary appropriations for tangible capital assets (Note 8)	70,319	17,580	15,821	52,739	49,643
	142,985	35,691	33,929	107,072	105,267
Surplus for the period	41,464	13,318	12,482	36,290	47,153
Accumulated surplus at beginning of the period	716,815	744,062	703,724	721,090	669,053
Accumulated surplus at end of the period	758,279	757,380	716,206	757,380	716,206

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)

	2020-2021 Annual budget (Note 2)	2020	2019
Surplus for the period	41,464	36,290	47,153
Acquisition and improvements of tangible capital assets (Note 6)	(88,895)	(42,910)	(45,518)
Amortization of tangible capital assets (Note 6)	20,956	15,404	14,869
Gain on disposal of tangible capital assets	-	(68)	(8,414)
Loss on disposal of tangible capital assets	-	142	137
Proceeds from disposal of tangible capital assets	-	68	8,919
Realized loss from sale-leaseback transaction	-	(137)	(137)
Writedown of tangible capital assets	-	-	2,144
	(67,939)	(27,501)	(28,000)
Change in prepaid expenses	-	210	2,253
Change in other non-financial assets	177	133	614
	177	343	2,867
Increase in net financial assets (net debt)	(26,298)	9,132	22,020
Net financial assets (net debt) at beginning of the period	(2,838)	24,429	(194)
Net financial assets (net debt) at end of the period	(29,136)	33,561	21,826

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)

	2020	2019
OPERATING ACTIVITIES		
Cash receipts from parliamentary appropriations		
for operating expenditures	55,550	56,482
Cash receipts from rental operations and easements	16,771	23,141
Cash receipts from other operations	21,006	23,463
Cash paid to suppliers	(48,233)	(50,193)
Cash paid to employees	(34,748)	(35,173)
Interest received	1,770	3,308
Disbursements related to the management and remediation of sites	(567)	(310)
Cash flows provided (used) by operating activities	11,549	20,718
CAPITAL ACTIVITIES		
Cash receipts from parliamentary appropriations		
for tangible capital assets	-	49,643
Cash disbursements for the light rail transit project	52,739	(9,795)
Acquisition and improvements of tangible capital assets	(44,708)	(24,429)
Proceeds from disposal of tangible capital assets	68	198
Disbursements for environmental remediation	(907)	(2,684)
Cash flows provided (used) by capital activities	7,192	12,933
INVESTING ACTIVITIES		
Cash receipts for the light rail transit project	9	1,120
Cash disbursements for the light rail transit project	-	(1,020)
Cash receipts for Chambers Building Fund	156	1,572
Disbursements for investments purchased	(1,584)	(1,114)
Cash receipts from investment sold	800	21,047
Cash flows provided by investing activities	(619)	21,605
Increase in cash and cash equivalents	18,122	55,256
Cash and cash equivalents at beginning of the period	166,842	155,243
Cash and cash equivalents at end of the period	184,964	210,499
Represented by:		
Cash and cash equivalents	180,115	151,808
Restricted cash and cash equivalents	4,849	58,691
	184,964	210,499

The notes are an integral part of the financial statements.

NOTES TO THE QUARTERLY FINANCIAL STATEMENTS (UNAUDITED)

For the nine months ended December 31, 2020 (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 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, 2020 which detail the applicable accounting policies.

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, 2020 (in thousands of dollars, unless otherwise specified)

Budget Figures

The 2020-2021 budget figures, as presented in the *2020-2021 to 2024-2025 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, 2020, cash and cash equivalents include \$180.1 million (\$162.2 million as at March 31, 2020) in cash, invested at a weighted average interest rate of 0.84 percent (2.3 percent as at March 31, 2020).

B. INVESTMENTS

As at December 31, 2020, the long-term investment portfolio includes bonds of provincial governments, totalling \$9.7 million (\$9.2 million as at March 31, 2020) invested at a weighted average interest rate of 2.7 percent (3.0 percent as at March 31, 2020).

	December 31, 2020		March 31, 2020	
	Amortized Cost	Quoted Market Value	Amortized Cost	Quoted Market Value
Provincial governments	9,711	10,351	9,183	9,635
	9,711	10,351	9,183	9,635

C. DESIGNATED FUNDS

As at December 31, 2020, cash and cash equivalents include \$100.6 million (\$71.1 million as at March 31, 2020) 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, 2020 (in thousands of dollars, unless otherwise specified)

4. Restricted cash and cash equivalents

	March 31, 2020	Amount received 2020-2021	Interest 2020-2021	December 31, 2020
LRT Stage 1 - Security deposit	182	-	1	183
LRT Stage 1 - Performance deposit	1,367	-	8	1,375
	1,549	-	9	1,558
Chambers Building Fund	3,135	138	18	3,291
Total	4,684	138	27	4,849

A. Light Rail Transit (LRT)

The above table include balances for the two LRT projects and interest earned during the period.

The LRT liability totals \$2.3 million (\$2.3 million as at March 31, 2020).

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 revenue

Deferred revenues are composed of the following.

	December 31, 2020	March 31, 2020
Deferred rental revenues	9,849	10,436
Deferred easement and license of occupation revenues	17,345	17,608
Other deferred revenues	29,719	13,596
	56,913	41,640

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 discount rates of 4.0 percent, 4.27 percent, 6.01 percent and 6.5 percent. These deferred rental revenues will be recognized

NOTES TO THE QUARTERLY FINANCIAL STATEMENTS (UNAUDITED)

For the nine months ended December 31, 2020 (in thousands of dollars, unless otherwise specified)

as income over the term of the lease agreements, which fiscal have different termination dates extending to 2075. During the year, \$0.3 million (\$0.1 million to December 31, 2019) of deferred rental revenue was recognized as income.

Deferred easement and licence of occupation revenues are primarily comprised of \$9.0 million (\$9.1 million to March 31, 2020) of easement revenue and \$2.3 million (\$2.8 million to March 31, 2020) 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 \$23.1 million (\$5.0 million to March 31, 2020) for the Sir John A. Macdonald Parkway improvement which is recognized as work is performed and is expected to be completed by 2025, as well as a contribution by Global Affairs Canada of \$3.8 million (\$3.5 million to March 31, 2020) 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, 2020 (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, 2020	March 31, 2020
Land ¹	328,127	1,275	5	329,397	-	-	-	-	329,397	328,127
Buildings and Infrastructure ²	854,527	41,027	8	895,546	501,590	13,827	8	515,409	380,137	352,938
Leasehold improvements	15,120	-	-	15,120	11,178	321	-	11,499	3,621	3,942
Equipment ²	22,150	608	386	22,372	16,323	1,256	386	17,193	5,179	5,826
	1,219,924	42,910	399	1,262,435	529,091	15,404	394	544,101	718,334	690,833

1. The land cost includes \$0.2 million (\$0.2 million as at March 31, 2020) of unsettled expropriation.

2. The total cost of buildings and infrastructure, and equipment include \$41.0 million (\$37.4 million as at March 31, 2020) 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 six months ended September 30, 2020 (in thousands of dollars, unless otherwise specified)

7. Expenses by Object

The following provides a summary of expenses by object.

	2020-2021 Annual Budget (Note 2)	Three months ended December 31		Nine months ended December 31	
		2020	2019	2020	2019
Goods and services	62,082	13,305	14,988	40,801	45,006
Salaries and employee benefits	47,804	11,814	10,884	35,409	33,811
Amortization	20,956	5,430	5,128	15,404	14,869
Payments in lieu of municipal taxes	9,649	2,853	2,583	8,775	7,849
Writedown of tangible capital assets	-	-	2,144	-	2,144
Loss on disposal of tangible capital assets	-	46	45	142	137
	140,491	33,448	35,772	100,531	103,816

For the period ended December 31, 2020, the value of antiques, works of art and monuments, acquired or built by the NCC totalled \$1.0 million (\$0.9 million to December 2019). These are recorded as expenses in “Goods and services.”

8. Parliamentary Appropriations

	Three months ended December 31		Nine months ended December 31	
	2020	2019	2020	2019
Parliamentary appropriations for operating expenditures¹				
Amount received during the period	18,111	18,108	54,333	55,444
Amount received from previous year	-	-	-	180
	18,111	18,108	54,333	55,624
Parliamentary appropriations for tangible capital assets²				
Amount received during the period	17,580	15,821	52,739	49,643
	17,580	15,821	52,739	49,643
Parliamentary appropriations approved and recorded during the period	35,691	33,929	107,072	105,267

1. As at December 31, 2020 and 2019, the amounts approved for the years ending March 31, 2021 and 2020 totaled \$77.2 million and \$73.8 million, respectively.

2. As at December 31, 2020 and 2019, the amounts approved for the years ending March 31, 2021 and 2020 totaled \$70.3 million and \$62.5 million, respectively.

9. Comparative Figures

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