

NATIONAL CAPITAL COMMISSION  
COMMISSION DE LA CAPITALE NATIONALE

**QUARTERLY FINANCIAL REPORT FOR THE THREE MONTHS**

**ENDED JUNE 30, 2023**

Canada

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE THREE MONTHS ENDED JUNE 30, 2023**

The three months ended June 30, 2023 resulted in a surplus of \$2.8 million. The surplus is primarily resulting from lower than planned Good and Services expenses (\$4.5M) and higher than planned interest revenues (\$2.9M), which are partly offset by lower than planned recoveries (\$2.3M), other revenues (\$1.4M), and parliamentary appropriations for operating expenditures (0.9M).

### **A. Year-Over-Year Results Analysis**

Revenues decreased by \$25.0 million, or 63.2% compared to the same period in the previous year, mainly as a result of the following:

- Gain on disposal decrease of \$28.3 million, or 100% to \$0;
- Rental operations decrease of \$0.4 million, or 6.0% to \$6.1 million;
- User access fees decrease of \$0.2 million, or 32.8% to \$0.5 million; and
- Recoveries decrease of \$0.1 million, or 9.5% to \$1.2 million.

Offset in part by:

- Interest revenues increase of \$2.8 million, or 194.4% to \$4.3 million;
- Other revenues increase of \$1.2 million, or 104.9% to \$2.4 million.

Operating expenses increased by \$2.8 million, or 8.2%, compared to the same period in the previous year. The results by Program were as follows:

- Stewardship and protection increase of \$1.8 million, or 7.2%, to \$26.8 million;
- Internal services increase of \$0.6 million, or 7.4% to \$8.4 million; and
- Long-term planning increase of \$0.4 million or 33.2%, to \$1.6 million.

Funding from the Government of Canada through parliamentary appropriations decreased by \$14.0 million compared to the same period last year at \$25.1 million. The results by main categories of appropriations were as follows:

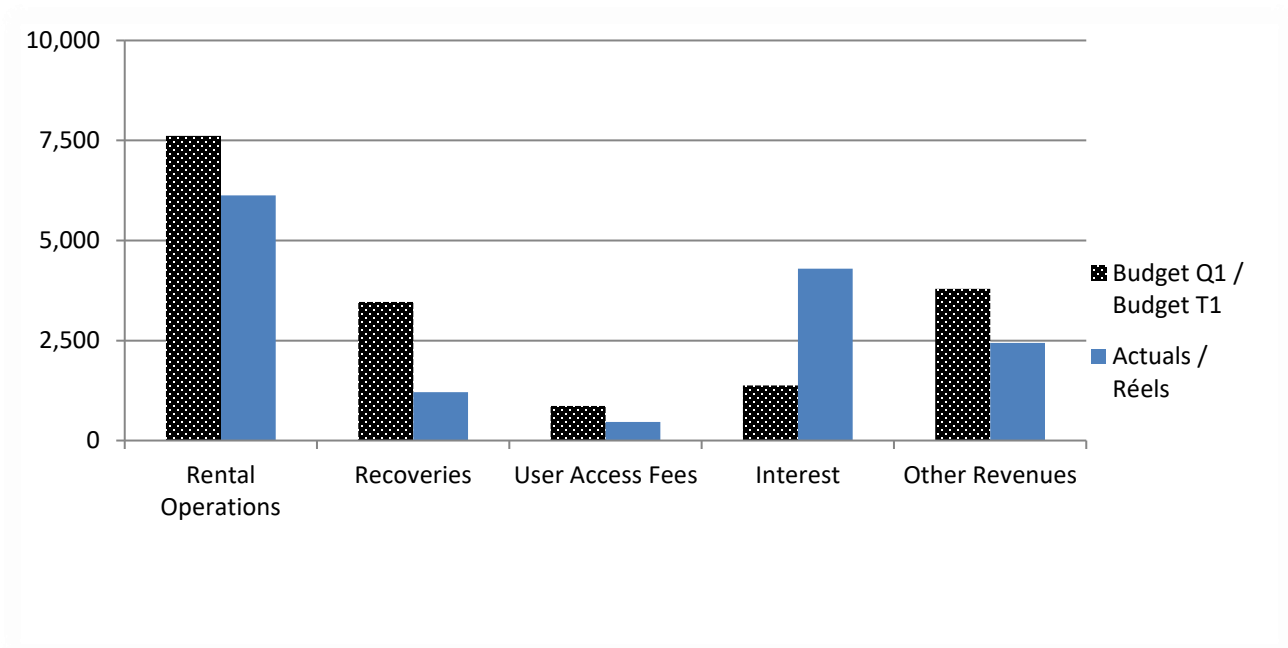
- Appropriations for operating expenditures decreased by \$1.4 million, or 7.3%, to \$17.6 million; and
- Appropriations for capital expenditures decreased by \$12.6 million, or 62.7% to \$7.5 million.

### **B. Budgetary Analysis**

The budgeted revenue for the 2023-2024 fiscal year includes non-recurring items such as contributions and recoveries related to the South Shore Riverfront Park project, Interprovincial Bridges initiatives and commemorations, with \$2.7 million recognized at the end of the first quarter, representing 10.3% of the annual budget. Total recurring revenues of \$11.8 million represent 28.1% of the annual budget as at June 30, 2023.

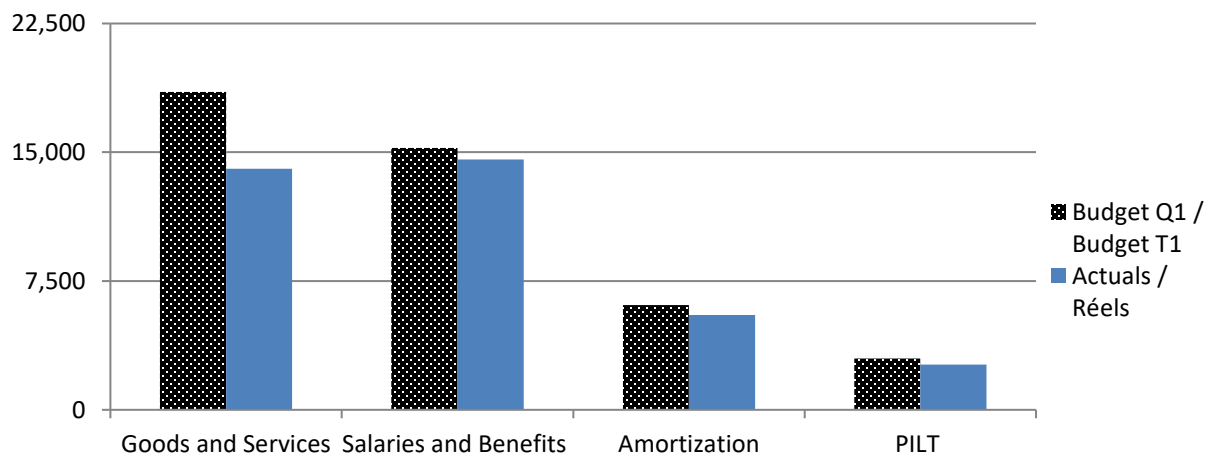
The following chart provides details of the first quarter revenues of \$14.5 million compared to the budget of \$68.5 million. Interest revenues are above budget, whereas Recoveries, Rental operations and easements, User access fees, and Other revenues are tracking behind budget.

### Revenues by type (\$000's)



The following chart provides details of the first quarter operating expenses of \$36.8 million compared to the budget of \$42.8 million. The favorable variance compared to budget is due primarily to lower than planned Goods and Services of \$4.5 million, salary savings of \$0.7 million, Amortization surplus of \$0.5 million and lower PILT of \$0.3 million.

### Operating expenses by object (\$000's)



### C. Use of Parliamentary Appropriations

The NCC receives its funding from a number of sources: parliamentary appropriations, rental operations and easements, user access fees, cost recoveries, investment revenues, gains on disposal of tangible capital assets and other revenues. The NCC draws down its parliamentary appropriations according to cash flow projections provided to the Minister of Public Service and Procurement Canada. As the nature of expenditures are not constrained by source of funding, direct matching of appropriations received and receivable to specific use is not applicable.

The NCC recognized \$25.1 million, or 20.2% of its annual budget for appropriations for the period ended June 30, 2023. Parliamentary appropriations drawdowns are based on forecasted cash flow expenditures. The following table illustrates the forecast of the parliamentary appropriations by vote.

**NCC Parliamentary Appropriations by vote (\$000's)**

<b>Vote</b>	<b>Annual Budget</b>	<b>Gov't Apps Recognized</b>	<b>% Recognized</b>	<b>Approved Supplementary Estimates (1)</b>	<b>Forecast to March 2024</b>
Operational vote	74,032	17,431	23.5%	-	56,601
Deferred Appropriations	-	148	-	-	-
<i>sub-total</i>	74,032	17,579	23.7%	-	56,601
Capital vote	41,640	6,260	15.0%	-	35,380
Supplementary Estimates	-	-	-	-	-
Deferred Appropriations	8,250	1,236	15.0%	-	7,014
<i>sub-total</i>	49,890	7,496	15.0%	-	42,394
<b>Total</b>	<b>123,922</b>	<b>25,075</b>	<b>20.2%</b>	-	<b>98,995</b>

(1) A portion of the Operational and Capital appropriations budget is still pending Corporate Plan approval.

Additional details on the parliamentary appropriations can be found in the NCC's Quarterly Financial Statements of June 30, 2023. (Note 8).

## D. Capital Expenditure

Investments by main categories of capital expenditures were as follows:

<b>For the three months ended June 30, 2023 (\$000's)</b>	<b>Actuals</b>
<b>Roads &amp; bridges</b> Champlain Bridge	1,746
<b>Historical properties</b> Official Residences, 28 Alexandre-Taché Blvd.	2,492
<b>Rental properties</b>	133
<b>Development properties</b> LeBreton Flats redevelopment	101
<b>Heritage and Cultural Precinct</b>	107
<b>Green assets</b> Kiweki Point, South Shore Riverfront Park development, Britannia Pathway Wall, Parliament Hill Escarpment	8,830
<b>Recreational Facilities</b> Lac Philippe Campground	1,789
<b>Equipment expenditures</b>	372
<b>Property Acquisitions (including Green Fund)</b>	1,322
<b>Other</b>	3,168

<b>Total 2023-2024 Q1 Actuals</b>	<b>20,060</b>
<b>Total 2022-2023 Q1 Actuals</b>	<b>7,599</b>
<b>Variance</b>	<b>12,461</b>

<b>2023-2024 Budget</b>	<b>135,289</b>
<b>% Achieved</b>	<b>15%</b>
<b>% Actuals + Commitments</b>	<b>89%</b>

## E. Statement of Financial Position Summary

Financial assets totalled \$389.0 million as of June 30, 2023, a decrease of \$11.3 million or 2.8% from \$400.3 million as of March 31, 2023, attributable primarily to a decrease of \$20.0 million in investments offset in part by an increase of \$6.6 million in cash and cash equivalent and \$2.0 million in accounts receivables.

Liabilities totalled \$255.0 million as of June 30, 2023, an increase of \$4.0 million or 1.6% from \$251.0 million as of March 31, 2023, attributable primarily to an increase of \$8.2 million in accounts payable and accrued liabilities offset in part by a decrease of \$4.0 million in deferred revenues.

Non-financial assets totalled \$845.3 million as of June 30, 2023, an increase of \$18.1 million or 2.2% from \$827.2 million as of March 31, 2023, reflecting mostly increases in tangible capital assets net of amortization as a result of advancement of Capital projects funded from Budget 2020.

## F. Risks and Mitigation Strategies

The NCC uses an integrated risk management framework to identify, manage and mitigate its risks, and 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.

### Key Risks and Mitigation Measures

As of June 30, 2023, the NCC has identified three key corporate risks that exceed its risk tolerance:

1. Asset Management: Since 2018-2019, the NCC has made significant capital investments to address critical requirements and address the deteriorating condition of its assets, supported by funding provided by the Government of Canada, striving to overcome the impacts of preceding decades of underinvestment. Concurrently, the corporation is implementing measures continuously to improve its processes, systems, and practices in asset management and investment planning. There is a risk that a lack of consistent integration of portfolio planning, resource allocation, and project delivery may limit the NCC's ability to effectively manage risks tied to asset deterioration and to advocate for funding increases.

To mitigate this risk, the NCC will continue to work on assets in need of critical repairs, revitalize and restore them to good condition in accordance with additional appropriations, including measures to augment their resilience to climate change and extreme weather events.

The NCC will leverage new funding to implement an Investment Planning Program that integrates long-term asset management, continue to implement a cyclical asset condition inspection program, continue to maintain data through the lifecycle of an asset, as well as solidify requirements for asset prioritization based on portfolio planning.

The NCC will plan and implement the replacement of the integrated financial and asset management systems to support end user. The Corporation will also enhance project delivery and management in alignment with the recommendations of the third-party Program and Project Delivery Review to ensure it is well-positioned to implement its expanded program of work over the next several years, as well as implement increased project authority based on project complexity and risk assessments.

The NCC will continue asset management efforts through the implementation of the new accounting standard for the Asset Retirement Obligations Program.

2. Authorities: The NCC's legislated authorities have remained largely unchanged since the corporation's inception in 1959. Shortcomings within these authorities present challenges for the NCC in its efforts to conserve and protect built and natural assets, and to conduct real property transactions in modern terms, in support of its mandate. There is a risk that the corporation's limited legislated authorities may inhibit the delivery of the NCC's mandate and its capacity to influence external actors.

To mitigate this risk, the NCC intend to increase the assertiveness in the delivery of the corporation's mandate within the current legislative framework, scope of authorities, and level of resources. In addition, the corporation will continue to work with and support government partners in bringing forward solutions to increase the NCC's legislative and regulatory authorities.

3. Human Resource Capacity: Governments and businesses are facing considerable challenges, across Canada and the National Capital Region, as they strive to recruit and retain employees with appropriate knowledge, skills, and experience. There is a risk that real and perceived challenges in its competitiveness to hire and retain staff may impact the NCC's capacity to adequately deliver its core mandate.

To mitigate this risk, the NCC will improve talent attraction and retention by a series of actions which includes updating and implementing the Diversity, Inclusion and Employment Equity Plan; continuing to promote an engaging, diverse, and inclusive workplace that attracts and retains talent; improving the corporation's ability to adapt its work arrangements and workplace environments to support staff work/life flexibility.

The NCC will also be monitoring the implications of migrating to a hybrid model workplace and adjusting its implementation, as necessary, as lessons are learned; as well as exploring budget options to facilitate the hiring of personnel on an indeterminate rather than term basis. A review of the NCC's overall employee recognition, compensation, and benefits to ensure competitiveness will be undertaken; options for the establishment of a talent development program will be explored. The NCC will be developing criteria to determine the circumstances under which the hiring of candidates from outside the National Capital Region may be considered to staff certain positions.

As part of these strategies, the NCC will mitigate the loss of institutional knowledge incurred due to increasing retirement rates by exploring and implementing succession planning initiatives, and leverage the NCC's dual status under the Financial Administration Act to optimize flexibility offered to staff.

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

In May 2020, the NCC welcomed the allocation of an additional appropriation aimed to address the urgent health and safety requirements of NCC assets. 2022-2023 is the third year of this \$173.6 million three-year program. The investment will help the NCC continue the work started through Budget 2018 funding to address the corporation's deferred maintenance deficit. In 2023-2024, the NCC anticipates it will complete most projects that were funded through additional appropriations received in May 2020.

Through the Fall Economic Statement, tabled in November 2022, the Government of Canada has earmarked considerable, additional funding for the NCC to protect heritage assets in the National Capital Region. These funds consist of an additional \$373 million for a 10-year program of work that is starting in 2023-2024.

During the first quarter of 2023-2024, the Government of Canada appointed a new chairperson of the NCC Board of Directors.

No other significant changes with regard to NCC operations, personnel or programs occurred during the three-month period ended June 30, 2023.



# Unaudited Financial Statements

## For the three months ended June 30, 2023

### 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



Tania Kingsberry, CPA, CA  
Vice-President Corporate Services and  
Chief Financial Officer

Ottawa, Canada  
August 22, 2023

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

June 30, 2023      March 31, 2023

**FINANCIAL ASSETS**

Cash and cash equivalents (Note 3)	300,932	294,322
Restricted cash and cash equivalents (Note 4)	7,327	7,238
Accounts receivable	20,430	18,440
Investments (Note 3)	60,352	80,306
	<b>389,041</b>	<b>400,306</b>

**LIABILITIES**

Accounts payable and accrued liabilities	37,983	29,737
Light rail transit (Note 4)	2,267	2,248
Provision for environmental remediation	74,156	73,693
Asset retirement obligations	28,912	28,912
Deferred revenues (Note 5)	90,322	94,316
Employee future benefits	9,828	10,207
Other liabilities	11,557	11,929
	<b>255,025</b>	<b>251,042</b>

**NET FINANCIAL ASSETS**

**134,016      149,264**

**NON-FINANCIAL ASSETS**

Tangible capital assets (Note 6)	834,515	819,690
Prepaid expenses	5,468	3,329
Other non-financial assets	5,270	4,220
	<b>845,253</b>	<b>827,239</b>

**ACCUMULATED SURPLUS**

**979,269      976,503**

The notes are an integral part of the financial statements.

Approved by the Board of Directors



Maryse Gaudreault  
Chair, Board of Directors



Tanya Gracie  
Chair, Audit Committee

**NATIONAL CAPITAL COMMISSION**  
**STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS (UNAUDITED)**  
For the three months ended June 30 (in thousands of dollars)

	2023-2024 Annual Budget (Note 2)	2023 Actual	2022 Restated Actual
<b>REVENUES</b>			
Rental operations and easements	30,458	6,129	6,522
Recoveries	13,869	1,206	1,332
User access fees	3,470	468	696
Interest	5,506	4,295	1,459
Gain on disposal of assets held for sale	-	-	28,256
Gain on disposal of tangible capital assets	-	-	39
Other revenues	15,180	2,440	1,191
	<b>68,483</b>	<b>14,538</b>	<b>39,495</b>
<b>EXPENSES (Note 7)</b>			
Long-term planning	14,198	1,632	1,225
Stewardship and protection	112,730	26,811	25,007
Internal services	44,454	8,404	7,826
	<b>171,382</b>	<b>36,847</b>	<b>34,058</b>
<b>Surplus (Deficit) before funding from the Government of Canada</b>	<b>(102,899)</b>	<b>(22,309)</b>	<b>5,437</b>
<b>Funding from the Government of Canada</b>			
Parliamentary appropriations for operating expenditures (Note 8)	74,032	17,579	18,969
Parliamentary appropriations for tangible capital assets (Note 8)	49,890	7,496	20,075
	<b>123,922</b>	<b>25,075</b>	<b>39,044</b>
<b>Surplus for the period</b>	<b>21,023</b>	<b>2,766</b>	<b>44,481</b>
<b>Accumulated surplus at beginning of the period</b>	<b>979,713</b>	<b>976,503</b>	<b>856,230</b>
<b>Accumulated surplus at end of the period</b>	<b>1,000,736</b>	<b>979,269</b>	<b>900,711</b>

The notes are an integral part of the financial statements.

**NATIONAL CAPITAL COMMISSION**  
**STATEMENT OF CHANGE IN NET FINANCIAL ASSETS (UNAUDITED)**

For the three months ended June 30 (in thousands of dollars)

	2023-2024 Annual budget (Note 2)	2023 Actual	2022 Restated Actual
<b>Surplus for the period</b>	<b>21,023</b>	<b>2,766</b>	<b>44,481</b>
Acquisition and improvements of tangible capital assets (Note 6)	(131,624)	(20,367)	(8,318)
Amortization of tangible capital assets (Note 6)	24,395	5,523	5,444
Loss on disposal of tangible capital assets	-	65	51
Gain on disposal of tangible capital assets	-	-	(39)
Proceeds from disposal of tangible capital assets	-	-	39
Realized loss from sale-leaseback transaction	-	(46)	(46)
	<b>(107,229)</b>	<b>(14,825)</b>	<b>(2,869)</b>
Change in prepaid expenses	-	(2,139)	(4,190)
Change in other non-financial assets	135	(1,050)	(30)
	<b>135</b>	<b>(3,189)</b>	<b>(4,220)</b>
<b>Increase (Decrease) in net financial assets</b>	<b>(86,071)</b>	<b>(15,248)</b>	<b>37,392</b>
<b>Net financial assets at beginning of the period</b>	<b>145,587</b>	<b>149,264</b>	<b>49,480</b>
<b>Net financial assets at end of the period</b>	<b>59,516</b>	<b>134,016</b>	<b>86,872</b>

The notes are an integral part of the financial statements.

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

	2023	2022
<b>OPERATING ACTIVITIES</b>		
Cash receipts from parliamentary appropriations		
for operating expenditures	18,984	20,251
Cash receipts from rental operations and easements	6,135	6,056
Cash receipts from other operations	(4,438)	2,185
Cash paid to suppliers	(17,446)	(20,360)
Cash paid to employees	(14,428)	(13,519)
Interest received	5,608	1,145
Disbursements related to the management and remediation of sites	(54)	(4)
Proceeds from disposal of assets held for sale	-	30,000
<b>Cash flows provided (used) by operating activities</b>	<b>(5,639)</b>	<b>25,754</b>
<b>CAPITAL ACTIVITIES</b>		
Cash receipts from parliamentary appropriations		
for tangible capital assets	6,260	51,585
Acquisition and improvements of tangible capital assets	(13,814)	(6,473)
Proceeds from disposal of tangible capital assets	-	39
Disbursements for environmental remediation	(88)	(67)
<b>Cash flows provided (used) by capital activities</b>	<b>(7,642)</b>	<b>45,084</b>
<b>INVESTING ACTIVITIES</b>		
Cash receipts for Chambers Building Fund	69	12
Disbursements for investments purchased	(30,109)	(60,821)
Cash receipts from investment sold	50,020	6
<b>Cash flows provided (used) by investing activities</b>	<b>19,980</b>	<b>(60,803)</b>
<b>Increase in cash and cash equivalents</b>	<b>6,699</b>	<b>10,035</b>
<b>Cash and cash equivalents at beginning of the period</b>	<b>301,560</b>	<b>215,168</b>
<b>Cash and cash equivalents at end of the period</b>	<b>308,259</b>	<b>225,203</b>
<b>Represented by:</b>		
<b>Cash and cash equivalents</b>	<b>300,932</b>	<b>219,221</b>
<b>Restricted cash and cash equivalents</b>	<b>7,327</b>	<b>5,982</b>
	<b>308,259</b>	<b>225,203</b>

The notes are an integral part of the financial statements.

## NOTES TO THE QUARTERLY FINANCIAL STATEMENTS (UNAUDITED)

For the three months ended June 30, 2023 (in thousands of dollars, unless otherwise specified)

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### 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.

In July 2015, the corporation was issued a directive (P.C. 2015-1106) pursuant to Section 89 of the *Financial Administration Act* to align its travel, hospitality, conference and event expenditure policies, guidelines and practices with Treasury Board policies. The NCC has met the requirements of the directive 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, 2023 which detail the applicable accounting policies.

The same accounting policies and methods of computation are followed in the quarterly financial statements as compared with the most recent annual financial statements.

#### Measurement Uncertainty

The preparation of financial statements in accordance with PSAS requires management to make estimates and assumptions that affect the reported values of financial assets, liabilities and non-financial assets at the date of the financial statements, and the reported amounts of revenues and expenses for the reporting period. Estimated useful lives of tangible capital assets, provision for environmental remediation, asset retirement obligations, employee future benefits, write-downs of tangible capital assets, the recognition of contingent liabilities, are the most significant items for which estimates are used.

## NOTES TO THE QUARTERLY FINANCIAL STATEMENTS (UNAUDITED)

For the three months ended June 30, 2023 (in thousands of dollars, unless otherwise specified)

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Actual results could differ materially from those management's best estimates.

### Budget Figures

The 2023-2024 budget figures, as presented in the *2023-2024 to 2027-2028 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 June 30, 2023, cash and cash equivalents include \$300.9 million (\$294.3 million as at March 31, 2023) in cash, invested at a weighted average interest rate of 5.0% (3.4% as at March 31, 2023).

#### B. INVESTMENTS

As at June 30, 2023, the investment portfolio includes bonds of provincial governments and guaranteed investment certificates, totalling \$60.4 million (\$80.3 million as at March 31, 2023) invested at a weighted average interest rate of 4.4% (2.2% as at March 31, 2023).

	June 30, 2023		March 31, 2023	
	Amortized Cost	Quoted Market Value	Amortized Cost	Quoted Market Value
Provincial governments	10,352	9,730	10,306	9,866
Guaranteed investment certificates	50,000	50,000	70,000	70,000
	<b>60,352</b>	<b>59,730</b>	<b>80,306</b>	<b>79,866</b>

#### C. DESIGNATED FUNDS

As at June 30, 2023, cash and cash equivalents include \$260.8 million (\$272.3 million as at March 31, 2023) in designated funds whose use is internally designated and limited for the sole purpose for which they have been segregated.

## NOTES TO THE QUARTERLY FINANCIAL STATEMENTS (UNAUDITED)

For the three months ended June 30, 2023 (in thousands of dollars, unless otherwise specified)

### 4. Restricted Cash and Cash Equivalents

	March 31, 2023	Interest 2023-2024	June 30, 2023
LRT Stage 1 - Security deposit	191	2	193
LRT Stage 1 - Performance deposit	1,432	18	1,450
	<b>1,623</b>	<b>20</b>	<b>1,643</b>
Chambers Building Fund	5,615	69	5,684
<b>Total</b>	<b>7,238</b>	<b>89</b>	<b>7,327</b>

#### A. Light Rail Transit (LRT)

The City of Ottawa (the City) has undertaken a significant project to convert the existing bus rapid transit system to a light rail transit system. This system continues to affect several NCC properties, which are subject to change until such time as the actual land requirements are finalized.

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

The LRT liability, which represents Stage 1 and 2 of the LRT project totals \$2.3 million (\$2.2 million as at March 31, 2023).

#### B. Chambers Building Fund

As set out in the ground lease for 40 Elgin Street (Chambers Building), the tenant must remit an annual amount to the NCC strictly for the purpose to fund future capital improvements for this building. The funding requirement began October 31, 2018 and will continue annually until the end of the lease in 2056. These funds are being administered by the NCC. A related liability is recorded on the Statement of Financial Position under "Other liabilities".

### 5. Deferred Revenues

Deferred revenues are composed of the following.

	June 30, 2023	March 31, 2023
Deferred rental revenues	9,457	9,508
Deferred easement and license of occupation revenues	19,486	20,002
Other deferred revenues	61,379	64,806
	<b>90,322</b>	<b>94,316</b>



## **NOTES TO THE QUARTERLY FINANCIAL STATEMENTS (UNAUDITED)**

For the three months ended June 30, 2023 (in thousands of dollars, unless otherwise specified)

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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%, 4.27%, 6.01% and 6.5%. These deferred rental revenues will be recognized as income over the term of the lease agreements, which have different termination dates extending to 2075. During the year, \$0.1 million (\$0.1 million in June 30, 2022) of deferred rental revenue was recognized as income.

Deferred easement and licence of occupation revenues are primarily comprised of \$9.2 million (\$9.2 million as at March 31, 2023) of easement revenue and \$0.6 million (\$0.7 million as at March 31, 2023) of licences of occupation for LRT Phase 1 and 2. Deferred licence of occupation revenues for LRT will be recognized as income over a period of approximately 5 years, while deferred easement revenues for LRT will be recognized over a period of 99 years. The majority of other deferred easement revenues will be recognized over a 49-year period.

Other deferred revenues consist mainly of a contribution by Public Services and Procurement Canada (PSPC) of \$29.6 million (\$30.8 million as at March 31, 2023) for renovations to the NCC's new headquarters office space which is expected to be completed by 2026, a City of Ottawa contribution of \$16.3 million (\$18.3 million as at March 31, 2023) for the South Shore Riverfront Park development which is recognized as work is performed and is expected to be completed by 2025, a contribution by Veterans Affairs Canada of \$4.3 million (\$4.3 million as at March 31, 2023) for the construction of a commemoration which is expected to be completed by 2025, a contribution by Global Affairs Canada of \$5.2 million (\$5.3 million as at March 31, 2023) for the construction of a commemoration which is expected to be completed by 2025, as well as a contribution from Canadian Heritage of \$3.7 million (\$3.8 million as at March 31, 2023) for the construction of a commemoration which is expected to be completed this year.

## NOTES TO THE QUARTERLY FINANCIAL STATEMENTS (UNAUDITED)

For the three months ended June 30, 2023 (in thousands of dollars, unless otherwise specified)

### 6. Tangible Capital Assets

	COST				ACCUMULATED AMORTIZATION				NET BOOK VALUE	
	Opening Balance	Acquisitions/ Adjustments	Disposals	Closing Balance	Opening Balance	Amortization expense	Disposals / Adjustments	Closing Balance	June 30, 2023	March 31, 2023
Land <sup>1</sup>	364,734	881	19	365,596	-	-	-	-	<b>365,596</b>	<b>364,734</b>
Buildings and Infrastructure <sup>2</sup>	997,845	19,113	-	1,016,958	548,970	5,003	-	553,973	<b>462,985</b>	<b>448,875</b>
Leasehold improvements	15,360	-	-	15,360	12,315	83	-	12,398	<b>2,962</b>	<b>3,045</b>
Equipment <sup>2</sup>	22,399	373	74	22,698	19,363	437	74	19,726	<b>2,972</b>	<b>3,036</b>
	<b>1,400,338</b>	<b>20,367</b>	<b>93</b>	<b>1,420,612</b>	<b>580,648</b>	<b>5,523</b>	<b>74</b>	<b>586,097</b>	<b>834,515</b>	<b>819,690</b>

1. The land cost includes \$0.2 million (\$0.2 million as at March 31, 2023) of unsettled expropriation.

2. The total cost of buildings and infrastructure, and equipment include \$88.8 million (\$70.2 million as at March 31, 2023) 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, 2022 (in thousands of dollars, unless otherwise specified)

### 7. Expenses by Object

The following provides a summary of expenses by object.

	2023-2024 Annual Budget	June 30, 2023	June 30, 2022
	(Note 2)		
Goods and services	74,061	14,044	12,610
Salaries and employee benefits	61,008	14,581	13,260
Amortization	24,395	5,523	5,444
Payments in lieu of municipal taxes	11,918	2,634	2,693
Loss on disposal of tangible capital assets	-	65	51
	<b>171,382</b>	<b>36,847</b>	<b>34,058</b>

For the period ended June 30, 2023, the value of antiques, works of art and monuments, acquired or built by the NCC totalled \$0.2 million (\$80,385 to June 2022). These are recorded as expenses in "Goods and services."

### 8. Parliamentary Appropriations

	June 30, 2023	June 30, 2022
<b>Parliamentary appropriations for operating expenditures<sup>1</sup></b>		
Amount received during the period	18,984	20,251
Amount received from last period	(1,553)	(1,282)
Amount deferred from previous year	148	-
	<b>17,579</b>	<b>18,969</b>
<b>Parliamentary appropriations for tangible capital assets<sup>2</sup></b>		
Amount received during the period	6,260	51,585
Amount received from last period	-	(32,000)
Amount deferred from previous year	1,236	490
	<b>7,496</b>	<b>20,075</b>
<b>Parliamentary appropriations approved and recorded during the period</b>	<b>25,075</b>	<b>39,044</b>

1. As at June 30, 2023 and 2022, the amounts approved for the years ending March 31, 2024 and 2023 totaled \$69.7 million and \$75.9 million, respectively.

2. As at June 30, 2023 and 2022, the amounts approved for the years ending March 31, 2024 and 2023 totaled \$25.0 million and \$78.3 million, respectively.

### 9. Comparative Figures

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