

**NATIONAL CAPITAL COMMISSION**

**QUARTERLY FINANCIAL REPORT FOR THE PERIOD**

**ENDED DECEMBER 31, 2012**

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# **NATIONAL CAPITAL COMMISSION NARRATIVE DISCUSSION FOR THE PERIOD ENDED DECEMBER 31, 2012**

## **Financial Results**

The National Capital Commission (NCC) recorded a net increase of \$0.5 million (2 percent) in revenues at the end of the third quarter of 2012–2013, compared with the same period last year. The largest increase was recorded in other revenues as a result of a higher net gain on disposal of tangible capital assets (\$0.7 million) and donations received (\$0.4 million), net of a claim settlement recorded in 2011–2012 (\$0.5 million).

Expenses decreased by \$3.6 million (3 percent), compared with the period ended December 31, 2011. Lower expenses were recorded under the Capital Experience program (\$2.4 million), mainly as a result of a fluctuation in Canada Day celebration expenses largely funded by Canadian Heritage (\$1.3 million, including \$0.5 million related to the Royal visit), as well as the completion of the Royal Canadian Navy Monument in 2011–2012 (\$0.7 million).

Results at the end of the third quarter of 2012–2013 are in line with annual revenue and expenditure forecasts shown in the Summary of the Corporate Plan 2012–2013 to 2016–2017, with the exception of the contribution of \$10 million to the City of Gatineau for the Jacques-Cartier Street initiative, which is postponed to 2013-2014.

## **Risk Analysis**

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

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

No significant changes with regard to NCC operations, personnel or programs occurred during the quarter ended December 31, 2012.

## **Use of Parliamentary Appropriations**

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

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

# Financial Statements

## Third Quarter 2012-2013

### Statement of Management Responsibility

Management is responsible for the preparation and fair presentation of these quarterly financial statements in accordance with the Treasury Board of Canada Standard on Quarterly Financial Reports for Crown Corporations, and for such internal controls as management determines is necessary to enable the preparation of quarterly financial statements that are free from material misstatement. Management is also responsible for ensuring that all other information in the quarterly financial report is consistent, where appropriate, with the quarterly financial statements.

Based on our knowledge, these unaudited quarterly financial statements present fairly, in all material respects, the financial position, results of operations and cash flows of the corporation, as at the date of and for the periods presented in the quarterly financial statements.



Jean-François Trépanier, CPA, CA  
Chief Executive Officer



Pierre Désautels, CMA  
Senior Vice-President, Finance and Information  
Technology Services and Chief Financial Officer

Ottawa, Canada  
February 26, 2013

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

	December 31, 2012	March 31, 2012
<b>FINANCIAL ASSETS</b>		
Cash and cash equivalents (note 3)	97,137	76,758
Accounts receivable		
Federal government departments and agencies	1,076	2,892
Tenants and others	2,128	3,813
Investments (note 3)	45,069	49,195
	<b>145,410</b>	<b>132,658</b>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities		
Federal government departments and agencies	2,523	1,585
Others	14,443	15,191
Provision for environmental cleanup (note 8)	29,137	42,500
Employee future benefits	8,539	8,603
Deferred rental revenue	4,531	4,615
Other liabilities (note 4)	4,437	4,581
	<b>63,610</b>	<b>77,075</b>
<b>NET FINANCIAL ASSETS</b>	<b>81,800</b>	<b>55,583</b>
<b>NON-FINANCIAL ASSETS</b>		
Tangible capital assets (note 5)	578,159	583,839
Prepaid expenses	406	3,269
Other non-financial assets	1,597	1,730
	<b>580,162</b>	<b>588,838</b>
<b>ACCUMULATED SURPLUS</b>	<b>661,962</b>	<b>644,421</b>

The notes are an integral part of the financial statements.

**NATIONAL CAPITAL COMMISSION**  
**STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS (UNAUDITED)**  
(in thousands of dollars)

	Annual Budget 2012-2013	Three months ended December 31		Nine months ended December 31	
		2012	2011	2012	2011
	(note 2)				
<b>REVENUES</b>					
Rental operations and easements	19,085	4,472	4,689	14,174	14,635
Interest	2,120	613	572	1,785	1,830
Sponsorship					
Monetary	991	199	112	1,015	684
Goods and services	240	-	6	67	53
Headquarters sublease	2,024	500	488	1,606	1,590
User access fees	1,310	198	227	1,293	1,222
Recoveries	5,060	787	806	4,126	4,327
Other revenues	2,456	102	111	1,511	786
	<b>33,286</b>	<b>6,871</b>	<b>7,011</b>	<b>25,577</b>	<b>25,127</b>
<b>EXPENSES (note 6)</b>					
Capital Experience	29,526	5,372	5,766	20,522	22,886
Capital Planning	6,227	1,200	1,742	3,494	4,228
Capital Stewardship and Protection	81,639	17,553	18,269	54,299	54,580
Internal Services	30,442	7,411	7,647	22,301	22,560
	<b>147,834</b>	<b>31,536</b>	<b>33,424</b>	<b>100,616</b>	<b>104,254</b>
<b>Deficit before funding from the Government of Canada</b>	<b>(114,548)</b>	<b>(24,665)</b>	<b>(26,413)</b>	<b>(75,039)</b>	<b>(79,127)</b>
<b>Funding from the Government of Canada</b>					
Parliamentary appropriations for operating expenditures (note 7)	92,331	20,724	24,079	67,575	63,279
Parliamentary appropriations for tangible capital assets (note 7)	23,454	8,735	5,267	25,005	22,993
	<b>115,785</b>	<b>29,459</b>	<b>29,346</b>	<b>92,580</b>	<b>86,272</b>
<b>Surplus for the period</b>	<b>1,237</b>	<b>4,794</b>	<b>2,933</b>	<b>17,541</b>	<b>7,145</b>
<b>Accumulated surplus at beginning of the period</b>		<b>657,168</b>	<b>647,874</b>	<b>644,421</b>	<b>643,662</b>
<b>Accumulated surplus at end of the period</b>		<b>661,962</b>	<b>650,807</b>	<b>661,962</b>	<b>650,807</b>

The notes are an integral part of the financial statements.

**NATIONAL CAPITAL COMMISSION**  
**STATEMENT OF CHANGE IN NET FINANCIAL ASSETS (UNAUDITED)**  
(in thousands of dollars)

	Annual Budget 2012-2013 (note 2)	Three months ended December 31		Nine months ended December 31	
		2012	2011	2012	2011
<b>Surplus for the period</b>	<b>1,237</b>	<b>4,794</b>	<b>2,933</b>	<b>17,541</b>	<b>7,145</b>
Acquisition and improvements of tangible capital assets (note 5)	(40,133)	(8,932)	(6,038)	(23,963)	(17,910)
Adjustment of tangible capital assets (note 5)	-	13,368	-	13,368	-
Amortization of tangible capital assets (note 5)	22,979	5,381	5,407	15,910	15,719
(Net gain)/Net loss on disposal of tangible capital assets	(1,400)	12	106	(704)	84
Proceeds from disposal of tangible capital assets	2,000	-	-	919	2
Writedowns of tangible capital assets	-	150	-	150	-
	<b>(16,554)</b>	<b>9,979</b>	<b>(525)</b>	<b>5,680</b>	<b>(2,105)</b>
Change in prepaid expenses	-	2,525	2,209	2,863	2,209
Change in other non-financial assets	177	44	45	133	133
	<b>177</b>	<b>2,569</b>	<b>2,254</b>	<b>2,996</b>	<b>2,342</b>
<b>Increase (decrease) in net financial assets</b>	<b>(15,140)</b>	<b>17,342</b>	<b>4,662</b>	<b>26,217</b>	<b>7,382</b>
<b>Net financial assets at beginning of the period</b>		<b>64,458</b>	<b>61,736</b>	<b>55,583</b>	<b>59,016</b>
<b>Net financial assets at end of the period</b>		<b>81,800</b>	<b>66,398</b>	<b>81,800</b>	<b>66,398</b>

The notes are an integral part of the financial statements.

**NATIONAL CAPITAL COMMISSION**  
**STATEMENT OF CASH FLOWS (UNAUDITED)**  
(in thousands of dollars)

	Three months ending December 31		Nine months ending December 31	
	2012	2011	2012	2011
<b>OPERATING ACTIVITIES</b>				
Cash receipts from parliamentary appropriations for operating expenditures	20,724	24,080	68,179	63,601
Cash receipts from rental operations and easements	4,431	4,642	14,553	15,156
Cash receipts from other operations	3,871	11,610	9,746	19,619
Cash paid to suppliers	(11,002)	(14,435)	(46,587)	(56,592)
Cash paid to employees	(11,365)	(11,854)	(35,586)	(36,498)
Interest received	665	1,046	2,285	2,244
Disbursements for contaminated sites	(260)	(199)	(612)	(643)
<b>Cash flows provided by operating activities</b>	<b>7,064</b>	<b>14,890</b>	<b>11,978</b>	<b>6,887</b>
<b>CAPITAL ACTIVITIES</b>				
Cash receipts from parliamentary appropriations for tangible capital assets	8,735	5,267	25,005	22,993
Acquisition and improvements of tangible capital assets	(6,901)	(5,975)	(20,032)	(28,194)
Proceeds from disposal of tangible capital assets	-	-	919	2
Disbursements for environmental cleanup	(1,089)	154	(1,333)	(35)
<b>Cash flows provided (used) by capital activities</b>	<b>745</b>	<b>(554)</b>	<b>4,559</b>	<b>(5,234)</b>
<b>INVESTING ACTIVITIES</b>				
Disbursements for investments purchased	(536)	(7,977)	(18,758)	(41,193)
Cash receipts from investments sold	392	55,822	22,600	90,220
<b>Cash flows provided (used) by investing activities</b>	<b>(144)</b>	<b>47,845</b>	<b>3,842</b>	<b>49,027</b>
<b>Increase in cash and cash equivalents</b>	<b>7,665</b>	<b>62,181</b>	<b>20,379</b>	<b>50,680</b>
<b>Cash and cash equivalents at beginning of the period</b>	<b>89,472</b>	<b>33,243</b>	<b>76,758</b>	<b>44,744</b>
<b>Cash and cash equivalents at end of the period</b>	<b>97,137</b>	<b>95,424</b>	<b>97,137</b>	<b>95,424</b>

The notes are an integral part of the financial statements.



## NOTES TO THE QUARTERLY FINANCIAL STATEMENTS (UNAUDITED)

December 31, 2012 (in thousands of dollars)

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### 1. Authority and Objectives

The National Capital Commission (NCC) was established in 1959 by the *National Capital Act* (1958). The NCC is an agent Crown corporation without share capital named in Part I of Schedule III to the *Financial Administration Act*, and is not subject to the requirements of the *Income Tax Act*. The objects and purposes of the NCC, as stated in the *National Capital Act* as amended in 1988, are the following:

- a. to prepare plans for and assist in the development, conservation and improvement of the National Capital Region in order that the nature and character of the seat of the Government of Canada may be in accordance with its national significance; and
- b. to organize, sponsor or promote such public activities and events in the National Capital Region as will enrich the cultural and social fabric of Canada, taking into account the federal character of Canada, the equality of status of the official languages of Canada and the heritage of the people of Canada.

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

The NCC is also responsible for the management and maintenance of the capital assets of the official residences located in the National Capital Region. It created the Canadiana Fund to encourage Canadians to participate in the enhancement of the state areas of the official residences through public donations of furnishings, paintings and works of art or the funds to purchase them. Pieces chosen should reflect Canada's heritage, artistic traditions and historical associations, or complement the architectural style of a particular residence.

### 1. Significant Accounting Policies

#### BASIS OF ACCOUNTING

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

These quarterly financial statements should be read in conjunction with the annual audited financial statements dated March 31, 2012 and with the first and second quarterly financial statements.

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

No intangibles are recognized in the financial statements.

## NOTES TO THE QUARTERLY FINANCIAL STATEMENTS (UNAUDITED)

December 31, 2012 (in thousands of dollars)

### Measurement Uncertainty

The preparation of financial statements in accordance with Canadian PSAS requires management to make estimates and assumptions that affect the reported amounts of financial assets, liabilities and non-financial assets at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Provision for environmental cleanup, employee future benefits, unsettled land exchanges, estimated useful lives of tangible capital assets, tangible capital asset impairment loss and contingent liabilities are the most significant items for which estimates are used. Actual results could materially differ from those estimates.

### Budget Figures (unaudited)

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

## 3. Cash and Cash Equivalents and Investments

The NCC's policy is to invest excess cash in guaranteed investment certificates, bankers' acceptances, guaranteed notes, term deposits, and securities of the Government of Canada or of a provincial government. These types of investments are purchased from a member of the Canadian Payments Association and are redeemable on short notice.

### A. CASH AND CASH EQUIVALENTS

As at December 31, 2012, the cash and cash equivalents include \$97.1 million (\$76.8 million at March 31, 2012) in cash.

### B. INVESTMENTS

As at December 31, 2012, short-term portfolio investments include bankers' acceptances and bearer deposit notes, which amounted to \$17.3 million (\$21.5 million at March 31, 2012) at a weighted average interest rate of 1.4 percent (1.5 percent at March 31, 2012) and have an average term-to-maturity of 12 months (12 months at March 31, 2012).

As at December 31, 2012, long-term portfolio investments include bonds of the Government of Canada and of provincial governments, which amounted to \$27.8 million (\$27.7 million at March 31, 2012) at a weighted average interest rate of 3.8 percent (3.9 percent at March 31, 2012).

	December 31, 2012		March 31, 2012	
	Cost	Quoted Market Value	Cost	Quoted Market Value
Federal government	953	961	1,121	1,137
Provincial governments	26,815	28,506	26,583	28,041
Bankers' acceptances and bearer deposit notes	17,263	17,271	21,488	21,497
Other	38	38	3	3
	<b>45,069</b>	<b>46,776</b>	<b>49,195</b>	<b>50,678</b>

## NOTES TO THE QUARTERLY FINANCIAL STATEMENTS (UNAUDITED)

December 31, 2012 (in thousands of dollars)

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### C. DESIGNATED FUNDS

As at December 31, 2012, included in the cash and cash equivalents, short-term and long-term portfolio investments mentioned above, \$46.2 million (\$36.5 million at March 31, 2102), \$17.3 million (\$21.5 million at March 31, 2012) and \$8.1 million (\$7.9 million at March 31, 2012), respectively, are designated. These investments include funds whose use is designated or limited to the sole purpose for which they have been segregated.

### 4. Other Liabilities

Other liabilities comprise the following:

	December 31, 2012	March 31, 2012
Deferred rent inducement	1,262	1,400
Unsettled land exchanges <sup>1</sup>	2,626	2,626
Unsettled expropriation <sup>2</sup>	179	176
Other liabilities	370	379
	<b>4,437</b>	<b>4,581</b>

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

2. The unsettled expropriation is payable on demand.

## NOTES TO THE QUARTERLY FINANCIAL STATEMENTS (UNAUDITED)

December 31, 2012 (in thousands of dollars)

### 5. Tangible Capital Assets

	COST				ACCUMULATED AMORTIZATION				Net Book Value December 31, 2012	Net Book Value March 31, 2012
	Opening Balance	Acquisitions	Disposals / Adjustments	Closing Balance	Opening Balance	Amortization expense	Disposals / Adjustments	Closing Balance		
Land <sup>1,2</sup>	292,006	2,196	(13,380)	280,822	-	-	-	-	280,822	292,006
Buildings and Infrastructure <sup>3</sup>	660,417	20,569	(697)	680,289	378,789	14,481	(348)	392,922	287,367	281,628
Leasehold improvements	11,747	-	-	11,747	6,989	410	-	7,399	4,348	4,758
Equipment	19,436	1,198	(259)	20,375	13,989	1,019	(255)	14,753	5,622	5,447
	<b>983,606</b>	<b>23,963</b>	<b>(14,336)</b>	<b>993,233</b>	<b>399,767</b>	<b>15,910</b>	<b>(603)</b>	<b>415,074</b>	<b>578,159</b>	<b>583,839</b>

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

2. An adjustment of \$13.4 million was recorded for the period ending December 31, 2012 following a downward re-evaluation of the provision for the environmental cleanup of LeBreton Flats.

3. The total cost of buildings and infrastructure includes \$30.3 million (\$21.4 million at March 31, 2012) of construction in progress. When completed, the cost of these projects will be amortized on the basis on their estimated useful life.

## NOTES TO THE QUARTERLY FINANCIAL STATEMENTS (UNAUDITED)

December 31, 2012 (in thousands of dollars)

### 6. Expenses by Object

Summary of expenses by object:

	Three months ended		Nine months ended	
	December 31		December 31	
	2012	2011	2012	2011
Salaries and employees benefits	11,728	12,211	36,540	36,895
Goods and services	11,538	12,864	39,852	43,176
Goods and services in kind	-	6	67	53
Payments in lieu of municipal taxes	2,727	2,830	8,097	8,327
Amortization	5,381	5,407	15,910	15,719
Net loss on disposal of tangible capital assets	12	106	-	84
Writedowns of tangible capital assets	150	-	150	-
	<b>31,536</b>	<b>33,424</b>	<b>100,616</b>	<b>104,254</b>

Antiques, works of art and monuments acquired or built by the NCC and those donated to the Canadiana Fund are not recorded as tangible capital assets. These assets are recorded as expenses and are included under "Goods and services" in the table above. For the period ended December 31, 2012, antiques, works of art and monuments amounted to \$0.3 million (\$0.8 million at December 31, 2011).

### 7. Parliamentary Appropriations

	Three months ended		Nine months ended	
	December 31		December 31	
	2012	2011	2012	2011
<b>Parliamentary appropriations for operating expenditures<sup>1</sup></b>				
Amount received during the period	<b>20,724</b>	<b>24,079</b>	<b>67,575</b>	<b>63,279</b>
<b>Parliamentary appropriations for tangible capital assets<sup>2</sup></b>				
Amount received during the period	<b>8,735</b>	<b>5,267</b>	<b>25,005</b>	<b>22,993</b>
<b>Parliamentary appropriations recorded during the period</b>	<b>29,459</b>	<b>29,346</b>	<b>92,580</b>	<b>86,272</b>

1. As at December 31, 2012 and 2011, the amounts approved for the years ending March 31, 2013 and 2012 totaled \$80.9 million and \$82.9 million respectively. Of these appropriations, \$92.3 million and \$78.4 million respectively were granted via the Main Estimates and the balance was adjusted by the Supplementary Estimates.

2. As at December 31, 2012 and 2011, the amounts approved for the years ending March 31, 2013 and 2012 totaled \$37.6 million and \$30.1 million respectively. Of these appropriations, \$32.5 million and \$28.5 million respectively were granted via the Main Estimates and the balance, via the Supplementary Estimates.

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

December 31, 2012 (in thousands of dollars)

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### **8. Contingent Liabilities**

#### **ENVIRONMENTAL PROTECTION**

As part of the Environmental Management Framework and the Acquisition and Disposal Program, the NCC has prioritized 1,486 property assets that have, to this day, had a preliminary environmental assessment. More detailed studies were conducted on a number of the properties to determine the degree of remediation required. Based on the detailed studies conducted thus far, the NCC recorded a liability for environmental cleanup of \$29.1 million (\$42.5 million at March 31, 2012). In addition, the NCC assesses at \$468.7 million (\$465.0 million at March 31, 2012) the contingent liability not recorded in the financial statement. The contingent liability reflects the suspected costs and potential additional costs associated with situations where it is uncertain if the NCC is obligated, or it is unlikely that the NCC will incur full remediation costs.

### **9. Comparative Figures**

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