

**NATIONAL CAPITAL COMMISSION**

**QUARTERLY FINANCIAL REPORT FOR THE PERIOD**

**ENDED JUNE 30, 2013**

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# **NATIONAL CAPITAL COMMISSION NARRATIVE DISCUSSION FOR THE PERIOD ENDED JUNE 30, 2013**

## **Financial Results**

The National Capital Commission (NCC) recorded a decrease of \$1.1 million (11 percent) in revenues during the first quarter of 2013–2014, compared with the same period last year. The largest decrease was recorded in other revenues as a result of a reduction in the net gain on disposal of tangible capital assets (\$0.7 million) and donations received (\$0.4 million).

Expenses decreased by \$3.5 million (10 percent), compared with the quarter ended June 30, 2012. Expenses were lower than last year, mainly as a result of a reduced amortization expense further to changes to accounting estimates related to the useful life of tangible capital assets - bridges and buildings (\$1.0 million), decreased payments in lieu of municipal taxes (\$0.7 million), the timing of payments for Canada Day celebrations (\$0.4 million), as well as lower expenditures funded from contributions and donations (\$0.3 and \$0.2 million respectively).

Results for the first quarter of 2013–2014 are in line with annual revenue and expenditure projections to be shown in the Summary of the Corporate Plan 2013–2014 to 2017–2018.

## **Risk Analysis**

In its 2012–2013 annual report, the NCC identified capacity, influence and reputation as key corporate risks. The NCC must manage capacity risks in order for the corporation to continue to provide its services, meet quality standards, follow through on commitments and embrace opportunities in the delivery of its mandate. Not being sufficiently influential also affects the NCC's capacity to deliver key initiatives of its mandate. Finally, it is necessary for the NCC to have a positive reputation in order for the corporation to be able to effectively deliver its mandate. In an effort to mitigate these risks, the organization has taken a number of measures, notably implement a corporate financial sustainability strategy, evaluate and measure the performance and relevance of programs, better leveraging of partnerships to obtain the desired effect, adopting a comprehensive corporate communications strategy, managing external expectations, reviewing quality control mechanisms for service delivery, and establishing reputational indicators. More information is provided in the NCC's 2012–2013 annual report.

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

The government of Canada announced a change in the NCC's mandate on March 21, 2013. Bill C-60, which received Royal Assent on June 26, 2013, states that the organization, sponsorship and promotion of public activities and events in the National Capital Region will be transferred to Canadian Heritage as of September 30, 2013. The NCC will continue to deliver program responsibilities in these areas until that date.

The NCC is analyzing the impact of the Bill on its activities and financial statements. The NCC also pursues discussions with Canadian Heritage to complete the necessary steps to implement the transfer. Bill C-60 has no impact on the financial statements for the period ending June 30, 2013.

## **Use of Parliamentary Appropriations**

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

More information regarding the use of the parliamentary appropriations can be found in note 9 to the quarterly financial statements of the NCC.

# Financial Statements

## First Quarter 2013-2014

### 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  
August 23, 2013

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

June 30, 2013      March 31, 2013

**FINANCIAL ASSETS**

Cash and cash equivalents (note 3)	78,074	80,890
Cash and cash equivalents restricted to Light Rail Transit (note 4)	73,911	73,663
Accounts receivable		
Federal government departments and agencies	2,104	3,221
Tenants and others	2,947	2,707
Investments (note 3)	45,104	45,095
	<b>202,140</b>	<b>205,576</b>

**LIABILITIES**

Accounts payable and accrued liabilities		
Federal government departments and agencies	1,426	1,716
Others	15,561	22,802
Light Rail Transit (note 4)	73,911	73,663
Provision for environmental cleanup	26,257	27,643
Employee future benefits (note 5)	8,306	10,124
Deferred rental revenue	8,428	4,512
Other liabilities (note 6)	4,595	4,652
	<b>138,484</b>	<b>145,112</b>

**NET FINANCIAL ASSETS**

**63,656                      60,464**

**NON-FINANCIAL ASSETS**

Tangible capital assets (note 7)	583,629	583,177
Prepaid expenses	3,458	2,772
Other non-financial assets	1,508	1,553
	<b>588,595</b>	<b>587,502</b>

**ACCUMULATED SURPLUS**

**652,251                      647,966**

The notes are an integral part of the financial statements.

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

	2013-2014 Annual Budget (note 2)	2013 Actual	2012 Actual
<b>REVENUES</b>			
Rental operations and easements	19,427	4,785	4,807
Interest	2,665	575	576
Sponsorship			
Monetary	595	305	331
Goods and services	120	14	33
Headquarters sublease	2,022	574	499
User access fees	1,900	519	546
Recoveries	3,130	1,958	1,964
Other revenues	1,176	241	1,284
	<b>31,035</b>	<b>8,971</b>	<b>10,040</b>
<b>EXPENSES (note 8)</b>			
Capital Planning	4,799	1,336	1,186
Capital Stewardship and Protection	78,655	16,230	18,751
Capital Experience	20,789	7,607	8,408
Internal Services	29,071	7,368	7,675
	<b>133,314</b>	<b>32,541</b>	<b>36,020</b>
<b>Deficit before funding from the Government of Canada</b>	<b>(102,279)</b>	<b>(23,570)</b>	<b>(25,980)</b>
<b>Funding from the Government of Canada</b>			
Parliamentary appropriations for operating expenditures (note 9)	72,153	19,628	23,083
Parliamentary appropriations for tangible capital assets (note 9)	37,565	8,227	8,135
	<b>109,718</b>	<b>27,855</b>	<b>31,218</b>
<b>Surplus for the period</b>	<b>7,439</b>	<b>4,285</b>	<b>5,238</b>
<b>Accumulated surplus at beginning of the period</b>	<b>647,966</b>	<b>647,966</b>	<b>644,421</b>
<b>Accumulated surplus at end of the period</b>	<b>655,405</b>	<b>652,251</b>	<b>649,659</b>

The notes are an integral part of the financial statements.

**NATIONAL CAPITAL COMMISSION**  
**STATEMENT OF CHANGE IN NET FINANCIAL ASSETS (UNAUDITED)**  
For the period ended June 30 (in thousands of dollars)

	2013-2014 Annual budget (note 2)	2013 Actual	2012 Actual
<b>Surplus for the period</b>	<b>7,439</b>	<b>4,285</b>	<b>5,238</b>
Acquisition and improvements of tangible capital assets (note 7)	(29,744)	(4,779)	(8,048)
Amortization of tangible capital assets (note 7)	17,891	4,297	5,256
Net gain on disposal of tangible capital assets	(700)	(11)	(719)
Proceeds from disposal of tangible capital assets	1,000	41	919
	<b>(11,553)</b>	<b>(452)</b>	<b>(2,592)</b>
Change in prepaid expenses	-	(686)	(1,921)
Change in other non-financial assets	177	45	44
	<b>177</b>	<b>(641)</b>	<b>(1,877)</b>
<b>Increase (decrease) in net financial assets</b>	<b>(3,937)</b>	<b>3,192</b>	<b>769</b>
<b>Net financial assets at beginning of the period</b>	<b>60,464</b>	<b>60,464</b>	<b>55,583</b>
<b>Net financial assets at end of the period</b>	<b>56,527</b>	<b>63,656</b>	<b>56,352</b>

The notes are an integral part of the financial statements.



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

	2013	2012
<b>OPERATING ACTIVITIES</b>		
Cash receipts from parliamentary appropriations for operating expenditures	20,338	23,687
Cash receipts from rental operations and easements	8,745	5,009
Cash receipts from other operations	3,577	2,831
Cash paid to suppliers	(19,022)	(20,408)
Cash paid to employees	(14,469)	(11,362)
Interest received	622	848
Disbursements for contaminated sites	(81)	(240)
<b>Cash flows provided (used) by operating activities</b>	<b>(290)</b>	<b>365</b>
<b>CAPITAL ACTIVITIES</b>		
Cash receipts from parliamentary appropriations for tangible capital assets	8,228	8,135
Acquisition and improvements of tangible capital assets	(9,363)	(6,760)
Proceeds from disposal of tangible capital assets	41	919
Disbursements for environmental cleanup	(1,332)	(60)
<b>Cash flows provided (used) by capital activities</b>	<b>(2,426)</b>	<b>2,234</b>
<b>INVESTING ACTIVITIES</b>		
Cash receipts for Light Rail Transit project	248	-
Disbursements for investments purchased	(500)	(108)
Cash receipts from investments sold	400	13,596
<b>Cash flows provided by investing activities</b>	<b>148</b>	<b>13,488</b>
<b>Increase (decrease) in cash and cash equivalents</b>	<b>(2,568)</b>	<b>16,087</b>
<b>Cash and cash equivalents at beginning of the period</b>	<b>154,553</b>	<b>76,758</b>
<b>Cash and cash equivalents at end of the period</b>	<b>151,985</b>	<b>92,845</b>
<b>Represented by:</b>		
<b>Cash and cash equivalents</b>	<b>78,074</b>	<b>92,845</b>
<b>Cash and cash equivalents restricted to Light Rail Transit</b>	<b>73,911</b>	<b>-</b>
	<b>151,985</b>	<b>92,845</b>

The notes are an integral part of the financial statements.

# NOTES TO THE QUARTERLY FINANCIAL STATEMENTS (UNAUDITED)

June 30, 2013 (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.

## 2. Significant Accounting Policies

### BASIS OF ACCOUNTING

These financial statements are prepared in accordance with the Canadian public sector accounting standards (PSAS) established by the Public Sector Accounting Board 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, 2013.

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)

June 30, 2013 (in thousands of dollars)

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

### Budget Figures (unaudited)

The 2013-2014 budget is presented in the statement of operations and accumulated surplus, and the statement of change in net financial assets. Budget figures are based mainly on 2013-2014 projections to be presented in the financial tables of the *2013-2014 to 2017-2018 Corporate Plan*, updated to reflect the change to the mandate of the NCC, as explained in note 10.

## 3. Cash and Cash Equivalents and Investments

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

### A. CASH AND CASH EQUIVALENTS

As at June 30, 2013, the cash and cash equivalents include \$78.1 million (\$80.9 million at March 31, 2013) in cash.

### B. INVESTMENTS

As at June 30, 2013, short-term portfolio investments include bearer deposit notes, which amounted to \$17.3 million (\$17.3 million at March 31, 2013) at a weighted average interest rate of 1.4 percent (1.4 percent at March 31, 2013) and have an average term-to-maturity of 12 months (12 months at March 31, 2013).

As at June 30, 2013, long-term portfolio investments include bonds of the Government of Canada and of provincial governments, which amounted to \$27.8 million (\$27.8 million at March 31, 2013) at a weighted average interest rate of 3.7 percent (3.7 percent at March 31, 2013).

	June 30 2013		March 31, 2013	
	Cost	Quoted Market Value	Cost	Quoted Market Value
Federal government	709	711	940	946
Provincial governments	27,117	28,248	26,742	28,483
Bearer deposit notes	17,263	17,269	17,263	17,272
Other	15	15	150	150
	<b>45,104</b>	<b>46,243</b>	<b>45,095</b>	<b>46,851</b>

## NOTES TO THE QUARTERLY FINANCIAL STATEMENTS (UNAUDITED)

June 30, 2013 (in thousands of dollars)

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### C. DESIGNATED FUNDS

As at June 30, 2013, included in the cash and cash equivalents, short-term and long-term portfolio investments mentioned above, \$38.5 million (\$38.8 million at March 31, 2103), \$17.3 million (\$17.3 million at March 31, 2013) and \$8.2 million (\$8.2 million at March 31, 2013), respectively, are designated. These investments include funds whose use is designated or limited to the sole purpose for which they have been segregated.

## 4. Light Rail Transit

The following table presents in detail the amounts received and the related interest that are included in the financial assets under “Cash and cash equivalent restricted to light rail transit” and in the liability under “light rail transit”:

			30 juin 2013	31 mars 2013
	Amount received	Interests	Total	Total
Security deposit	49,000	274	49,274	49,109
Performance deposit	24,500	137	24,637	24,554
<b>Total</b>	<b>73,500</b>	<b>411</b>	<b>73,911</b>	<b>73,663</b>

## 5. Employee Future benefits

The NCC provided severance benefits to its employees, based on years of service and final salary. The severance benefits will no longer accrue as per the new collective agreement signed in February 2013 and the NCC undertook the severance benefits payment to employees who made the request.

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

The accrued benefit obligation for these plans amounts to \$8.3 million (\$10.1 million at March 31, 2013) and is disclosed in the table below. These other benefit plans are not pre-funded, and thus have no assets, resulting in a plan deficit equal to the accrued benefit obligation. Benefits will be paid from the NCC’s future appropriations and other sources of revenue. Information about the plan, measured as at the statement of financial position date, is as follows:

## NOTES TO THE QUARTERLY FINANCIAL STATEMENTS (UNAUDITED)

June 30, 2013 (in thousands of dollars)

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	June 30, 2013	March 31, 2013
Accrued benefit obligation, beginning of the period	10,124	8,603
Cost for the period	-	1,087
Adjustment due to plan change	-	1,873
Benefits paid during the period	(1,818)	(1,439)
Accrued benefit obligation, end of the period	<b>8,306</b>	<b>10,124</b>

### 6. Other Liabilities

Other liabilities comprise the following:

	June 30, 2013	March 31, 2013
Deferred rent inducement	1,172	1,217
Unsettled land exchanges <sup>1</sup>	2,626	2,626
Unsettled expropriation <sup>2</sup>	181	179
Other liabilities	616	630
	<b>4,595</b>	<b>4,652</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)

June 30, 2013 (in thousands of dollars)

### 7. Tangible Capital Assets

	COST				ACCUMULATED AMORTIZATION				Net Book Value June 30, 2013	Net Book Value March 31, 2013
	Opening Balance	Acquisitions	Disposals / Adjustments	Closing Balance	Opening Balance	Amortization expense	Disposals / Adjustments	Closing Balance		
Land <sup>1</sup>	282,500	652	-	283,152	-	-	-	-	283,152	282,500
Buildings and Infrastructure <sup>2</sup>	685,062	3,852	(3)	688,917	394,552	3,735	1	398,286	290,631	290,510
Leasehold improvements	11,892	-	-	11,892	7,547	142	-	7,689	4,203	4,345
Equipment	21,109	275	43	21,341	15,287	420	9	15,698	5,643	5,822
	<b>1,000,563</b>	<b>4,779</b>	<b>40</b>	<b>1,005,302</b>	<b>417,386</b>	<b>4,297</b>	<b>10</b>	<b>421,673</b>	<b>583,629</b>	<b>583,177</b>

1. The land cost include \$1.8 million (\$1.8 million at March 31, 2013) of unsettled expropriation and land exchanges.

2. The total cost of buildings and infrastructure includes \$28.4 million (\$25.6 million at March 31, 2013) of construction in progress. When completed, the cost of these projects will be amortized on the basis on their estimated useful life.

## 8. Expenses by Object

Summary of expenses by object:

	2013-2014 Annual Budget (note 2)	June 30, 2013	June 30, 2012
Salaries and employee benefits	41,820	11,584	12,325
Goods and services	64,223	14,477	15,559
Goods and services in-kind	120	14	33
Payments in lieu of municipal taxes	9,260	2,169	2,847
Amortization	17,891	4,297	5,256
	<b>133,314</b>	<b>32,541</b>	<b>36,020</b>

Antiques, works of art and monuments acquired or built by the NCC and those donated to the Canadiana Fund are not recorded as tangible capital assets. Assets acquired or built by the NCC are recorded as expenses and are included under "Goods and services" in the table above, whereas those donated to the Canadiana Fund or to the NCC are recorded as expenses, and are included under "Goods and services in-kind." For the period ended June 30, 2013, antiques, works of art and monuments amounted to \$0.2 million (\$0.2 million at June 30, 2012).

## 9. Parliamentary Appropriations

	June 30, 2013	June 30, 2012
Parliamentary appropriations received during the period for operating expenditures <sup>1</sup>	19,628	23,083
Parliamentary appropriations received during the period for tangible capital assets <sup>2</sup>	8,227	8,135
<b>Parliamentary appropriations recorded during the period</b>	<b>27,855</b>	<b>31,218</b>

1. As at June 30, 2013 and 2012, the amounts approved for the years ending March 31, 2014 and 2013 totaled \$78.5 million and \$93.0 million respectively.

2. As at June 30, 2013 and 2012, the amounts approved for the years ending March 31, 2014 and 2013 totaled \$37.9 million and \$32.5 million respectively.

## 10. Change to the Objects of the NCC

The government of Canada announced on March 21, 2013, that the mandate to promote Canada's Capital Region will be transferred from the NCC to Canadian Heritage. Bill C-60, which received Royal Assent on June 26, 2013, states that the organization, sponsorship and promotion of public activities and events that will enrich the cultural and social fabric of Canada, taking into account the deferral character of Canada, the equality of status of the official languages of Canada and the heritage of the people in Canada (activity and event mandate) will be transferred from the NCC to Canadian Heritage.

The bill specifies the transitional provisions to follow. These dispositions, which will come into force on September 30, 2013, are as follows:

- i. Every employee of the NCC whose functions relate to the activity and event mandate is deemed to be a person appointed to a position in the Department of Canadian Heritage.
- ii. Any money that is appropriated and unexpended for the fiscal year and is related to the activity and event mandate, is deemed to have been appropriated to defray any operating expenditures of the Department of Canadian Heritage.
- iii. On September 30, 2013,
  - a. the NCC's assets will be transferred to the Minister of Canadian Heritage;
  - b. the NCC's obligations will be assumed by the Minister of Canadian Heritage;
  - c. permits, licences and other authorizations issued to the NCC will be transferred to the Minister of Canadian Heritage; and
  - d. permits, licences and other authorizations issued by the NCC will be deemed to have been issued by the Minister of Canadian Heritage.
- iv. Any action, suit or other legal proceeding to which the NCC is party that will be pending in any court on September 30, 2013 and that relates to the activity and event mandate may be continued by or against the Minister of Canadian Heritage in the same manner and to the same extent as it could have been continued by or against the NCC.

The NCC is further analyzing the impact of this bill on its activities and financial statements. The NCC is also continuing discussions with Canadian Heritage in relation with the completion of the necessary steps to implement the transfer of the activity and event mandate. This bill has no impact on the financial statements for the period ending June 30, 2013.