

NATIONAL CAPITAL COMMISSION
COMMISSION DE LA CAPITALE NATIONALE

QUARTERLY FINANCIAL REPORT FOR THE THREE MONTHS

ENDED JUNE 30, 2020

Canada



TABLE OF CONTENTS

| | |
|---|----|
| Management Discussion and Analysis..... | 3 |
| A. Year-over-Year Results Analysis..... | 3 |
| B. Budgetary Analysis..... | 3 |
| C. Use of Parliamentary Appropriations..... | 5 |
| D. Capital Expenditures..... | 6 |
| E. Statement of Financial Position Summary..... | 6 |
| F. Integrated Risk Management..... | 6 |
| G. Significant Changes Related to Operations, Personnel and Programs..... | 8 |
| Statement of Management Responsibility..... | 10 |
| Statement of Financial Position..... | 11 |
| Statement of Operations and Accumulated Surplus..... | 12 |
| Statement of Change in Net Financial Assets..... | 13 |
| Statement of Cash Flows..... | 14 |
| Notes to the Quarterly Financial Statements..... | 15 |

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE THREE MONTHS ENDED JUNE 30, 2020

The three month period ended June 30, 2020 resulted in a deficit of \$1.4 million. The deficit is primarily due to an operating deficit of \$2.5 million due to lower than planned revenues, and higher than planned payment in lieu of taxes and project related expenses. This deficit is in part offset by capital surplus due to the difference between capital parliamentary appropriations received and amortization of tangible capital assets expenditures. Investments in capital assets were lower than planned.

A. Year-Over-Year Results Analysis

Revenues decreased by \$12.2 million, or 58.9% compared to the same period in the previous year, mainly as a result of the following:

- Other revenues decrease of \$6.7 million, or 98.2% to \$0.1 million, as a result of a compensation of \$6.4 million received in exchange for the right to develop a property with additional density, recorded in the previous year;
- Gain on disposal of tangible capital assets decrease of \$4.7 million, or 98.7% to \$0.1 million, as a result of the LRT stage 1 land disposals recorded in the previous year;
- Interest revenues decrease of \$0.4 million, or 47.8% to \$0.4 million;
- User access fees decrease of 0.3 million, or 32.1% to \$0.6 million;
- Recoveries decrease of \$0.1 million, or 8.6% to \$0.9 million; and
- Monetary sponsorships decrease of 0.1 million, or 46.5% to \$0.1 million.

Offset in part by:

- Rental operations increase of \$0.5 million, or 7.9% to \$6.3 million;

Operating expenses decreased by \$1.0 million, or 3.0%, compared to the same period in the previous year. The results by Program were as follows:

- Internal services decreased of \$1.3 million, or 14.6% to \$7.4 million; and
- Stewardship and protection decreased of \$0.1 million, or 0.5%, to \$23.7 million;

Offset in part by:

- Long-term planning increased by \$0.4 million, or 39.7% to \$1.4 million.

Funding from the Government of Canada through parliamentary appropriations decreased by \$11.7 million, or 34.0%, compared to the same period last year, mostly due to additional funding received as part of Budget 2018 to support critical repair and maintenance work on the NCC's portfolio of tangible capital assets in the previous year. The results by main categories of appropriations were as follows:

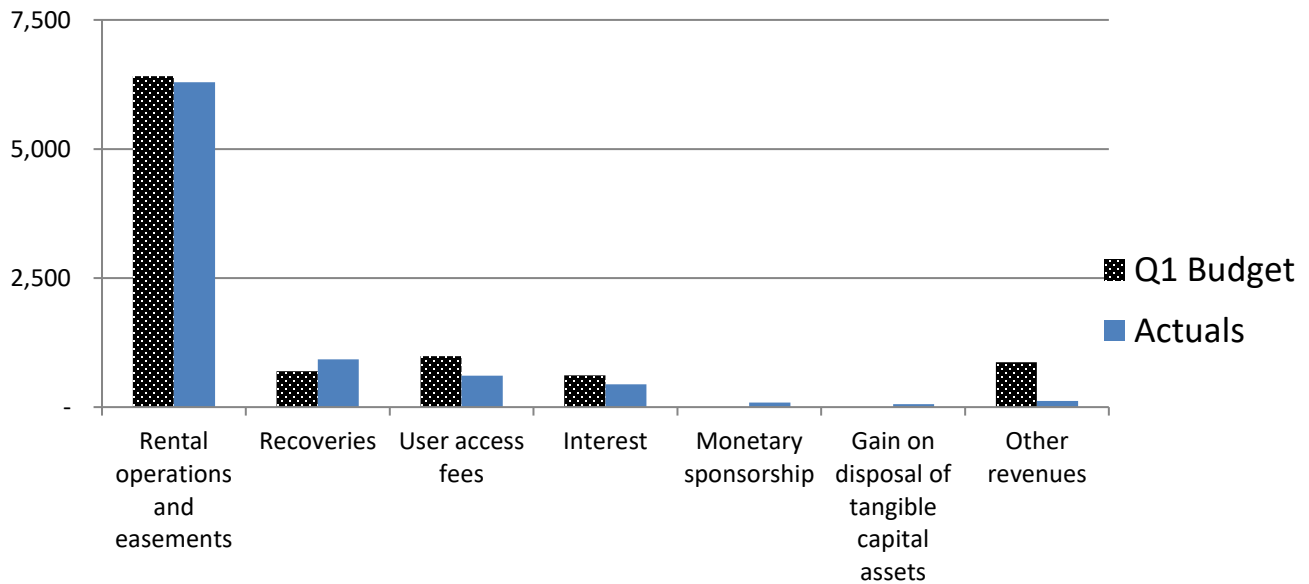
- Appropriations for operating expenditures decreased by \$2.0 million, or 10.6%, to \$16.7 million;
- Appropriations for capital expenditures decreased by \$9.7 million, or 62.0% to \$5.9 million.

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 \$0.7 million recognized at the end of the first quarter, representing 15.1% of the annual budget. Total recurring revenues of \$7.8 million represent 22.9% of the annual budget as at June 30, 2020.

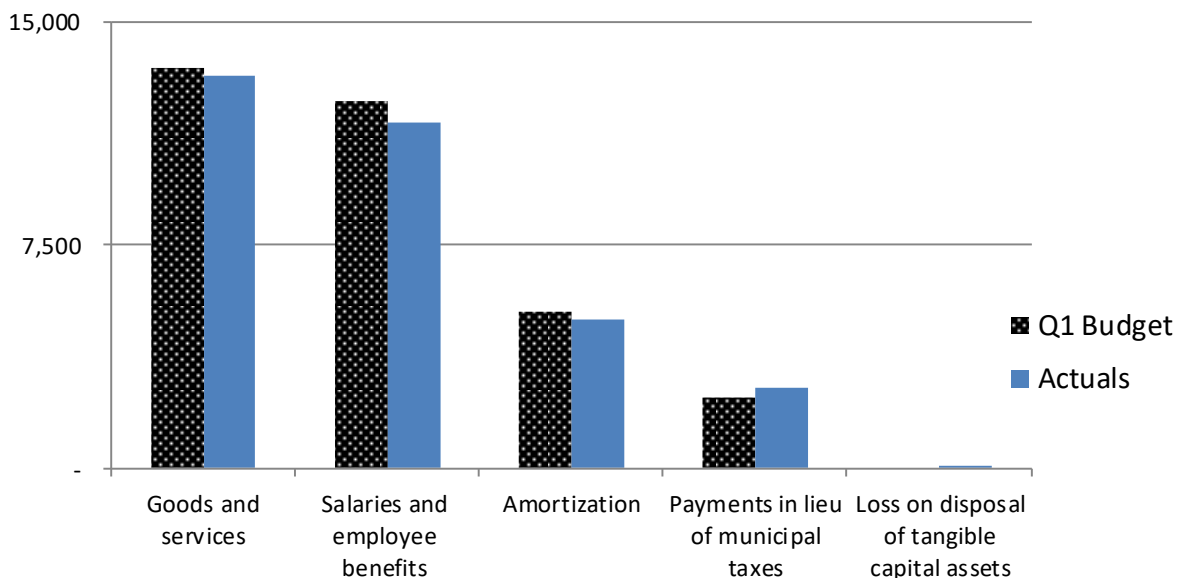
The following chart provides details of the first quarter revenues of \$8.5 million compared to the budget of \$9.6 million. Rental operations, user access fees, interest revenue and other revenues are tracking behind budget, whereas recoveries and monetary sponsorships are above budget. The COVID-19 pandemic has impacted, to a certain extent, NCC’s recurring revenues from leasing operations and user fees. 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 first quarter operating expenses of \$32.5 million compared to the budget of \$33.4 million. The favorable variance is due primarily to salary savings of \$0.9 million compared to budget to date due to vacancies, as well as timing differences in goods and services expenses due to delays in operating projects.

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 received \$16.7 million, or 22.9% of its annual budget for appropriations for the period ended June 30, 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 2020 |
|-------------------------|----------------|-----------------------|--------------|----------------------------------|------------------------|
| Operational vote | 72,666 | 16,652 | 22.9% | - | 56,014 |
| Supplementary estimates | - | - | - | - | - |
| <i>sub-total</i> | 72,666 | 16,652 | 22.9% | - | 56,014 |
| Capital vote | 70,319 | 5,938 | 8.4% | - | 64,381 |
| Reprofiling request | - | - | - | - | - |
| <i>sub-total</i> | 70,319 | 5,938 | 8.4% | - | 64,381 |
| Total | 142,985 | 22,590 | 15.8% | - | 120,395 |

Additional details on the parliamentary appropriations can be found in the NCC's Quarterly Financial Statements at June 30, 2020 (Note 8).

D. Capital Expenditure

Investments by main categories of capital expenditures were as follows:

| For the three months ended June 30, 2020 (\$000's) | Actuals |
|--|----------------|
| Roads & bridges | 2,103 |
| Historical properties | 4,617 |
| Rental properties | 54 |
| Development properties | 111 |
| Green assets | 2,652 |
| Other projects Primarily project management costs | 1,712 |
| Equipment expenditures | 22 |
| Real property acquisitions From segregated Acquisition and Disposal Fund | - |
| Total 2020-2021 Q1 Actuals | 11,271 |
| Total 2019-2020 Q1 Actuals | 13,485 |
| Variance | (2,214) |
| 2020-2021 Budget | 90,752 |
| % Achieved | 12% |
| % Committed | 40% |

E. Statement of Financial Position Summary

Financial assets totalled \$169.1 million as at June 30, 2020, a decrease of \$14.0 million or 7.7% from \$183.1 million as at March 31, 2020, attributable primarily to timing differences between receipt of parliamentary appropriations and other contributions compared to disbursements related to the delivery of projects and \$1.1 million increase in accounts receivable mainly due to the COVID –19 pandemic.

Liabilities totalled \$155.1 million as at June 30, 2020, a decrease of \$3.6 million or 2.3% from \$158.7 million as at March 31, 2020, mainly attributable to a \$1.9 million decrease in accounts payable and accrued liability and \$1.4 million decrease of deferred revenues.

Non-financial assets totalled \$705.7 million as at June 30, 2020, an increase of \$9.0 million or 1.3% 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 Budget 2018.

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 likely having impacts, to a certain extent, on the NCC's future operations and financial position including our recurring revenues from leasing operations and user fees. An estimate of the financial effect is not practicable at this time.

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.

During the first quarter of 2020-2021, the NCC announced the appointment a new vice-president of the Public, Legal and Corporate and Affairs branch, and a new Vice-President of the Design and Construction branch.

No other significant changes with regard to NCC operations, personnel or programs occurred during the three month period ended June 30, 2020.

Unaudited Financial Statements

For the three months ended June 30, 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 Standard on Quarterly Financial Reports for Crown Corporations, and for such internal controls as management determines is necessary to enable the preparation of quarterly financial statements that are free from material misstatement. Management is also responsible for ensuring that all other information contained in the quarterly financial report is consistent, where appropriate, with the quarterly financial statements.

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



Tobi Nussbaum
Chief Executive Officer



Michel Houle, CPA, CMA
Vice-President Corporate Services and
Chief Financial Officer

Ottawa, Canada
October 6, 2020

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

| | June 30, 2020 | March 31, 2020 |
|---|----------------|----------------|
| FINANCIAL ASSETS | | |
| Cash and cash equivalents (Note 3) | 146,830 | 162,158 |
| Restricted cash and cash equivalents (Note 4) | 4,693 | 4,684 |
| Accounts receivable | 8,205 | 7,066 |
| Investments (Note 3) | 9,351 | 9,183 |
| | 169,079 | 183,091 |
| LIABILITIES | | |
| Accounts payable and accrued liabilities | 26,102 | 27,961 |
| Light rail transit (Note 4) | 2,335 | 2,332 |
| Provision for environmental remediation | 63,885 | 63,901 |
| Deferred revenue (Note 5) | 40,205 | 41,640 |
| Employee future benefits | 9,793 | 9,992 |
| Other liabilities | 12,732 | 12,836 |
| | 155,052 | 158,662 |
| NET FINANCIAL ASSETS | 14,027 | 24,429 |
| NON-FINANCIAL ASSETS | | |
| Tangible capital assets (Note 6) | 697,139 | 690,833 |
| Prepaid expenses | 4,078 | 1,297 |
| Other non-financial assets | 4,486 | 4,531 |
| | 705,703 | 696,661 |
| ACCUMULATED SURPLUS | 719,730 | 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 three months ended June 30 (in thousands of dollars)

| | 2020-2021 Annual Budget (Note 2) | 2020 Actual | 2019 Actual |
|---|--|-----------------|-----------------|
| REVENUES | | | |
| Rental operations and easements | 25,723 | 6,293 | 5,833 |
| Recoveries | 2,824 | 922 | 1,009 |
| User access fees | 3,487 | 610 | 899 |
| Interest | 2,694 | 444 | 851 |
| Headquarters sublease | - | - | 454 |
| Monetary sponsorship | - | 85 | 159 |
| Gain on disposal of tangible capital assets | - | 60 | 4,784 |
| Other revenues | 4,242 | 121 | 6,783 |
| | 38,970 | 8,535 | 20,772 |
| EXPENSES (Note 7) | | | |
| Long-term planning | 5,929 | 1,410 | 1,009 |
| Stewardship and protection | 102,100 | 23,680 | 23,804 |
| Internal services | 32,462 | 7,395 | 8,664 |
| | 140,491 | 32,485 | 33,477 |
| Deficit before funding from the Government of Canada | (101,521) | (23,950) | (12,705) |
| Funding from the Government of Canada | | | |
| Parliamentary appropriations for operating expenditures (Note 8) | 72,666 | 16,652 | 18,632 |
| Parliamentary appropriations for tangible capital assets (Note 8) | 70,319 | 5,938 | 15,613 |
| | 142,985 | 22,590 | 34,245 |
| Surplus (Deficit) for the period | 41,464 | (1,360) | 21,540 |
| Accumulated surplus at beginning of the period | 716,815 | 721,090 | 669,053 |
| Accumulated surplus at end of the period | 758,279 | 719,730 | 690,593 |

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)

| | 2020-2021 Annual budget (Note 2) | 2020 Actual | 2019 Actual |
|---|--|-----------------|----------------|
| Suplus (deficit) for the period | 41,464 | (1,360) | 21,540 |
| Acquisition and improvements of tangible capital assets (Note 6) | (88,895) | (11,288) | (13,537) |
| Amortization of tangible capital assets (Note 6) | 20,956 | 4,978 | 4,867 |
| Gain on disposal of tangible capital assets | - | (60) | (4,784) |
| Loss on disposal of tangible capital assets | - | 50 | 46 |
| Proceeds from disposal of tangible capital assets | - | 60 | 4,968 |
| Realized loss from sale-leaseback transaction | - | (46) | (46) |
| | (67,939) | (6,306) | (8,486) |
| Change in prepaid expenses | - | (2,781) | (2,959) |
| Change in other non-financial assets | 177 | 45 | 45 |
| | 177 | (2,736) | (2,914) |
| Increase (decrease) in net financial assets | (26,298) | (10,402) | 10,140 |
| 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) | 14,027 | 9,946 |

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)

| | 2020 | 2019 |
|--|-----------------|----------------|
| OPERATING ACTIVITIES | | |
| Cash receipts from parliamentary appropriations | | |
| for operating expenditures | 17,869 | 19,490 |
| Cash receipts from rental operations and easements | 4,744 | 4,182 |
| Cash receipts from other operations | (862) | 6,946 |
| Cash paid to suppliers | (16,256) | (17,317) |
| Cash paid to employees | (12,022) | (12,591) |
| Interest received | 693 | 979 |
| Disbursements related to the management and remediation of sites | (141) | (86) |
| Cash flows provided (used) by operating activities | (5,975) | 1,603 |
| CAPITAL ACTIVITIES | | |
| Cash receipts from parliamentary appropriations | | |
| for tangible capital assets | 5,938 | 15,613 |
| Acquisition and improvements of tangible capital assets | (14,876) | (7,084) |
| Proceeds from disposal of tangible capital assets | 60 | - |
| Disbursements for environmental remediation | (217) | (191) |
| Cash flows provided (used) by capital activities | (9,095) | 8,338 |
| INVESTING ACTIVITIES | | |
| Cash receipts for the light rail transit project | 3 | 381 |
| Cash receipts for Chambers Building Fund | 5 | 9 |
| Disbursements for investments purchased | (257) | (524) |
| Cash receipts from investment sold | - | 450 |
| Cash flows provided (used) by investing activities | (249) | 316 |
| Increase (decrease) in cash and cash equivalents | (15,319) | 10,257 |
| Cash and cash equivalents at beginning of the period | 166,842 | 155,243 |
| Cash and cash equivalents at end of the period | 151,523 | 165,500 |
| Represented by: | | |
| Cash and cash equivalents | 146,830 | 98,296 |
| Restricted cash and cash equivalents | 4,693 | 67,204 |
| | 151,523 | 165,500 |

The notes are an integral part of the financial statements.

NOTES TO THE QUARTERLY FINANCIAL STATEMENTS (UNAUDITED)

For the three months ended June 30, 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 2015-2016.

2. Significant Accounting Policies

BASIS OF ACCOUNTING

These financial statements have been prepared in accordance with the Canadian Public Sector Accounting Standards (PSAS) established by the Public Sector Accounting Board (PSAB), and reflect the policies below.

These quarterly financial statements should be read in conjunction with the annual audited financial statements dated March 31, 2020.

Financial assets and non-financial assets, as well as liabilities are reported on the Statement of Financial Position. Non-financial assets are normally utilized to provide future services, and are expensed through amortization or upon utilization. Non-financial assets are not included in the determination of net financial assets, but are added to the net financial assets in determining the accumulated surplus.

Intangibles asset are not recognized in the financial statements.

NOTES TO THE QUARTERLY FINANCIAL STATEMENTS (UNAUDITED)

For the three months ended June 30, 2020 (in thousands of dollars, unless otherwise specified)

Measurement Uncertainty

The preparation of financial statements in accordance with PSAS requires management to make estimates and assumptions that affect the reported values of financial assets, liabilities and non-financial assets at the date of the financial statements, and the reported amounts of revenue and expenses for the reporting period. Estimated useful lives of tangible capital assets, provision for environmental cleanup, employee future benefits, writedowns of tangible capital assets and the recognition of contingent liabilities are the most significant items for which estimates are used. Actual results could differ materially from those management's best estimates.

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 June 30, 2020, cash and cash equivalents include \$146.8 million (\$162.2 million as at March 31, 2020) in cash, invested at a weighted average interest rate of 0.82 percent (2.3 percent as at March 31, 2020).

B. INVESTMENTS

As at June 30, 2020, the long-term investment portfolio includes bonds of provincial governments, totalling \$9.4 million (\$9.2 million as at March 31, 2020) invested at a weighted average interest rate of 2.9 percent (3.0 percent as at March 31, 2020).

| | June 30, 2020 | | March 31, 2020 | |
|------------------------|-------------------|------------------------|-------------------|------------------------|
| | Amortized Cost | Quoted Market Value | Amortized Cost | Quoted Market Value |
| Provincial governments | 9,351 | 10,017 | 9,183 | 9,635 |
| | 9,351 | 10,017 | 9,183 | 9,635 |

C. DESIGNATED FUNDS

As at June 30, 2020, cash and cash equivalents include \$62.2 million (\$71.1 million as at March 31, 2020) in designated funds whose use is designated or 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, 2020 (in thousands of dollars, unless otherwise specified)

4. Restricted cash and cash equivalents

| | March 31, 2020 | Interest | June 30, 2020 |
|-----------------------------------|----------------|----------|---------------|
| LRT Stage 1 - Security deposit | 182 | - | 182 |
| LRT Stage 1 - Performance deposit | 1,367 | 3 | 1,370 |
| | 1,549 | 3 | 1,552 |
| Chambers Building Fund | 3,135 | 6 | 3,141 |
| Total | 4,684 | 9 | 4,693 |

A. Light Rail Transit (LRT)

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

The Light rail transit 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.

| | June 30, 2020 | March 31, 2020 |
|--|---------------|----------------|
| Deferred rental revenues | 10,324 | 10,436 |
| Deferred easement and license of occupation revenues | 17,235 | 17,608 |
| Other deferred revenues | 12,646 | 13,596 |
| | 40,205 | 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 three months ended June 30, 2020 (in thousands of dollars, unless otherwise specified)

as income over the term of the lease agreements, which have different termination dates extending to 2075. During the year, \$0.5 million (\$0.8 million to June 30, 2019) of deferred rental revenue was recognized as income.

Deferred easement and licence of occupation revenues are primarily comprised of \$9.1 million of easement revenue and \$2.6 million 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 \$4.9 million 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 \$3.5 million for the construction of a commemoration which is expected to be completed by 2022

NOTES TO THE QUARTERLY FINANCIAL STATEMENTS (UNAUDITED)

For the three months ended June 30, 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 | June 30, 2020 | March 31, 2020 |
| Land ¹ | 328,127 | 207 | 5 | 328,329 | - | - | - | - | 328,329 | 328,127 |
| Buildings and Infrastructure ² | 854,527 | 11,039 | 8 | 865,558 | 501,590 | 4,448 | 8 | 506,030 | 359,528 | 352,937 |
| Leasehold improvements | 15,120 | - | - | 15,120 | 11,178 | 108 | - | 11,286 | 3,834 | 3,942 |
| Equipment ² | 22,150 | 42 | - | 22,192 | 16,323 | 422 | - | 16,745 | 5,448 | 5,827 |
| | 1,219,924 | 11,288 | 13 | 1,231,199 | 529,091 | 4,978 | 8 | 534,061 | 697,139 | 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 \$48.5 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.

7. Expenses by Object

The following provides a summary of expenses by object.

| | 2020-2021 Annual Budget (Note 2) | June 30, 2020 | June 30, 2019 |
|---|--|---------------|---------------|
| Goods and services | 62,082 | 13,164 | 14,801 |
| Salaries and employee benefits | 47,804 | 11,606 | 11,389 |
| Amortization | 20,956 | 4,978 | 4,867 |
| Payments in lieu of municipal taxes | 9,649 | 2,687 | 2,374 |
| Loss on disposal of tangible capital assets | - | 50 | 46 |
| | 140,491 | 32,485 | 33,477 |

For the period ended June 30, 2020, the value of antiques, works of art and monuments, acquired or built by the NCC totalled \$0.6 million (\$0.1 million to June 2019). These are recorded as expenses in “Goods and services.”

8. Parliamentary Appropriations

| | June 30, 2020 | June 30, 2019 |
|---|---------------|---------------|
| Parliamentary appropriations for operating expenditures¹ | | |
| Amount received during the period | 16,652 | 18,452 |
| Amount received from previous year | - | 180 |
| | 16,652 | 18,632 |
| Parliamentary appropriations for tangible capital assets² | | |
| Amount received during the period | 5,938 | 15,613 |
| | 5,938 | 15,613 |
| Parliamentary appropriations approved and recorded during the period | 22,590 | 34,245 |

1. As at June 30, 2020 and 2019, the amounts approved for the years ending March 31, 2021 and 2020 totaled \$72.4 million and \$73.8 million, respectively.

2. As at June 30, 2020 and 2019, the amounts approved for the years ending March 31, 2021 and 2020 totaled \$70.3 million and \$62.5 million, respectively.