

# **Canadian Tourism Commission**

**Quarterly Financial Report for the quarter ending  
September 30, 2015**

**Canadian Tourism Commission  
Narrative Discussion  
September 30, 2015**

**Introduction**

The Canadian Tourism Commission (the “CTC”) is Canada’s national tourism marketing organization. A Crown corporation wholly owned by the Government of Canada, we lead the Canadian tourism industry in marketing Canada as a premiere four-season tourism destination. Reporting to Parliament through the Minister of Industry, our legislation requirements are outlined in the Canadian Tourism Commission Act.

The CTC runs marketing campaigns in international markets such as the U.K., Germany, France, Mexico, Japan, Australia, South Korea, China, India, Brazil and the U.S., targeting leisure travellers and those travelling for business events.

**Narrative Discussion**

The Narrative Discussion contained herein applies to the quarter.

**Canadian Tourism Commission  
Narrative Discussion  
September 30, 2015**

**Quarterly Results**

(in thousands)

	<b>Three months ended Sept 30, 2015</b>	<b>Three months ended Sept 30, 2014</b>	<b>Variance</b>
<b>Partner revenues</b>	<b>\$ 3,021</b>	<b>\$ 1,224</b>	<b>\$ 1,797</b>
<p>The partner revenues in Q3 of 2015 have increased by \$1,797K over Q3 2014 due to:</p> <ul style="list-style-type: none"> <li>o Follow the Global Customer, a new initiative launched in 2015, increasing partner revenue by \$300K;</li> <li>o Core Markets, with Germany increasing partner revenues by \$954K as a result of a new Germany Pilot;</li> <li>o Emerging Markets, with Japan increasing partner revenues by \$237K as a result of a new Canada Theatre Campaign;</li> <li>o China, with increasing partner revenues of \$463K as a result of a new Tourism Quebec marketing initiative; offset by</li> <li>o Business Events Canada, mainly relating to timing of Trade Shows and Events (\$157K).</li> </ul>			
<b>Other revenue</b>	<b>217</b>	<b>541</b>	<b>(324)</b>
<p>Other revenues consist of interest, recoveries of commodity taxes, co-location recoveries, and credit card rebates. The decrease is due mainly to the recovery of surpluses for a trade event in the prior year.</p>			
<b>Marketing and sales expenses</b>	<b>13,752</b>	<b>9,501</b>	<b>4,251</b>
<p>Marketing and sales expenses in Q3 2015 have increased by \$4,251K over Q3 2014 due to:</p> <ul style="list-style-type: none"> <li>o Core Markets, with Germany significantly increasing spend in Q3 by \$2,212K relating to a new German Pilot program;</li> <li>o China, with increasing spend by \$297K relating to additional ad campaigns and the Tourism Quebec promotion;</li> <li>o VP International, with increasing spend by \$162K relating to additional work on the sale and marketing platform to sell Canada;</li> <li>o Emerging Markets, with Brazil increasing spend by \$718K relating to the timing of ad campaigns and Mexico increasing spend by \$326K relating to the timing of general influencer spend;</li> <li>o Japan, with increasing spend by \$234K relating to the Team Canada initiative;</li> <li>o Follow the Global Customer, a new US marketing initiative launched in 2015, increasing marketing spend by \$833K; offset by</li> <li>o Business Events Canada, with timing of expenses and additional trade show and events partner participation decreasing spend by (\$531K);</li> </ul>			
<b>Corporate services</b>	<b>2,097</b>	<b>1,725</b>	<b>372</b>
<p>Corporate services expenses in Q3 2015 have increased by \$372K over Q3 2014 due to:</p> <ul style="list-style-type: none"> <li>o Increased expenses related to financial consulting fees, transition costs for new staff and executives and preparation of new Vancouver office move; offset by</li> <li>o Savings related to on-going cost-reduction and efficiency improvement initiatives which yielded reductions in areas such as training, travel, systems maintenance and licensing costs.</li> </ul>			
<b>Strategy and planning</b>	<b>191</b>	<b>132</b>	<b>59</b>
<p>Strategy and planning expenses in Q3 2015 have increased by \$59K over Q3 2014 due to staff turnover and transition in this area.</p>			

**Canadian Tourism Commission  
Narrative Discussion  
September 30, 2015**

**Year to Date Results**

(in thousands)

	<b>Nine months ended Sept 30, 2015</b>	<b>Nine months ended Sept 30, 2014</b>	<b>Variance</b>
<b>Partner revenues</b>	<b>\$ 7,699</b>	<b>\$ 6,365</b>	<b>\$ 1,334</b>
<p>The partner revenues YTD in 2015 have increased by \$1,334K over YTD in 2014 due to:</p> <ul style="list-style-type: none"> <li>o Increased revenues of \$600K relating to the new Follow the Global Customer US pilot project which launched in Q1 2015;</li> <li>o Increased revenues of \$583K in China due the Summer and Winter Campaign and Tourism Quebec media and trade promotion in 2015; and</li> <li>o Increased revenues of \$193K for International marketing and sales as a result of greater partner initiatives in Core Markets relating to the Germany Pilot project and trade co-op partnerships in Brazil for Emerging Markets.</li> </ul>			
<b>Other revenue</b>	<b>657</b>	<b>962</b>	<b>(305)</b>
<p>Other revenues consist of interest, recoveries of commodity taxes, co-location recoveries, and credit card rebates. The decrease is due mainly to the recovery of surpluses for a trade event in the prior year.</p>			
<b>Marketing and sales expenses</b>	<b>34,903</b>	<b>36,883</b>	<b>(1,980)</b>
<p>Marketing and sales expenses YTD 2015 have decreased by (\$1,980K) over YTD 2014 due to:</p> <ul style="list-style-type: none"> <li>o Core Markets, with delay in timing of consumer program initiatives for UK (\$1.3M), delay in timing of consumer ad initiatives for Australia (\$257K) and less consumer direct marketing for France (\$1.2M) offset by a significant investment in the Germany Pilot for \$1.1M, overall decreasing spend by (\$1.7M);</li> <li>o Emerging Markets, with delay in marketing campaigns for Korea (\$37K) and less trade development for India (\$492K) offset by earlier timing of program initiatives for Mexico \$129K and a new Canada Theatre Campaign for Japan \$244k, overall decreasing spend by (\$155K);</li> <li>o China, with delay in Tourism Quebec media and trade promotion decreasing spend by (\$248K);</li> <li>o Business Events Canada, mainly relating to timing of Trade Shows and Events decreasing spend by (\$536K);</li> <li>o Corporate marketing spend decreasing by (\$664K) in CTC divisions such as Global Marketing, Global Communications and Youth partially due to fewer marketing and trade initiatives in 2015 and delays in timing of projects; offset by</li> <li>o Follow the Global Customer, a new US marketing initiative launched in 2015, increasing marketing spend by \$1.35M.</li> </ul>			
<b>Corporate services</b>	<b>5,780</b>	<b>5,512</b>	<b>268</b>
<p>Corporate services expenses YTD 2015 have increased by \$268K over YTD 2014 due to:</p> <ul style="list-style-type: none"> <li>o Savings related to staff departures and organizational changes of (\$106K);</li> <li>o Savings related to on-going cost-reduction and efficiency improvement initiatives which yielded reductions in areas such as training and travel reduced spend by (\$165K); offset by</li> <li>o Specific 2015 required expenditures such as financial consulting fees, transition costs for new staff and executives and preparation of new Vancouver office move \$539k.</li> </ul>			
<b>Strategy and planning</b>	<b>486</b>	<b>375</b>	<b>111</b>
<p>Strategy and planning expenses YTD 2015 have increased by \$110K over YTD 2014 due to staff turnover and transition in this area.</p>			

## **Risks and uncertainties**

As part of its strategic management process, the CTC conducts an enterprise risk assessment and uses the results of that assessment in the development of its five-year strategic plan and risk mitigation strategy. Risk mitigation action plans are developed and implemented accordingly.

The latest assessment was completed in the fall of 2015 and has been used to update the 2016-2020 Corporate Plan. Only those risks that fall under the direct control of CTC management to mitigate are included.

- **Maintain corporate services ratio of 15%**  
This risk was introduced as new in 2014.

*Mitigation activities:* CTC will continue to review costs and identify areas where discretionary spending could be reallocated to marketing and demonstrate how planned future reductions will impact the ratio.

- **Retention & recruitment of key talent during a period of transition**  
This risk was introduced as new in 2014 and has been successfully mitigated as of June 30, 2015. Key senior management positions that were vacant in early 2015 have now been filled.

- **Ensuring effective performance measurement of new marketing technologies**  
This risk was introduced as new in 2014.

*Mitigation activities:* The CTC will explore new approaches to measuring the impact of our activities and marketing in 2015.

- **Ensuring marketing effectiveness**  
This risk increased due to a portion of CTC program funding being re-assigned to an innovative pilot project (Follow the Global Customer) in 2015 to 2017, and an increase in uncertainty related to the CTC continuing to receive partner investment in foreign markets.

*Mitigation activities:* Maintain strong brand and agency, use of advanced path to purchase model, use of key balanced scorecard metrics (campaign return on investment, partner survey), recruit, develop and retain the right talent, focus on opportunities for integrating innovation (core value) into our core business and measure against it, perform evaluations on results of conversion studies, better communicate the CTC's value and impact to the tourism industry by explicitly stating this as a Strategic Objective and measuring its impact in the balanced scorecard, use insights to inform decisions, and focus efforts and resources.

- **Continuing critical operations in the event of a disaster or other emergencies**  
This risk decreased due to the update of the Business Continuity and Disaster Recovery Plans.

*Mitigation activities:* Maintain current crisis communication plan, business continuity plan and disaster recovery plan and test the plans from time to time.

- **New contracting process in financial system**

*Mitigation activities:* Further training to be provided by the Procurement unit. Ensure that budget owners are running and reviewing the relevant reports (i.e. Contract Detail Report) on a monthly basis.

**Significant changes to programs, personnel and operations**

There are no significant changes to programs, personnel or operations that have not been discussed in the prior Annual Report or Corporate Plan.

**Statement of Management Responsibility by Senior Officials**

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 all other information in this 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.



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David F. Goldstein

*President and CEO  
Vancouver, Canada  
November 19, 2015*

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André Joannette

*VP, Finance and Operations and CFO  
Vancouver, Canada  
November 19, 2015*

**Destination Canada****Statement of Financial Position**

As at September 30, 2015

*(in thousands)*

	September 30, 2015	December 31, 2014
<b>Financial assets</b>		
Cash and cash equivalents	\$ 16,863	\$ 14,748
Accounts receivable		
Partnership contributions	1,616	1,412
Government of Canada	117	169
Other	6	31
Accrued benefit asset	11,286	7,585
Portfolio investments	559	546
	<u>30,447</u>	<u>24,491</u>
<b>Liabilities</b>		
Accounts payable and accrued liabilities		
Trade	2,561	5,186
Employee compensation	1,081	1,943
Government of Canada	-	789
Accrued benefit liability	5,942	5,991
Deferred revenue	2,779	260
Asset retirement obligation	500	515
	<u>12,863</u>	<u>14,684</u>
<b>Net financial assets</b>	<u>17,584</u>	<u>9,807</u>
<b>Non-financial assets</b>		
Prepaid expenses and other assets	4,952	1,789
Tangible capital assets	104	326
	<u>5,056</u>	<u>2,115</u>
<b>Accumulated surplus</b>	<u>\$ 22,640</u>	<u>\$ 11,922</u>



**Destination Canada****Statement of Operations**

For the three and nine months ended September 30  
(in thousands)

	Three months ended September 30		Nine months ended September 30	
	2015	2014	2015	2014
<b>Revenues</b>				
Partner revenues	\$ 3,021	\$ 1,224	\$ 7,699	\$ 6,365
Other	217	541	657	962
	<u>3,238</u>	<u>1,765</u>	<u>8,356</u>	<u>7,327</u>
<b>Expenses</b>				
Marketing and sales	13,752	9,501	34,903	36,883
Corporate services	2,097	1,725	5,780	5,512
Strategy and planning	191	132	486	375
Amortization of tangible capital assets	82	87	259	294
	<u>16,122</u>	<u>11,445</u>	<u>41,428</u>	<u>43,064</u>
Net cost of operations before funding from the Government of Canada	(12,884)	(9,680)	(33,072)	(35,737)
Parliamentary appropriations	16,059	16,059	43,438	43,437
	<u>3,175</u>	<u>6,379</u>	<u>10,366</u>	<u>7,700</u>
<b>Surplus/(deficit) for the period</b>				
	<u>18,875</u>	<u>7,951</u>	<u>11,684</u>	<u>6,630</u>
<b>Accumulated operating surplus, beginning of period</b>				
	<u>\$ 22,050</u>	<u>\$ 14,330</u>	<u>\$ 22,050</u>	<u>\$ 14,330</u>
<b>Accumulated operating surplus, end of period</b>				
	<u>\$ 22,050</u>	<u>\$ 14,330</u>	<u>\$ 22,050</u>	<u>\$ 14,330</u>

**Destination Canada**

**Statement of Remeasurement Gains and Losses**

For the three and nine months ended September 30

(in thousands)

	Three months ended September 30		Nine months ended September 30	
	2015	2014	2015	2014
<b>Accumulated remeasurement gain, beginning of period</b>	\$ 456	\$ 194	\$ 238	\$ 178
Unrealized gain/(loss) attributable to foreign exchange	134	28	590	222
Amounts reclassified to the statement of operations	0	-	(238)	(178)
Net remeasurement gain/(loss) for the period	134	28	352	44
<b>Accumulated remeasurement gain, end of period</b>	<b>\$ 590</b>	<b>\$ 222</b>	<b>\$ 590</b>	<b>\$ 222</b>

**Destination Canada****Statement of Change in Net Financial Assets**

For the three and nine months ended September 30  
(in thousands)

	Three months ended September 30		Nine months ended September 30	
	2015	2014	2015	2014
<b>Surplus/ (deficit) for the period</b>	\$ 3,175	\$ 6,379	\$ 10,366	\$ 7,700
Acquisition of tangible capital assets	(6)	(1)	(42)	(20)
Amortization of tangible capital assets	82	87	259	294
Net disposition of tangible capital assets	3	-	7	-
	79	86	224	274
<b>Effect of change in other non-financial assets</b>				
Increase/(decrease) in prepaid expenses	(1,055)	428	(3,165)	(1,186)
	(1,055)	428	(3,165)	(1,186)
Net remeasurement gain/(loss)	134	28	352	44
Increase/(decrease) in net financial assets	2,333	6,921	7,777	6,832
<b>Net financial assets, beginning of period</b>	15,251	5,023	9,807	5,112
<b>Net financial assets, end of period</b>	\$ 17,584	\$ 11,944	\$ 17,584	\$ 11,944

**Destination Canada****Statement of Cash Flows**

For the three and nine months ended September 30  
(in thousands)

	Three months ended September 30		Nine months ended September 30	
	2015	2014	2015	2014
<b>Operating transactions:</b>				
Cash received from:				
Parliamentary appropriations used to fund operating and capital transactions	\$ 16,059	\$ 16,059	\$ 43,438	\$ 43,437
Partner revenues	2,464	1,898	10,014	6,841
Other revenues	168	509	520	843
Interest on cash	48	32	136	119
	18,739	18,498	54,109	51,240
Cash paid for:				
Cash payments to suppliers	(14,526)	(8,307)	(38,975)	(37,513)
Cash payments to and on behalf of employees	(6,081)	(3,326)	(13,323)	(10,134)
Cash applied to/(used in) operating transactions	(1,868)	6,865	1,811	3,593
<b>Capital transactions:</b>				
Acquisition of tangible capital assets	(6)	(1)	(42)	(20)
Disposition of tangible capital assets	3		7	0
Cash used in capital transactions	(3)	(1)	(35)	(20)
<b>Investing transactions:</b>				
Acquisition of portfolio investments	(3)	(5)	(13)	(14)
Cash used in investment transactions	(3)	(5)	(13)	(14)
<b>Net remeasurement gain/(loss) for the period</b>	134	28	352	44
<b>Net increase/(decrease) in cash during the period</b>	(1,741)	6,887	2,115	3,603
<b>Cash and cash equivalents, beginning of period</b>	18,603	8,634	14,748	11,918
<b>Cash and cash equivalents, end of period</b>	\$ 16,863	\$ 15,521	\$ 16,863	\$ 15,521

**Canadian Tourism Commission**  
**Notes to the Quarterly Financial Statements**  
**September 30, 2015**

**1. Authority and objectives**

The Canadian Tourism Commission (the “CTC”) was established on January 2, 2001 under the *Canadian Tourism Commission Act* (the “Act”) and is a Crown corporation named in Part I of Schedule III to the *Financial Administration Act*. The CTC is for all purposes an agent of her Majesty in right of Canada. As a result, all obligations of the CTC are obligations of Canada. The CTC is not subject to income taxes.

As stated in section 5 of the Act, the CTC’s mandate is to:

- sustain a vibrant and profitable Canadian tourism industry;
- market Canada as a desirable tourist destination;
- support a cooperative relationship between the private sector and the governments of Canada, the provinces and the territories with respect to Canadian tourism; and
- provide information about Canadian tourism to the private sector and the governments of Canada, the provinces and the territories.

In December 2014, the CTC was issued directive PC 2014-1378 pursuant to section 89 of the *Financial Administration Act* directing the CTC to implement pension plan reforms. These reforms are intended to ensure that pension plans of Crown corporations provide a 50:50 current service cost-sharing ratio between employee and employer for pension contributions, to be phased in for all members by December 31, 2017. The CTC’s implementation strategy will be outlined in its corporate plans until commitments under this directive are fully implemented.

**2. Significant accounting policies**

These financial statements have been prepared in accordance with Canadian public sector accounting standards. Significant accounting policies are as follows:

**a) Parliamentary appropriations**

The CTC is mainly financed by the Government of Canada through parliamentary appropriations. Parliamentary appropriations used to fund core operations and capital expenditures are considered unrestricted and recognized as revenues when the appropriations are authorized and any eligibility criteria are met. Parliamentary appropriations used to fund one-time activities, such as Olympics or Stimulus, are considered restricted. Restricted appropriations have eligibility criteria and stipulations that give rise to an obligation that meets the definition of a liability. Restricted appropriations are recognized as deferred revenue when the stipulation gives rise to a liability. Restricted appropriation revenue is recognized as the stipulation liabilities are settled.

As a result of the CTC’s year-end date (December 31) being different than the Government of Canada’s year end date (March 31), the CTC is funded by portions of appropriations from two Government fiscal years.

The CTC will have a deferred parliamentary appropriations balance at year-end when the restricted funding received for the period exceeds the restricted appropriations recognized for the related fiscal period. The CTC will have a parliamentary appropriations receivable balance when restricted appropriations recognized exceed the restricted funding received.

The CTC does not have the authority to exceed approved appropriations.

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**b) Partnership contributions**

The CTC conducts marketing activities in partnership with a variety of Canadian and foreign organizations. Where the CTC assumes the financial risks of conducting a marketing activity, contributions received from a partnering organization are recognized in income when the related marketing activity takes place. Partnership contributions received for which the related marketing activity has not yet taken place are recognized as deferred revenue.

**c) Other revenues**

Other revenues consist of cost recoveries from co-location partners, interest and other miscellaneous revenues. These items are recognized as revenue in the period in which the transaction or event occurred that gives rise to the revenue.

**d) Foreign currency translation**

Monetary assets and monetary liabilities denominated in foreign currencies are translated into Canadian dollars at the applicable year-end exchange rate. Non-monetary assets and non-monetary liabilities denominated in foreign currencies are translated into Canadian dollars at historical exchange rates. Revenue and expense items are translated during the year at the exchange rate in effect on the date of the transaction. Amortization expenses of tangible capital assets are translated at historical rates to which the assets relate. Realized gains and losses are considered Operating Expenses and are included in the Statement of Operations as Corporate Services. Unrealized gains and losses are reported on the Statement of Remeasurement Gains and Losses and in the Statement of Change in Net Financial Assets. The CTC does not hedge against the risk of foreign currency fluctuations.

**e) Cash and cash equivalents**

Cash and cash equivalents include cash in bank and a money market term deposit. These items are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

**f) Portfolio investments**

Portfolio investments are measured at amortized cost. Interest income related to these investments is calculated based on the effective interest method.

**g) Prepaid expenses**

Prepaid expenses consists of program and operating expenses recognized as an expense based on the term of usage for items such as subscriptions or based on the event date of tradeshow.

**h) Tangible capital assets**

Tangible capital assets are recorded at cost less accumulated amortization and the amount of any write-downs or disposals. Tangible capital assets are amortized on a straight-line basis over the estimated useful life of the assets as follows:

Leasehold improvements	Remaining term of lease
Office furniture	5 years
Computer hardware	3 years
Computer software	5 years

Intangible assets are not recognized in these financial statements.

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**i) Deferred revenue**

Deferred revenue consists of deferred revenues from partnering organizations and deferred lease inducements. Deferred revenues from partnering organizations are recognized as revenues based on an event's date or a license period. Deferred revenues relating to lease inducements are recognized as a reduction of lease expense over the term of the lease.

**j) Asset retirement obligation**

Asset retirement obligations consist of decommissioning costs for various office leases. The CTC recognizes asset retirement obligations as a result of legal obligations to restore leased office spaces back to their original states at the end of the lease term. Asset retirement obligations are measured initially at fair value, based on management's best estimates, with the resulting amount capitalized into the carrying amount of the related asset. The capitalized asset retirement cost is included in leasehold improvements and amortized on the same basis as the related asset. The amortization expense is included in determining the net cost of operations.

**k) Employee future benefits**

The CTC offers a number of funded, partly funded and unfunded defined benefit pension plans, other unfunded defined benefit plans (which include post-employment benefits, post-retirement benefits and non-vested sick leave), as well as defined contribution pension plans. The pension plans include statutory plans and a supplemental plan. Other benefit plans include post-employment severance benefits and post-retirement health, dental and life insurance benefits and non-vested sick leave. The defined benefit pension plans provide benefits based on years of service and average pensionable earnings at retirement. The CTC funds certain pension plans annually based on actuarially determined amounts needed to satisfy employee future benefit entitlements under current benefit regulations. Cost of living adjustments are automatically provided for retirees in accordance with Consumer Price Index increases.

The costs and obligations of the defined benefit plans are actuarially determined using the projected benefit method prorated on service that incorporates management's best estimates of the rate of employee turnover, the average retirement age, the average cost of claims per person, future salary and benefit levels, expected return on plan assets, future medical costs, and other actuarial factors. For the purposes of calculating the expected return on plan assets, those plan assets are based on the market value of plan assets.

Past service costs arising from plan amendments are recognized in the years of which the plan amendment occurred.

Actuarial gains and losses are amortized over expected average remaining service lifetime (EARSL) of active employees. For 2014, EARSL has been determined to be 8.7 years (8.7 years - 2013) for the Registered Pension Plan for Employees of the CTC ("RPP"), 8 years (8 years - 2013) for the Supplementary Retirement Plan for certain employees of the CTC ("SRP"), 14.3 years (15.3 years - 2013) for the Pension Plan for Employees of the CTC in Japan, South Korea and China ("WWP"), 7 years (17 years - 2013) for non-pension post-retirement benefits, 13 years (13 years - 2013) for severance benefits and 13 years (13 years - 2013) for sick leave benefits.

Employees working in the United Kingdom and the United States participate in the Department of Foreign Affairs defined benefit pension plans administered by the Government of Canada. The assets of these plans cannot be allocated among participating employers, and as such, these plans are deemed "multi-employer" plans and accounted for as defined contribution plans. The CTC's contributions to these plans reflect the full benefit cost of the employer. These amounts vary depending upon the plan and are based on a percentage of the employee's gross earnings. Contributions may change over time depending on the experience of the plans since the CTC is required under present legislation to make adjustments for the rate of contributions to

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cover any actuarial deficiencies of these plans. Contributions represent the total pension obligations of the CTC for these employees and are charged to operations during the year in which the services are rendered.

**l) Financial instruments**

Financial assets and financial liabilities are measured at amortized cost. Financial assets consist of cash and cash equivalents, accounts receivable, and portfolio investments, while financial liabilities consist of accounts payable and accrued liabilities.

**m) Measurement uncertainty**

The preparation of financial statements in accordance with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the amounts of income and expense during the reporting periods. Actual results could differ significantly from those estimates. The most significant estimates involve the determination of employee future benefits, the useful lives for amortization of tangible capital assets and the fair value of the asset retirement obligation.

**n) Related party transactions**

Through common ownership, the Corporation is related to all Government of Canada created departments, agencies and Crown corporations. The Corporation's transactions with these entities are in the normal course of operations and are measured at the exchange amount.

**3. Financial statement presentation**

These unaudited interim financial statements should be read in conjunction with the annual financial statements of the Canadian Tourism Commission (the "Commission") as at and for the year ended December 31, 2014 and the narrative discussion included in the quarterly financial report. Amounts in these interim financial statements as at September 30, 2015 are unaudited and are presented in Canadian dollars.

**4. Parliamentary appropriations**

Parliamentary appropriations approved for the Government fiscal period April 1, 2015 to March 31, 2016 are \$58.0M (April 1, 2014 to March 31, 2015 \$58.0M). The Commission does not have the authority to exceed approved appropriations.

**5. Accumulated surplus (000s)**

The accumulated surplus is comprised of:

	September 30, 2015	December 31, 2014
Accumulated operating surplus	\$ 22,050	\$ 11,684
Accumulated remeasurement gain	590	238
Accumulated surplus	<u>\$ 22,640</u>	<u>\$ 11,922</u>



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**6. Tangible capital assets (000s)**

	Computer Hardware	Computer Software	Leasehold Improvements	Office Furniture	Decom- Leaseholds	Q3 2015 Total
Cost of tangible capital assets, opening	\$ 283	\$ 13	\$ 2,516	\$ 531	\$ 515	\$ 3,858
Acquisitions	36	6	-	-	-	42
Disposals	(12)	-	-	(2)	(67)	(81)
Cost of tangible capital assets, closing	307	19	2,516	529	448	3,819
Accumulated amortization, opening	258	13	2,274	516	471	3,532
Amortization expense	19	1	196	8	35	259
Disposals	(8)	-	-	(2)	(66)	(76)
Accumulated amortization, closing	269	14	2,470	522	440	3,715
Net book value	\$ 38	\$ 5	\$ 46	\$ 7	\$ 8	\$ 104

	Computer Hardware	Computer Software	Leasehold Improvements	Office Furniture	Decom- Leaseholds	2014 Total
Cost of tangible capital assets, opening	\$ 265	\$ 13	\$ 2,516	\$ 529	\$ 515	\$ 3,838
Acquisitions	18	-	-	2	-	20
Disposals	-	-	-	-	-	-
Cost of tangible capital assets, closing	283	13	2,516	531	515	3,858
Accumulated amortization, opening	204	10	2,010	502	424	3,150
Amortization expense	54	3	264	14	47	382
Disposals	-	-	-	-	-	-
Accumulated amortization, closing	258	13	2,274	516	471	3,532
Net book value	\$ 25	\$ -	\$ 242	\$ 15	\$ 44	\$ 326