Canadian Tourism Commission

Quarterly Financial Report for the quarter ending September 30, 2016

Canadian Tourism Commission
Narrative Discussion
September 30, 2016

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.

Quarterly Results
(in thousands)

	Three months ended September 30, 2016	Three months ended September 30, 2015	Variance
Partner revenues	$ 4,184	$ 3,021	$ 1,163

The CTC is continuing to expand partnerships with provincial and territorial marketing organizations, national, regional and local companies, destination marketers and tourism associations. Our success is clearly reflected in our Q3 Partnership revenues which increased by $1.2M over previous year.

Our most significant increase relates to the 2016 Connecting America marketing initiative ($2.0M) which is only partially offset by a decrease in partnership revenues in the Germany market ($931K) due to the Germany Pilot in 2015.

Other revenue	380	217	163

Other revenue, which includes operational recoveries within the China office, interest revenue and credit card rebates, grew by $163K over Q3 of last year mainly as a result of the recoveries within the China office.

Marketing and sales expenses	23,187	13,752	9,435

As part of our 2016-2020 Corporate Plan, the CTC is committed to increase our investment in marketing and sales in 2016. Over the third quarter we have been successful in doing so as we have seen a $9.4M increase in marketing and sales over last year. The most significant increases happened in the US ($4.7M), UK ($1.7M), France ($1.0M), and Mexico ($1.1M) leisure markets. We also increased our investment in a new initiative: the Millennial Travel Program ($1M). This was made possible by the Government of Canada limited time incremental funding for Connecting America and Federal Budget 2016.

Corporate services	1,457	2,097	(640)

The CTC is dedicated to delivering increasingly efficient operations to maximize investment in our programs. In our 2016 plan, we set out to decrease the cost of corporate services as a percent of overall spend. We delivered on this commitment - Corporate services spending fell by $640K, a decrease from 13% to 6% of overall spend from 2015 to 2016. This decrease is largely the result of savings materialized in office lease expenditures driven by our move to more cost effective accommodations, a reduced footprint, reduced professional fees and contractual costs related to the HQ office move ($340K) in addition to realized foreign exchange gains mainly relating to the strengthening of the Canadian Dollar over the Pound Sterling ($340K).

Strategy and planning	263	191	72

Strategy and planning expenses increased by $72K from Q3 2015 largely as a result of staffing changes in 2016.

Year to Date Results

(in thousands)

	Nine months ended September 30, 2016	Nine months ended September 30, 2015	Variance
Partner revenues	$ 11,730	$ 7,699	$ 4,031

The CTC is continuing to expand partnerships with provincial and territorial marketing organizations, national, regional and local companies, destination marketers and tourism associations. Our success is clearly reflected in our partnership revenues which increased by $4.0M over the nine months ended September 30.

Our most significant increases relate to one major campaign: the 2016 Connecting America marketing initiative ($4.8M). Partnership revenues were also up in other areas, in particular the China market ($679K) and the Millennial Travel Program ($691K). These increases were partially offset by the Follow the Global Customer and Parks Canada initiatives that were completed in 2015 ($800K).

Other revenue	954	657	297

Other revenue, which includes operational recoveries within the China office, interest revenue and credit card rebates, grew by $297K over the nine months ended September 30, 2015 mainly as a result of the recoveries within the China office.

Marketing and sales expenses	54,989	34,903	20,086

As part of our 2016-2020 Corporate Plan, the CTC is committed to increase our investment in marketing and sales in 2016. Over the nine month period we have been successful in doing so as we have seen a $20.1M increase in marketing and sales over last year. The most significant increases happened in the US ($15.3M), China ($1.6M), and Mexico ($1.4M) leisure markets. We also increased our investment in a new initiative: the Millennial Travel Program ($1M). These increases are partially offset by the completion of the Follow the Global Customer project ($1.4M) and the winding down of the Germany Pilot ($1.2M) in 2015. This was made possible by the Government of Canada limited time incremental funding for Connecting America and Federal Budget 2016.

Corporate services	4,074	5,780	(1,706)

The CTC is dedicated to delivering increasingly efficient operations to maximize investment programs. In our 2016 plan, the CTC set out to decrease the cost of corporate services as a percent of overall spending. We delivered on this commitment - Corporate services spending fell by $1.7M, a decrease from 14% to 7% of overall spend for the nine months ended September 30. This decrease is largely the result of savings materialized in office lease expenditures driven by our move to more cost effective accommodations, a reduced footprint, reduced professional fees and contractual costs related to the HQ office move ($1.1M) in addition to realized foreign exchange gains mainly relating to transactions in Pound Sterling and US Dollars ($600K).

Strategy and planning	477	486	(9)

Strategy and planning expenses was consistent with the prior year.

Risks and uncertainties

As part of our strategic management process, we conduct an enterprise risk assessment and use the results of that assessment in the development of our five-year strategic plan, risk mitigation strategy and internal audit plan. Risk mitigation action plans are developed and implemented accordingly.

The risks outlined in the 2016-2020 Corporate Plan risk exercise as potentially impacting our organizational objectives are highlighted below.

- **Marketing effectiveness**
  There is a risk that marketing effort is not effective or relevant and has minimal or unknown impact on the tourism industry.

  Mitigation activities: CTC will utilize a multi-pronged approach to address risks related to marketing effectiveness: maintain strong brand and agency; use Path to Purchase model; recruit, develop and retain the right talent; focus on opportunities for integrating innovation (core value) into CTC's core business and measure against it; perform evaluations on results of conversion studies; use insights to inform decisions; better communicate CTC's value and impact to the tourism industry by explicitly stating this as a strategic objective, measuring its impact in the scorecard and focusing efforts and resources optimally.

- **Performance measurement**
  There is a risk that CTC will be unable to measure the impact, effectiveness and attributable results of marketing efforts, including the use of new marketing communications technologies in a manner that is meaningful to its various stakeholders. This risk has emerged as travellers move from traditional sources for travel information and inspiration, such as newspapers and billboards, to digital content such as blogs and websites. CTC has worked to refine its approach to measurement, and is measuring its performance based on measures it can control and influence.

  Mitigation activities: There is risk associated with any new measurement system. This risk is mitigated by the presence of all but one key performance indicator on past scorecards, and ongoing assessment of measurement effectiveness.

- **Privacy**
  The deployment of technologies based on identifying and marketing to the interests and passions of travellers requires the collection, assessment and action of travellers' consumer data. There is a risk that CTC's activities will not meet or exceed regulatory requirements or consumer expectations around privacy.

  Mitigation activities: CTC is committed to protecting privacy and utilizes best practices to pro-actively assess and address privacy risk. CTC has also conducted a thorough Privacy Impact Assessment of its current and planned activities, taking into account Canadian federal obligations as well as anticipated regulatory changes in the European Union. CTC will implement all of the recommendations of the assessment, and maintain an ongoing schedule to review, assess and update its privacy processes and policies.

- **Currency**
  There is a risk that the impact of a lower valuation of the Canadian dollar and the resulting decreased purchasing power, will result in diminished reach and reduced impact of CTC marketing efforts in highly competitive international marketplaces.

  Mitigation activities: Contingency plans are established that include stretching budgets across a diverse portfolio of 12 countries to ensure maximum benefit for program implementation with its mandate.

- **Global economic, geo-political and security issues**
  There is a risk that global economies (where CTC invests) could experience a significant slowdown in growth, changes in the political landscape or security environment which impacts international travel and the Canadian tourism industry.

  Mitigation activities: CTC will maintain a balanced country investment portfolio, and ensure country budgets are flexible to allow reallocations if necessary. In addition, CTC will offer support, tools, assets and sales opportunities to industry to withstand these issues, facilitate their export readiness and help grow their businesses.

- **Talent management**
  There is a risk that CTC will not have the ability to recruit, engage, develop, renew and retain resources with the skills and talent required by the organization to meet current and future needs, impacting the organization's effectiveness and efficiency.

  Mitigation activities: CTC will provide a workplace where employees have meaningful work in a fair, safe, supportive and values-based environment. In addition, it will foster an environment where leaders set clear direction, engage employees as well as demonstrate and promote CTC values. CTC will also invest in an infrastructure of people and systems that enables high quality people management services.

- **Change management**
  There is a risk that CTC's strategic shift to become a content marketing-based organization and the resulting business process and technology changes that accompany this move will cause a decreased ability to manage employee engagement, retention of corporate knowledge as well as provide consistency in operations, thus impacting the overall efficiency of the organization.

  Mitigation activities: CTC will continue to communicate and educate all employees, office holders, and stakeholders on the priorities, opportunities, business plans and challenges facing the organization. It will foster an environment where creativity and innovation is encouraged, and support management and employees at all levels with proper tools and resources. CTC will continually monitor and assess effectiveness of its strategies through surveys and consultation.

Significant changes to programs, personnel and operations

There are no significant changes to programs or operations that have not been discussed in the prior Annual Report or Corporate Plan. There are, however, estimated significant changes relating to the Pension Reform Directive, which the CTC plans to be in full compliance.

In 2016, all text amendments were completed and approved for December 31, 2017 implementation. As a result of the Reform implementation, Canadian Defined Benefit pension plan members will be transferred to the Defined Contribution plan on December 31, 2017.

From an accounting perspective, based on Treasury Board Accounting Standards, this will result in a change in the depreciation period of the unamortized actuarial (gains) losses which have been recorded in the Statement of Financial Position under Accrued Benefit Assets. The Standards direct the CTC to amortize the unamortized actuarial (gains) losses (loss estimated at $8.9 million) over the average remaining employment life of the pension members as long as there are active employees in the plan. There will no longer be any active employees in the plan by December 31, 2017. The unamortized loss of $8.9 million will be depreciated over 2016 and 2017, resulting in a temporary annual accounting deficit in the Statement of Operations of the CTC. The full impact will be disclosed in the 2016 audited financial statements.

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.

David F. Goldstein

President and CEO
Vancouver, Canada
November 27, 2016

André Joannette

VP, Finance and Operations and CFO
Vancouver, Canada
November 27, 2016

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	
	2016	2015	2016	2015
Revenues				
Partner revenues	$ 4,184	$ 3,021	$ 11,730	$ 7,699
Other	380	217	954	657
	4,564	3,238	12,684	8,356
Expenses				
Marketing and sales	23,187	13,752	54,989	34,903
Corporate services	1,457	2,097	4,074	5,780
Strategy and planning	263	191	477	486
Amortization of tangible capital assets	74	82	212	259
	24,981	16,122	59,752	41,428
Net cost of operations before funding from the Government of Canada	(20,417)	(12,884)	(47,068)	(33,072)
Parliamentary appropriations	29,869	16,059	64,570	43,438
Surplus for the period	9,452	3,175	17,502	10,366
Accumulated operating surplus, beginning of period	24,425	18,875	16,375	11,684
Accumulated operating surplus, end of period	$ 33,877	$ 22,050	$ 33,877	$ 22,050

Destination Canada

Statement of Financial Position

As at September 30, 2016
(in thousands)

	September 30, 2016	December 31, 2015
Financial assets		
Cash and cash equivalents	$ 27,755	$ 16,616
Accounts receivable		
Partnership contributions	1,358	2,369
Government of Canada	629	238
Other	5	12
Accrued benefit asset	12,988	12,288
Portfolio investments	516	504
	43,251	32,027
Liabilities		
Accounts payable and accrued liabilities		
Trade	3,724	9,593
Employee compensation	1,235	1,310
Government of Canada	258	601
Accrued benefit liability	5,908	5,966
Deferred revenue	7,533	362
Asset retirement obligation	164	164
	18,822	17,996
Net financial assets	24,429	14,031
Non-financial assets		
Prepaid expenses and other assets	8,103	1,149
Tangible capital assets	1,948	1,788
	10,051	2,937
Accumulated surplus	$ 34,480	$ 16,968

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	
	2016	2015	2016	2015
Accumulated remeasurement gain, beginning of period	$ 573	$ 456	$ 593	$ 238
Unrealized gain attributable to foreign exchange	30	134	603	590
Amounts reclassified to the statement of operations	-	-	(593)	(238)
Net remeasurement gain for the period	30	134	10	352
Accumulated remeasurement gain, end of period	$ 603	$ 590	$ 603	$ 590

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	
	2016	2015	2016	2015
Surplus for the period	$ 9,452	$ 3,175	$ 17,502	$ 10,366
Acquisition of tangible capital assets	(49)	(6)	(372)	(42)
Amortization of tangible capital assets	74	82	212	259
Net disposition of tangible capital assets	-	3	-	7
	25	79	(160)	224
Effect of change in other non-financial assets				
Increase in prepaid expenses	(3,940)	(1,055)	(6,954)	(3,165)
	(3,940)	(1,055)	(6,954)	(3,165)
Net remeasurement gain	30	134	10	352
Increase in net financial assets	5,567	2,333	10,398	7,777
Net financial assets, beginning of period	18,862	15,251	14,031	9,807
Net financial assets, end of period	$ 24,429	$ 17,584	$ 24,429	$ 17,584

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	
	2016	2015	2016	2015
Operating transactions:				
Cash received from:				
Parliamentary appropriations used to fund operating and capital transactions	$ 29,869	$ 16,059	$ 64,570	$ 43,438
Partners	8,420	2,464	19,912	10,014
Other	328	168	843	520
Interest	52	48	111	136
	38,669	18,739	85,436	54,109
Cash paid for:				
Cash payments to suppliers	(23,691)	(14,526)	(64,293)	(38,975)
Cash payments to and on behalf of employees	(2,672)	(6,081)	(9,630)	(13,323)
Cash provided by/ (used in) operating transactions	12,306	(1,868)	11,513	1,811
Capital transactions:				
Acquisition of tangible capital assets	(49)	(6)	(372)	(42)
Disposition of tangible capital assets	-	3	-	7
Cash used in capital transactions	(49)	(3)	(372)	(35)
Investing transactions:				
Disposition of portfolio investments	(4)	(3)	(12)	(13)
Cash used in investment transactions	(4)	(3)	(12)	(13)
Net remeasurement gain for the period	30	134	10	352
Net increase/ (decrease) in cash during the period	12,283	(1,741)	11,139	2,115
Cash and cash equivalents, beginning of period	15,472	18,603	16,616	14,748
Cash and cash equivalents, end of period	$ 27,755	$ 16,863	$ 27,755	$ 16,863

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 is outlined in its corporate plans until commitments under this directive are fully implemented.

In July 2015, the CTC was issued directive PC 2015-1109 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, directives and related instruments on travel, hospitality, conference and event expenditures in a manner that is consistent with its legal obligations, and to report on the implementation of this directive in the CTC's next corporate plan. The CTC implemented its new Travel, Hospitality, Conference, and Event Expenditures Policy on August 21, 2015 which complied with the requirements of the directive.

2. Significant accounting policies

These financial statements have been prepared in accordance with Canadian public sector accounting standards ("PSAS"). 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 Connecting America, 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.

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 revenues, capital asset sales 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 tradeshows.

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.

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 2015, EARSL has been determined to be 8.9 years (8.7 years - 2014) for the Registered Pension Plan for Employees of the CTC ("RPP"), 0.0 years (8 years - 2014) for the Supplementary Retirement Plan for certain employees of the CTC ("SRP"), 12.6 years (14.3 years - 2014) for the Pension Plan for Employees of the CTC in Japan, South Korea and China ("WWP"), 7 years (7 years - 2014) for non-pension post-retirement benefits, 13 years (13 years - 2014) for severance benefits and 13 years (13 years - 2014) 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 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 and related accrued benefit asset valuation, 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 CTC is related to all Government of Canada created departments, agencies and Crown corporations. The CTC's transactions with these entities are in the normal course of operations and are measured at the exchange amount.

o) Services provided without charge and partnership contributions in-kind

Audit services are provided without charge from the Office of the Auditor General of Canada to the CTC for the annual audit of the financial statements. In the normal course of business, the CTC receives some partnership contributions in-kind, which are transfers of goods without consideration. No amount has been recognized in these financial statements with respect to the audit services and contributions in-kind provided.

p) Adoption of new accounting standards

Effective January 1, 2015, CTC adopted Public Sector ("PS") 3260 *Liability for Contaminated Sites*. This new standard establishes how to account for and report a liability associated with the remediation of contaminated sites and applies to fiscal years beginning on or after April 1, 2014. The adoption of this standard has had no impact on CTC's financial statements.

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, 2015 and the narrative discussion included in the quarterly financial report. Amounts in these interim financial statements as at September 30, 2016 are unaudited and are presented in Canadian dollars.

4. Parliamentary appropriations

Parliamentary appropriations approved for the Government fiscal period April 1, 2016 to March 31, 2017 are $95.5M which includes $25M relating to the 2016 Federal Budget - Marketing Canada as a Premier Tourist Destination and $12.5M relating to the Connecting America marketing campaign (April 1, 2015 to March 31, 2016 $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, 2016	December 31, 2015
Accumulated operating surplus	$ 33,877	$ 16,375
Accumulated remeasurement gain	603	593
Accumulated surplus	$ 34,480	$ 16,968

6. Tangible capital assets (000s)

	Computer Hardware	Computer Software	Leasehold Improvements	Office Furniture	Decom- Leaseholds	Q3 2016
Cost of tangible capital assets, opening	$ 327	$ 19	$ 1,594	$ 275	$ 112	$ 2,327
Acquisitions	98		273			371
Disposals						-
Cost of tangible capital assets, closing	425	19	1,867	275	112	2,698
Accumulated amortization, opening	265	15	187	71	1	539
Amortization expense	29	1	138	35	8	211
Disposals						-
Accumulated amortization, closing	294	16	325	106	9	750
Net book value	$ 131	$ 3	$ 1,542	$ 169	$ 103	$ 1,948

	Computer Hardware	Computer Software	Leasehold Improvements	Office Furniture	Decom- Leaseholds	2015 Total
Cost of tangible capital assets, opening	$ 283	$ 13	$ 2,516	$ 531	$ 515	$ 3,858
Acquisitions	67	6	1,416	223	112	1,824
Disposals	(23)	-	(2,338)	(479)	(515)	(3,355)
Cost of tangible capital assets, closing	327	19	1,594	275	112	2,327
Accumulated amortization, opening	258	13	2,274	516	471	3,532
Amortization expense	27	2	251	30	43	353
Disposals	(20)	-	(2,338)	(475)	(513)	(3,346)
Accumulated amortization, closing	265	15	187	71	1	539
Net book value	$ 62	$ 4	$ 1,407	$ 204	$ 111	$ 1,788