Canadian Tourism Commission

Quarterly Financial Report for the quarter ending September 30, 2024

Canadian Tourism Commission
Narrative Discussion
September 30, 2024

Introduction

The Canadian Tourism Commission (the “CTC”) – doing business as Destination Canada – 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 and developing Canada as a premier four-season tourism destination. We provide market intelligence and industry data for decision making by governments, partners and tourism businesses. Reporting to Parliament through the Minister of Tourism, our legislation requirements are outlined in the Canadian Tourism Commission Act.

The CTC runs marketing campaigns domestically and in international markets such as the U.K., Germany, France, Mexico, Japan, South Korea, Australia, China and the U.S., targeting leisure travellers and those travelling for business events. The CTC works collaboratively with industry, communities and government partners to elevate the appeal of Canada’s tourism destinations and to generate wealth and wellbeing for all of Canada and enrich the lives of our guests.

Narrative Discussion

The Narrative Discussion contained herein applies to the quarter.

Quarterly and Year to Date Results

Canadian Tourism Commission
Narrative Discussion
September 30, 2024

(in thousands)

	Three months ended September 30, 2024	Three months ended September 30, 2023	Variance
Partner revenues	$ 4,991	$ 2,889	$ 2,102

Increase in partner revenues is mainly attributable to increased partner co-investment in enhanced marketing programs in the U.S. and Business Events markets ($1.5M) as well as new initiatives Including National Geographic, Urban Hub Pilot, and Canadian Tourism Data Collective ($0.6M).

Interest revenue	239	271	(32)

Decrease in interest revenue is due to lower average cash balances relative to the prior year alongside a declining interest rate environment.

Other revenue	150	164	(14)

Other revenue includes operational recoveries within the China office and recoveries of commodity taxes. The decrease relates to a one-time retroactive contract amendment in the prior year for a co-location partner.

Marketing and sales expenses	28,577	29,296	(719)

Net decrease in Marketing and sales expenses relative to the prior year was mainly due to the sunsetting of the $100M one-time special funding ($6.5M) offset by the launch of the International Convention Attraction Fund ($3.4M) and additional campaigns such as National Geographic: Return to the Wild ($2.5M).

Analytics	3,109	2,244	865

Overall increase is due to the new Innovation and AI budget ($0.3M) with the remaining due to timing of research projects not active in the same quarter last year and higher operational expenses ($0.6M).

Corporate services	2,466	2,463	3

Corporate Services expenses are relatively flat compared to the prior year most notably due to new partnerships within Sector Advancement ($48K) and carbon offset initiative costs ($22K) offset by timing of training spend and one-time salary costs in the prior year ($67K).

Destination Stewardship	315	589	(274)

Net decrease due to timing of the Tourism Corridor Research Project which will commence in Q4 this year ($0.3M) but occurred in Q3 in the prior year.

Parliamentary appropriations	27,000	19,388	7,612

Variances are largely due to timing and/or variability of cash flow needs. The increase is primarily due to ICAF special funding ($9.8M) offset by funding issued in error and returned in Q3 2023 ($1.5M).

	Nine months ended September 30, 2024	Nine months ended September 30, 2023	Variance
Partner revenues	$ 8,042	$ 3,760	$ 4,282

Increase in partner revenues is mainly attributable to increased partner co-investment for the U.S. and Business Events markets ($2.3M) as well as new initiatives including National Geographic, Urban Hub Pilot, and Canadian Data Tourism Collective ($1.9M).

Interest revenue	694	804	(110)

Decrease in interest revenue is due to lower average cash balances relative to the prior year alongside a declining interest rate environment.

Other revenue	466	468	(2)

Other revenue is relatively flat versus the prior year as there were no notable changes to routine operational and commodity tax recoveries.

Marketing and sales expenses	59,294	68,503	(9,209)

Net decrease in Marketing and sales expenses relative to the prior year was mainly due to the sunsetting of the $100M one-time special funding ($17M) offset by the launch of the International Convention Attraction Fund ($5M) and additional campaigns such as National Geographic: Return to the Wild ($3M).

Analytics	8,196	8,572	(376)

Net decrease is mainly attributable to the sunsetting of one-time special funding which resulted in less research initiatives ($1.2M) offset by the formal launch of the Canadian Tourism Data Collective and the new Innovation and AI budget this year ($0.8M).

Corporate services	8,330	7,846	484

Increase is primarily due to higher one-time salary costs ($0.2M) and new partnerships within Sector Advancement ($0.1M).

Destination Stewardship	1,063	1,576	(513)

Net decrease is due to the Tourism Corridor Research Project which will commence in Q4 2024 onwards and the Destination Synposium not taking place this year ($0.7M) offset by new partnership that started in Q4 last year coupled with higher operational expenses ($0.2M).

Parliamentary appropriations	82,886	73,423	9,463

Variances are largely due to timing and/or variability of cash flow needs. The increase is primarily due to ICAF special funding ($9.8M).

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 table below highlights the strategic risks from the CTC's 2023 Annual Report and any new emerging or heightened risks arising that could potentially impact our organizational objectives.

● High residual risk ● Medium-high residual risk ● Medium residual risk ● Low-medium residual ris ● Low residual risk

ECONOMIC **2023:** ● **2024 Q3:** ●

There is a risk that Destination Canada's activities do not generate real growth due to aggressive competition from other countries and other sectors in Canada competing for the same limited supply of labour and investment dollars.

Mitigation activities: Our efforts are focused on elevating the international competitiveness of Canada's tourism sector. In collaboration with provincial, territorial, and municipal partners, we have concentrated our initiatives around seven key areas to synchronize activities, efficiently allocate resources, and enhance return on investment. Utilizing advanced research and data analytics, we have strategically targeted the most advantageous opportunities for Canada in the global market. Responsive to evolving conditions, we have adjusted our financial allocations accordingly. We have also empowered the industry with guidance on navigating technological advancements, supplied valuable media resources, sales opportunities, and research to identify shifts in the competitive environment.

Emerging or heightened risks:

- **Inbound Tourism Market: US Market (elections, potential recession)**
  The United States is Destination Canada's largest and most significant market, contributing substantially to the inbound tourism sector. Although US election outcomes may introduce volatility, we do not anticipate changes in travel intentions among our target visitors.

- **Changes in Competitive and Operating Landscape: Geopolitical Upheaval (travel advisories and policies)**
  Continued geopolitical uncertainty and shifting policy environment is creating volatility that could negatively impact inbound tourism to Canada, leading to decreased visitor numbers and economic losses for the sector. DC is actively monitoring and assessing the impact of any changes on our tourism forecast.

ENVIRONMENTAL **2023:** ● **2024 Q3:** ●

There is a risk that the environmental perception of Canada, tourism and Destination Canada itself could have a negative impact on the tourism assets that are being promoted.

Mitigation activities: Our approach to destination development prioritizes principles that are rooted in local community leadership, environmental stewardship and economic sustainability. This strategy has effectively helped to reduce potential adverse effects on the tourism locations we support. We are examining the impacts of climate change on tourism and building out a more robust disaster response. Our commitment to sustainability is underscored by our active involvement in the Global Destination Sustainability-Index, where Canada boasts the highest national representation worldwide. Additionally, Destination Canada has made significant strides in collaboration with UN Tourism towards enhancing sustainability metrics within the tourism sector.

Emerging or heightened risks:

- **Climate Change's Impact on Tourism: Adverse Climate Events (Fires, Landslides, Floods, etc.)**
  Unlike the summer of 2023, when Canadian wildfires captured international attention due to their intensity and impact on major metropolitan areas, this summer's wildfire activity was largely limited to Jasper. While there are short-term implications from these climate events, the long-term prospects for the tourism industry remain, at a national scale, generally unchanged.

High residual risk Medium-high residual risk Medium residual risk Low-medium residual ris Low residual risk

SOCIAL	**2023:**	**2024 Q3:**

There is a risk that our operations and activities do not consider all stakeholders and are not equitable towards all affected peoples and local communities. There is a further risk that the workload challenges of the past number of years negatively impact the mental health of our employees.

Mitigation activities: We are working across multiple initiatives to ensure that our activities reflect the diversity of Canada. This includes working with our agency partners to showcase all elements of diversity in our global marketing; refining our processes in human resource recruitment, procurement and other practices; training our staff to be aware of biases and striving for inclusion of traditionally underrepresented groups; working to support Indigenous reconciliation through tourism; and following a community economic empowerment strategy. We are deploying our internal diversity, equity and inclusion strategy to ensure that we embrace diversity in our operations and reflect the communities we serve.

Emerging or heightened risks:

- **Public and Policy Support: Public support for tourism:** Globally, public support for tourism is at risk. Many locals, from Venice to Bali, feel they aren't benefiting from the tourism boom, leading to rising tensions between residents and tourists. If unaddressed, this could spark stricter regulations, impacting the tourism industry worldwide. Destination Canada is currently monitoring Resident Sentiment on a monthly basis and has established a taskforce that has identified 4 key actions to build public and policy support.

GOVERNANCE	**2023:**	**2024 Q3:**

There is a risk that our corporate governance activities do not respond to the rapidly changing global business environment, leading to lower overall organizational effectiveness, efficiency and compliance.

Mitigation activities: We undertook a scenario planning exercise to envision various futures for the tourism industry, aligning our strategy and governance with evolving conditions. Our Board, comprising of expert industry and business leaders, guides our strategic adjustments to meet rapid changes. Through broad industry consultation, we crafted a robust business strategy and enhanced our risk management. Internally, we enacted comprehensive policies for daily operations and introduced an internal audit as a safeguard. We evaluated our achievements against internal targets and stakeholders' goals, benchmarked market performance against competitors, and fortified information technology controls to guard against contemporary cyber risks.

Emerging or heightened risks: N/A

Canadian Tourism Commission
September 30, 2024

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's Directive on Accounting Standards: GC 5200 Crown Corporations Quarterly Financial Reports, 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.

Marsha Walden

President and CEO
Vancouver, Canada
November 25, 2024

Meaghan Ferrigno

Senior Vice President, Chief Financial Officer and
Chief Data & Analytics Officer
Vancouver, Canada
November 25, 2024

Canadian Tourism Commission

Statement of Financial Position

As at September 30, 2024

(in thousands of Canadian dollars)

	September 30, 2024	December 31, 2023
Financial assets		
Cash and cash equivalents	18,892	5,745
Accounts receivable		
Government of Canada	412	1,448
Partner	190	500
Other - Agency Credit	1	205
Other	12	6
Accrued benefit asset	2,172	2,172
Portfolio investments	1,022	994
	22,701	11,070
Liabilities		
Accounts payable and accrued liabilities		
Trade	11,884	16,281
Employee compensation	2,301	2,439
Government of Canada	557	807
Accrued benefit liability	2,284	2,330
Deferred revenue	4,246	384
Deferred lease inducements	114	188
Asset retirement obligation	112	112
	21,498	22,541
Net (debt) financial assets	1,203	(11,471)
Non-financial assets		
Prepaid expenses	5,303	2,653
Tangible capital assets	625	931
	5,928	3,584
Accumulated surplus (deficit)	7,131	(7,887)

Canadian Tourism Commission

Statement of Operations

For the nine months ended September 30
(in thousands of Canadian dollars)

	2024	2023
Revenues		
Partner revenues	8,042	3,760
Interest Income	694	804
Other	466	468
	9,202	5,032
Expenses		
Marketing and sales	59,294	68,503
Analytics	8,196	8,572
Corporate services	8,330	7,846
Destination stewardship	1,063	1,576
Amortization of tangible capital assets	310	232
	77,193	86,729
Net cost of operations before funding from the Government of Canada	(67,991)	(81,697)
Parliamentary appropriations	82,886	73,423
Surplus for the year	14,895	(8,274)
Accumulated operating (deficit) surplus, beginning of period	(7,844)	20,069
Accumulated operating surplus, end of period	7,051	11,795

Canadian Tourism Commission

Statement of Remeasurement Gains and Losses

For the nine months ended September 30
(in thousands of Canadian dollars)

	2024	2023
Accumulated remeasurement loss, beginning of period	(43)	(69)
Unrealized gain (loss) attributable to foreign exchange	80	(91)
Amounts reclassified to the statement of operations	43	69
Net remeasurement gain (loss) for the year	123	(22)
Accumulated remeasurement gain (loss), end of period	80	(91)

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Statement of Change in Net (Debt) Financial Assets

For the nine months ended September 30
(in thousands of Canadian dollars)

	2024	2023
Surplus (Deficit) for the year	14,895	(8,274)
Acquisition of tangible capital assets	(3)	(43)
Amortization of tangible capital assets	310	232
	307	189
Effect of change in other non-financial assets		
Decrease in prepaid expenses	(2,651)	(7,009)
	(2,651)	(7,009)
Net remeasurement gain (loss)	123	(22)
Increase (decrease) in net financial assets	12,674	(15,116)
Net (debt) financial assets, beginning of period	(11,471)	15,887
Net financial assets, end of period	1,203	771

Canadian Tourism Commission

Statement of Cash Flows

For the nine months ended September 30
(in thousands of Canadian dollars)

	2024	2023
Operating transactions:		
Cash received from:		
Parliamentary appropriations used to fund operating and capital transactions	82,886	73,423
Partners	13,447	7,825
Other	392	395
Interest	694	804
Cash paid for:		
Cash payments to suppliers	(69,166)	(76,744)
Cash payments to and on behalf of employees	(15,198)	(14,865)
Cash provided by (used in) operating transactions	13,055	(9,162)
Capital transactions:		
Acquisition of tangible capital assets	(3)	(43)
Cash used in capital transactions	(3)	(43)
Investing transactions:		
Acquisition of portfolio investments	(28)	(127)
Redemption of portfolio investments	-	-
Cash used in investing transactions	(28)	(127)
Net remeasurement gain (loss) for the year	123	(22)
Net increase (decrease) in cash during the period	13,147	(9,354)
Cash and cash equivalents, beginning of period	5,745	27,411
Cash and cash equivalents, end of period	18,892	18,057

The accompanying notes form an integral part of these financial statements.

1. AUTHORITY, OBJECTIVES AND DIRECTIVES

The Canadian Tourism Commission (the "Commission") 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 Commission is for all purposes an agent of his Majesty in right of Canada. As a result, all obligations of the Commission are obligations of Canada. The Commission is not subject to income taxes.

As stated in section 5 of the Act, the Commission'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 Commission was issued directive PC 2014-1378 pursuant to section 89 of the *Financial Administration Act* directing the Commission to implement pension plan reforms. These reforms are to ensure that pension plans of Crown corporations provide a 50:50 current service cost-sharing ratio between employee and employer for pension contributions by December 31, 2017. The 50:50 cost- sharing ratio was fully implemented as of December 31, 2017.

In July 2015, the Commission was issued directive PC 2015-1109 pursuant to section 89 of the *Financial Administration Act* to align its travel, hospitality, conference and event expenditures 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 Commission's next corporate plan. The Commission implemented its new Travel, Hospitality, Conference, and Event Expenditures Policy ("THCEE") on August 21, 2015, which complied with the requirements of the directive. The Treasury Board issued revised directives and guidelines in 2017. On November 29, 2018, the Commission approved an updated THCEE policy to align with the new requirements.

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 Commission 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 are considered restricted when they 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 Commission's year-end date (December 31) being different than the Government of Canada's year-end date (March 31), the Commission is funded by portions of appropriations from two Government fiscal years. Refer to Note 4.

The Commission 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. When restricted appropriations recognized exceed the restricted funding received, the amount will be included in the parliamentary appropriations receivable balance.

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

b) Partner revenues

The Commission conducts marketing activities in partnership with a variety of Canadian and foreign organizations. Where the Commission assumes the financial risks of conducting a marketing activity, contributions received from a partnering organization are recognized in income over the effective life of the contract or when the event has taken place. Partner revenues 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, 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 Commission does not hedge against the risk of foreign currency fluctuations.

e) Cash and cash equivalents

Cash and cash equivalents include cash in bank and mutual funds. 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

Payments made prior to the related services being rendered are recorded as a prepaid expense. Prepaid expenses are recognized as an expense as the related services are rendered. Prepaid expenses consist of program and operating expenses such as subscriptions, marketing activities with provincial and territorial marketing organizations and tradeshow expenditures.

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 written down when conditions indicate they no longer contribute to the ability to provide services and are accounted for as expenses in the Statement of Operations.

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

Intangible assets are not recognized in these financial statements.

i) Deferred revenue

Deferred revenue consists of revenue from partnering organizations and restricted appropriations received from the Government of Canada. When revenues are received from partnering organizations, they are recognized as deferred revenue until the event has taken place or recognized as partner revenue over the effective life of the contract. When restricted appropriations are received from the Government of Canada, they are recognized as deferred revenue until the criteria and stipulations are met that gave rise to the liability. As at September 30, 2024 and December 31, 2023, the deferred revenue balance is solely made up of deferred revenue from partnering organizations.

j) Deferred lease inducements

Deferred lease inducements consist of various office lease inducements including reimbursement of leasehold improvement costs and free rent periods. These inducements are deferred and recognized as a straight-line reduction to office lease expenses over the term of the lease.

k) Asset retirement obligation

Asset retirement obligation consists of costs to restore leasehold improvements for various office leases. The Commission 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 using undiscounted future cash flows 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 amortized on a straight-line basis over the term of the lease and is included as amortization expense in Corporate services. Refer to Note 6.

l) Employee future benefits

The Commission offers a number of 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 a statutory plan, a supplemental plan and a plan to cover certain employees working outside of Canada. 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 defined benefit component of the statutory plan and the supplemental plan has been closed effective December 30, 2017 and benefits and service of plan participants were frozen as of that date. The Commission 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 purpose 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 in which the plan amendment occurred.

The unamortized actuarial gains and losses incurred prior to the plan settlement that relate to the obligation settled are recognized in the period of settlement. This amount is included as part of the gain or loss arising on settlement. Gains and losses determined upon a plan settlement are accounted for in the Statement of Operations in the period of settlement.

Actuarial gains and losses are amortized over expected average remaining service lifetime ("EARSL") of active employees. If no active employees are remaining, actuarial gains and losses are amortized fully in the next fiscal year. For 2023, EARSL has been determined to be 0 years (0 years – 2022) for the Supplementary Retirement Plan for certain employees of the Commission ("SRP"), 12.4 years (12 years – 2022) for the Pension Plan for Employees of the Commission in Japan, South Korea and China ("WWP"), 0 years (0 years – 2022) for non-pension post-retirement benefits, 14 years (14 years – 2022) for severance benefits and 14 years (14 years – 2022) for sick leave benefits.

Employees working in the UK participate in the Global Affairs Canada 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 Commission'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 Commission 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 Commission for these employees and are charged to operations during the year in which the services are rendered.

Gains and losses determined upon a plan curtailment are accounted for in the period of curtailment.

m) Financial instruments

Financial assets consist of Cash and cash equivalents, Accounts receivable and Portfolio investments, while financial liabilities consist of Accounts payable and accrued liabilities. Financial assets and financial liabilities are measured at amortized cost, which approximates their fair value.

n) Measurement uncertainty

The preparation of financial statements in accordance with PSAS 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 the employee future benefits liability and related accrued benefit asset, contingencies, accrued liabilities and partner revenues. There is uncertainty regarding partner revenue recognized as management may not be able to estimate if all performance obligations have been satisfied at the date of the financial statements.

o) Related party transactions

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

Related parties also include key management personnel (KMP) having authority for planning, controlling, and directing the activities of the Commission, as well as their close family members. The Commission has defined its KMP to be members of the Board of Directors and management employees at the Senior Vice-President level and above.

p) Partnership contributions in-kind

In the normal course of business, the Commission receives in-kind contributions from its partners including the transfer of various types of goods and services to assist in the delivery of programs. The in-kind contributions from partners are not recognized in the financial statements.

q) Inter-entity transactions

Inter-entity transactions are transactions between commonly controlled entities. The Commission records inter-entity transactions at the exchange amount except the following:
Audit services received without charge between commonly controlled entities.
In-kind contributions received from commonly controlled entities.

The value of the audit services is considered insignificant in the context of the financial statements as a whole and inter-entity in-kind contributions are not recognized in the financial statements.

3. FINANCIAL STATEMENT PRESENTATION

a) 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, 2023, and the narrative discussion included in the quarterly financial report. Amounts in these interim financial statements as at September 30, 2024, are unaudited and are presented in Canadian dollars.

4. PARLIAMENTARY APPROPRIATIONS

Parliamentary appropriations approved for the Government fiscal period April 1, 2024, to March 31, 2025, are $116.0 which includes $96.5M base funding and $19.5M relating to the 2023 Federal

Budget - incremental funding for the purpose to attract major international conventions, conferences, and event to Canada. The Commission does not have the authority to exceed approved appropriations.

5. ACCUMULATED SURPLUS (000S)

The accumulated surplus is comprised of:

	September 30, 2024	December 31, 2023
Accumulated operating surplus (deficit)	$ 7,051	$ (7,844)
Accumulated remeasurement gain (loss)	80	(43)
Accumulated surplus (deficit)	$ 7,131	$ (7,887)

6. TANGIBLE CAPITAL ASSETS (000S)

(in thousands)	Computer Hardware	Leasehold Improvements	Office Furniture	September 30, 2024
Cost of tangible capital assets, opening	$ 1,000	$ 1,824	$ 654	$ 3,478
Acquisitions	2		1	3
Disposals	12			12
Cost of tangible capital assets, closing	1,015	1,824	655	3,494
Accumulated amortization, opening	727	1,462	358	2,547
Amortization expense	110	143	57	310
Disposals	12			12
Accumulated amortization, closing	849	1,605	415	2,869
Net book value	$ 166	$ 219	$ 240	$ 625

(in thousands)	Computer Hardware	Leasehold Improvements	Office Furniture	2023 Total
Cost of tangible capital assets, opening	$ 825	$ 1,824	$ 337	$ 2,986
Acquisitions	232		317	$ 549
Disposals	(57)			(57)
Cost of tangible capital assets, closing	1,000	1,824	654	3,478
Accumulated amortization, opening	652	1,272	307	$ 2,231
Amortization expense	132	190	51	$ 373
Disposals	(57)			(57)
Accumulated amortization, closing	727	1,462	358	2,547
Net book value	$ 273	$ 362	$ 296	$ 931