Canadian Tourism Commission

Quarterly Financial Report for the quarter ending June 30, 2025

Introduction

The Canadian Tourism Commission (the “CTC”), doing business as Destination Canada, is a Crown corporation wholly owned by the Government of Canada. With a mandate to sustain a vibrant and profitable tourism industry, the organization enhances Canada’s competitiveness as a premier, international destination for leisure travel and business events. Working in partnership with public and private sectors, Destination Canada attracts visitors and drives tourism spending through marketing and development activities, and by sharing timely intelligence and encouraging collaboration that stimulates economic growth, supports entrepreneurial prosperity, and generates wealth and wellbeing for Canadians and their communities.

Narrative Discussion

The Narrative Discussion contained herein applies to the quarter.

Quarterly Results

(in thousands)

	Three months ended Jun 30, 2025	Three months ended Jun 30, 2024	Variance
Partner revenues	**$ 2,223**	**$ 1,789**	**$ 434**

Partner revenues increased primarily due to recognized revenue from the Osaka Expo 2025, higher subscription contributions from Canadian Tourism Data Collective partners, and co-investment in 2025 U.S. brand-led multi-channel campaigns and the culinary program.

Interest revenue	**192**	**272**	**(80)**

Interest revenue decreased primarily due to lower interest rate on bank balances.

Other revenue	**164**	**157**	**7**

Other revenue includes routine operational recoveries for office space and recoveries of commodity taxes.

Marketing and sales expenses	**23,153**	**17,700**	**5,453**

The net increase is primarily attributable to $3.7 million in expenditures under the International Convention Attraction Program, along with a $0.6 million increase in Business Event Strategic and Publisher Partnerships. An additional $1.1 million in 2025 U.S. brand-led multi-channel campaigns and the culinary program. The remaining $0.4 million increase is attributable to the reallocation of funds to Sector Advancement in 2025, aligned with the broader organizational strategy. Refer to associated commentary in Corporate services and Sector advancement.

Analytics	**3,133**	**2,630**	**503**

The additonal expense is primarily attributable to expenditures incurred for the $120K Tariff Impact on Tourism Sectors study, the $90K Brand Measurement Pilot initiative, and the remaining amount allocated to ongoing investments in AI initiatives.

Corporate services	**1,894**	**3,011**	**(1,117)**

Sector advancement as a function was reallocated from Marketing and sales and Corporate services to its own function in 2025 to align with the organizational strategy. Refer to Sector advancement for associated commentary. Adjusting for this reallocation of $0.6 million, the remaining change relates to salary.

Destination development	**584**	**468**	**116**

The overall increase in expenses in Q2 is primarily driven by the Tourism Corridor Strategy Program, which launched in late 2024 and will continue into fall 2025.

Sector advancement	**1,359**	**-**	**1,359**

In 2024, Destination Canada released our 2030 Strategy, with Sector Advancement as a key driver, emphasizing industry competitiveness, engagement and collaboration. In 2025, existing resources and funding were reallocated to support the execution of the strategy under this important driver. Key activities this quarter included NorthStar Advisory Taskforces and the Value of Tourism.

Parliamentary appropriations	**21,276**	**19,425**	**1,851**

Variances are largely due to timing and/or variability of cash flow needs. Of the $21.3 million, $3.28 million for ICAF bid funds.

Year to Date Results
(in thousands)

	Six months ended June 30, 2025	Six months ended June 30, 2024	Variance
Partner revenues	$ 3,136	$ 3,051	$ 85

There has been an increase in partnerships with provincial and territorial marketing organizations, as well as national, regional, and local companies, compared to the same period of the previous year. This growth in revenue is largely driven by the major campaigns in the US including Brand led multi-channel and culinary program.

Interest revenue	331	455	(124)

Interest revenue decreased primarily due to lower interest rate on bank balances.

Other revenue	314	316	(2)

Other revenue includes routine operational recoveries for office space and recoveries of commodity taxes.

Marketing and sales expenses	40,769	30,717	10,052

Marketing and sales expenses increased by $10 million, primarily due to the International Convention Attraction Program, along with $1 million adjustments related to the reallocation to Sector Advancement in 2025 as part of the broader organizational strategy.

Analytics	5,845	5,087	758

The overall increase was mainly driven by $120K in expenditures for the Tariff Impact on Tourism Sectors study, $200K due to the timing of Global Traveller Watch Program data delivery, and the remaining amount related to the Brand Measurement Pilot and continued investments in AI initiatives.

Corporate services	3,924	5,864	(1,940)

Sector advancement was reallocated from Marketing and sales and Corporate services in 2025 to align with the organizational strategy. Refer to Sector advancement for associated commentary. Adjusting for this reallocation of $1.1 million, the remaining change relates capitalization of the Canadian Tourism Data Collective platform.

Destination development	857	748	109

The overall increase in expenses in Q2 is primarily driven by the Tourism Corridor Strategy program, which launched in late 2024 and will continue into fall 2025

Sector advancement	2,217	-	2,217

In 2024, Destination Canada released our 2030 Strategy, with Sector Advancement as a key driver, emphasizing industry competitiveness, engagement and collaboration. In 2025, existing resources and funding were reallocated to support the execution of the strategy under this important driver. Key activities this quarter included NorthStar Advisory Taskforces and the Value of Tourism.

Parliamentary appropriations	56,210	55,886	324

Variances are largely due to timing and/or variability of cash flow needs. Of the $56.2 million, $13 million for ICAF bid funds.

Risks and uncertainties

As a Crown corporation operating in a dynamic global tourism market, Destination Canada continuously monitors trends, anticipates shifts, and adapts quickly to changing conditions, positioning us well to navigate uncertainties while driving sustainable tourism grown.

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 CTC's strategic risks 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	2025 Q2: ●	2024: ●

Overall Summary: There is a risk that the global economy, along with the markets where we invest, could face heightened uncertainty due to factors such as economic instability, trade disruptions and political changes; all of which could impact travel to and within Canada. Additionally, Canada could face competition from well-resourced international countries vying for travellers, while within Canada, Destination Canada could be competing with other sectors for limited labour and investment dollars. Continued economic uncertainty and a shifting geopolitical and policy environment are creating volatility that could reduce visitor numbers, lead to economic losses for the sector and impact how Destination Canada operates.

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 strategically targeted the most advantageous opportunities for Canada in the global market, while also analyzing heightened evolving conditions, such as tariffs on goods traded with the US. We also empower the industry by providing guidance on key elements of global competitiveness and navigating technological advancements, supplying valuable media resources, creating sales opportunities, and investing in research and analytics to support strategic decision-making.

Emerging or heightened risks:

- **Resource Constraints: Federal Government's Comprehensive Expenditure Review**
  In July 2025, the Government of Canada launched a Comprehensive Expenditure Review requiring federal departments and Crown corporations, including Destination Canada, to identify operating savings of 7.5% by the 2026-27 government fiscal year, 10% by 2027-28, and 15% by 2028-29. In response, Destination Canada is actively identifying savings proposals for its 2026 and future fiscal years. This directive adds to the broader fiscal pressures from global media inflation and a weaker Canadian dollar and Refocusing Government Spending 1 budget reductions that were announced in the 2023 Federal Budget that affect Destination Canada's capacity to sustain the resources needed to support competitiveness, growth and long-term resilience of the tourism sector.
- **Inbound Tourism Market: US Market (tariffs, potential recession)**
  The United States is Destination Canada's largest and most significant market, contributing substantially to the inbound tourism sector. Currently, DC's target Highly Engaged Guests (HEGs) in the US continue to hold steady in their desire and intent-to-travel to Canada. However, a shifting risk landscape, driven by actual and threatened tariffs and broader geopolitical tensions is beginning to negatively influence travel sentiment with year-over-year growth in US arrivals less than 1% over 2024,. DC is actively monitoring signals of potential softening in demand and DC has developed a suite of demand-side scenarios to guide strategic preparedness.

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

ENVIRONMENTAL	2025 Q2: Medium	2024: Medium

Overall Summary: There is a risk that our operations, and that of our tourism and travel industry, and the country at large, could be perceived negatively in terms of environmental sustainability and responsibility. Further, the effects of climate change could also negatively influence travellers' perception of the health and safety of our country. Both have the potential to cause reputational damage, loss of shareholder confidence and/or reduced tourism in Canada, creating a negative impact on the tourism assets that are being promoted.

Mitigation activities: Our approach to destination development prioritizes local community leadership, environmental stewardship and economic sustainability. This strategy has effectively helped mitigate potential adverse effects on the tourism destinations while emphasizing tourism's role in sustainably optimizing Canada's natural resources, such as parks and conservations areas, and creating diverse opportunities for communities nationwide. Recognizing the growing impact of climate events on tourism, we are actively examining its effects and collaborating with partners to develop a more robust disaster response framework. Our commitment to sustainability is reflected in our efforts to reduce the environmental footprint of our activities and in our promotion of hosting sustainable business events. Additionally, we have been making significant strides in collaboration with UN Tourism to enhance sustainability metrics within the tourism sector, reinforcing Canada's leadership in responsible tourism development.

Emerging or heightened risks:

- **Climate Change's Impact on Tourism: Adverse Climate Events (Wildfires):** Wildfires have been a recurring challenge in recent summers and deter travel to affected regions, leading to a multi-year decrease in tourist visitors and a subsequent economic impact on local businesses. Wildfires specifically create a negative perception of safety and air quality concerns that may affect the overall attractiveness of Canada as a travel destination. In response, DC has been proactively communicating with its domestic and overseas partners,providing regional information regarding wildfires in Canada to its stakeholders.

SOCIAL	2025 Q2: Medium	2024: Medium

Overall Summary: There is a risk that our operations and tourism promotion 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 recent years negatively impact the mental health of our employees.

Mitigation activities: We pursue 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 operational practices; training our staff to be aware of biases; working to support Indigenous reconciliation through tourism; and following a community economic empowerment strategy. We deployed an internal strategy to ensure that our work reflects the diverse people and places that Canada represents.

Emerging or heightened risks:

- **Public and Policy Support: Public support for tourism:** In several major tourism markets around the world, public support for tourism is facing headwinds. In destinations such as Venice, Barcelona or Bali, many residents feel disconnected from the benefits of tourism and focus on the infringements tourists may bring to residential life in a community, leading to rising tensions between residents and tourists. In Canada, while overall support for tourism remains very strong, subtle shifts in sentiment toward tourists were apparent in early 2025, particularly in Canadians' sentiment towards American visitors. These sentiments to Americans have improved more recently and Destination Canada is closely monitoring Resident Sentiment monthly. As mitigations, Destination Canada has identified 4 key actions to build public and policy support.

GOVERNANCE	2025 Q2:		2024	

Overall Summary: There is a risk that our corporate governance structure does not reflect fair and equitable practices while our activities do not respond to the rapidly changing global business environment, leading to lower overall organizational effectiveness, efficiency and compliance.

Mitigation activities: We conducted scenario planning to align our strategy and governance with future industry conditions. Our Board, composed of expert leaders, guides strategic adjustments to meet rapid changes. We identify needed board expertise to support the Government of Canada's recruitment efforts and to reflect the diversity of Canada, while offering ongoing professional development for board members. Through broad industry consultation, we developed a robust business strategy, strengthened risk management, and implemented internal policies and audits. Additionally, we benchmarked performance, evaluated progress and fortified information technology (IT) controls to guard against contemporary cybersecurity risks. Furthermore, the results of our recent Special Examination reinforced our strong governance in terms of corporate and operational management, with the OAG making no recommendations for improvement.

Emerging or heightened risks: N/A

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	Meaghan Ferrigno
President and CEO *Vancouver, Canada* *August 20, 2025*	*Senior VP, Chief Data and Analytics Officer and CFO* *Vancouver, Canada* *August 20, 2025*

Canadian Tourism Commission

Statement of Financial Position

As at June 30, 2025
(in thousands of Canadian dollars)

	June 30, 2025	December 31, 2024
Financial assets		
Cash and cash equivalents	14,536	14,892
Accounts receivable		
Government of Canada	858	709
Partner	1,069	703
Other	30	12
Accrued benefit asset	2,373	2,373
Portfolio investments	1,080	1,061
	19,946	19,750
Liabilities		
Accounts payable and accrued liabilities		
Trade	4,407	8,919
Employee compensation	2,124	2,351
Government of Canada	384	780
Accrued benefit liability	2,072	2,105
Unearned revenue	3,005	691
Deferred appropriations	5,315	-
Deferred lease inducements	41	90
Asset retirement obligation	112	112
	17,460	15,048
Net financial assets	2,486	4,702
Non-financial assets		
Prepaid expenses	10,890	2,795
Tangible capital assets	1,712	1,655
	12,602	4,450
Accumulated surplus	15,088	9,152

Canadian Tourism Commission

Statement of Operations

For the six months ended June 30
(in thousands of Canadian dollars)

	Six month ended June 30	
	2025	**2024**
Revenues		
Partner revenues	3,136	3,051
Interest Income	331	455
Other	314	316
	3,781	3,822
Expenses		
Marketing and sales	40,769	30,717
Analytics	5,845	5,087
Corporate services	3,924	5,864
Destination development	857	748
Sector advancement	2,217	-
Amortization of tangible capital assets	326	217
	53,938	42,633
Net cost of operations before funding from the Government of Canada	(50,157)	(38,811)
Parliamentary appropriations	56,210	55,886
Surplus for the year	6,053	17,075
Accumulated operating surplus (deficit), beginning of period	9,033	(7,844)
Accumulated operating surplus, end of period	15,086	9,231

Canadian Tourism Commission

Statement of Remeasurement Gains and Losses

For the six months ended June 30
(in thousands of Canadian dollars)

	Six month ended June 30	
	2025	**2024**
Accumulated remeasurement gain (loss), beginning of period	119	(43)
Unrealized gain attributable to foreign exchange	2	37
Amounts reclassified to the statement of operations	(119)	43
Net remeasurement (loss) gain for the period	(117)	80
Accumulated remeasurement gain, end of period	2	37

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Statement of Change in Net (Debt) Financial Assets

For the six months ended June 30
(in thousands of Canadian dollars)

	2025	2024
Surplus for the year	6,053	17,075
Acquisition of tangible capital assets	(383)	(3)
Amortization of tangible capital assets	326	217
	(57)	214
Effect of change in other non-financial assets		
Decrease in prepaid expenses	(8,095)	(2,580)
	(8,095)	(2,580)
Net remeasurement (loss) gain	(117)	80
(Decrease) Increase in net financial assets	(2,216)	14,789
Net financial assets (debt), beginning of period	4,702	(11,471)
Net financial assets, end of period	2,486	3,318

Canadian Tourism Commission

Statement of Cash Flows

For the six months ended June 30
(in thousands of Canadian dollars)

	2025	2024
Operating transactions:		
Cash received from:		
Parliamentary appropriations used to fund operating and capital transactions	61,525	55,886
Partners	4,917	10,950
Other	265	267
Interest	332	455
Cash paid for:		
Cash payments to suppliers	(56,177)	(42,712)
Cash payments to and on behalf of employees	(10,699)	(10,466)
Cash provided by operating transactions	163	14,380
Capital transactions:		
Acquisition of tangible capital assets	(383)	(3)
Cash used in capital transactions	(383)	(3)
Investing transactions:		
Acquisition of portfolio investments	(19)	(18)
Redemption of portfolio investments	-	-
Cash used in investing transactions	(19)	(18)
Net remeasurement (loss) gain for the period	(117)	80
Net (decrease) increase in cash during the period	(356)	14,439
Cash and cash equivalents, beginning of period	14,892	5,745
Cash and cash equivalents, end of period	14,536	20,184

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 Objects of the Commission are 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 deferred parliamentary appropriations at period-end when eligibility criteria for the funding received for the period have not been met as at the reporting date. This is in relation to the International Convention Attraction Fund (ICAF). Refer to Note 7. In addition, the Commission will have a deferred parliamentary appropriations balance at the 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 provides various goods and services to a diverse group of payors, including both Canadian and foreign organizations. Revenues from transactions with performance obligations occur when there is an enforceable promise to transfer goods or services directly to a payor in return for promised consideration. For each performance obligation, the Commission evaluates whether the performance obligations are satisfied over a period of time or at a point in time. Where a performance obligation is satisfied over time, the Commission measures its progress of satisfying the performance obligation considering the characteristics of the services being provided and the pattern of benefit to the payor. Where a performance obligation is satisfied at a point in time, the Commission recognizes revenue when the payor obtains control of the benefits associated with the promised service. Where consideration is received prior to the provision of services or delivery of goods, it is recorded as unearned revenue, provided the definition of a liability is met, and recognized as revenue as each performance obligation is completed.

The Commission does not have any revenue sources generated from non-recurring activities.

Revenue from exchange transactions

Leisure Consumer Marketing

The Commission performs services such as managing paid media campaigns to promote Canadian tourism, targeting high-value guests, and measuring the impact on awareness, bookings and visits to Canadian destinations. This also involves working with marketing organizations to utilize their various media channels (digital, print, social media, etc.) for displaying the creative content and stimulating bookings for Canadian tourism activities in the payor’s designated region.

The Commission is also involved with creating or facilitating the creation of content such as photos, videos, articles and other social media materials that present the unique features of Canadian destinations to increase engagement.

Revenue from Leisure Consumer Marketing is typically recognized over a period of time as the services are provided over the duration of the contract. In certain scenarios where the payor must approve the content created before it is delivered, revenue is recognized at a point in time, specifically when the payor grants approval, thereby fulfilling the performance obligation associated with that content.

Business Events

Business event services consist of promoting Canada as a premier destination for business events, international conferences, and major corporate meetings. Revenue is recognized over a period of time as the contracted services are rendered. This encompasses activities such as coordinating provincial, territorial, and city partners to participate in global business events trade shows and marketplaces under the Canada banner, promoting press trips and familiarization tours of potential Canadian conference-hosting destinations in key industry growth sectors, and supporting the lead-generation, client engagement, and event bidding process of about 20 Canadian cities. These efforts aim to highlight the diverse event-hosting facilities and amenities in Canada, the attractions and experiences available at Canadian destinations for conference delegates, and to facilitate collaboration and networking opportunities with global clients.

Leisure Travel Trade

Leisure travel trade includes photo assignment management, which involves organizing and managing photo assignments for media photographers to document various seasons and regions of Canada. The Commission assigns photographers to specific regions and directs them on the required content to ensure diverse and comprehensive coverage of Canada's landscape and experiences. Revenue is recognized over a period of time as the services are provided over the duration of the contract.

The Commission also provides services such as guided tours, travel packages and promotional merchandise to payors. Revenue from tourism-related services is recognized over a period of time as the payor receives services.

Analytics

The Commission provides data collective subscription services, for which revenue is recognized over a period of time based on the length of the subscription. This platform provides access to comprehensive tourism data, research, and insights in one location, reducing the need to consult multiple data sources and supporting collaboration and innovation.

c) Other revenues

Other revenues consist of cost recoveries from co-location partners in international markets, 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
Computer software	5 years

i) Unearned revenue

Unearned revenue consists of consideration from payors that do not yet qualify for revenue recognition. When revenues are received from payors in advance of the Commission fully satisfying a performance obligation in an exchange transaction, they are recognized as unearned revenue until the performance obligation has been satisfied by the Commission.

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 2024, EARSL has been determined to be 0 years (0 years – 2023) for the Supplementary Retirement Plan for certain employees of the Commission ("SRP"), 10 years (12.4 years – 2023) for the Pension Plan for Employees of the Commission in Japan and China ("WWP"), 0 years (0 years – 2023) for non-pension post-retirement benefits, 14 years (14 years – 2023) for severance benefits and 14 years (14 years – 2023) 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) 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, 2024, and the narrative discussion included in the quarterly financial report. Amounts in these interim financial statements as at June 30, 2025, are unaudited and are presented in Canadian dollars.

4. PARLIAMENTARY APPROPRIATIONS

Parliamentary appropriations approved for the government fiscal period April 1, 2025 to March 31, 2026, are $115.0 which includes $95.5M base funding, $19.5M ICAF funding from the 2023 Federal Budget. The Commission does not have the authority to exceed approved appropriations.

5. ACCUMULATED SURPLUS (000S)

The accumulated surplus is comprised of:

(in thousands)	June 30, 2025	December 31, 2024
Accumulated operating surplus	$ 15,086	$ 9,033
Accumulated remeasurement gain	2	119
Accumulated surplus	$ 15,088	$ 9,152

6. TANGIBLE CAPITAL ASSETS (000S)

(in thousands)	Computer Hardware	Computer Software	Leasehold Improvements	Office Furniture	Jun 30, 2025
Cost of tangible capital assets, opening	1,076	1,096	1,858	691	4,721
Acquisitions	23	320	11	29	383
Disposals	(115)	-	-	-	(115)
Cost of tangible capital assets, closing	984	1,416	1,869	720	4,989
Accumulated amortization, opening	868	110	1,653	435	3,066
Amortization expense	74	117	98	37	326
Disposals	(115)	-	-	-	(115)
Accumulated amortization, closing	827	227	1,751	472	3,277
Net book value	157	1,189	118	248	1,712

(in thousands)	Computer Hardware	Computer Software	Leasehold Improvements	Office Furniture	2024 Total
Cost of tangible capital assets, opening	1,000	-	1,824	654	3,478
Acquisitions	87	1,096	34	37	1,254
Disposals	(11)	-	-	-	(11)
Cost of tangible capital assets, closing	1,076	1,096	1,858	691	4,721
Accumulated amortization, opening	727	-	1,462	358	2,547
Amortization expense	152	110	191	77	530
Disposals	(11)	-	-	-	(11)
Accumulated amortization, closing	868	110	1,653	435	3,066
Net book value	208	986	205	256	1,655

7. International Convention Attraction Fund

In 2024, the Commission launched ICAF, a program to attract major international conventions, conferences and events to Canada. The ICAF is directed through three areas to strengthen Canada's presence: global sales events, marketing and communications, and partnership incentives for Canadian destination marketing organizations (DMOs) that bid on eligible major international conventions.

A DMO must meet certain conditions to receive partnership incentives under the ICAF program; these conditions must also be met for the Commission to recognize the amount in the Statement of Operations:

1. The DMO must meet the eligibility criteria established by the Commission to receive the fund; and
2. The transfer to the DMO must be authorized by the Commission by the financial statement date.

As of June 2025, the Commission has recognized $11,409,428 under Marketing and Sales in the Statement of Operations.

8. Subsequent Events

US-Canada Economic and Trade Developments

The duration and economic severity of tariffs on the economy and trade between the US and Canada on the Commission’s operations are currently unknown. As a result, an estimate of the financial impact of these developments on the Commission’s future results of operations and financial position cannot be made at this time.

Management continues to monitor the situation and assess potential implications for tourism demand and cost structures. Any material impacts will be reflected in future reporting periods as more information becomes available.