Canadian Tourism Commission

Quarterly Financial Report for the quarter ending June 30, 2024

Canadian Tourism Commission
Narrative Discussion
June 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 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 to visitors and to enhance the quality of life of Canadian residents across the nation.

Narrative Discussion

The Narrative Discussion contained herein applies to the quarter.

Canadian Tourism Commission
Narrative Discussion
June 30, 2024

Quarterly Results
(in thousands)

	Three months ended June 30, 2024	Three months ended June 30, 2023	Variance
Partner revenues	$ 1,789	$ 723	$ 1,066

The revenue increase in this quarter compared to the same period last year is primarily due to expanded partnerships with provincial and territorial marketing organizations, as well as national, regional, and local companies. The increase includes $235K from enhanced marketing programs in the U.S. and Business Events markets. Additionally, new initiatives such as the National Geographic, Urban Hub Pilot, and Canadian Data Tourism Collective projects contributed $672K, further boosting our revenue.

Interest revenue	272	265	7

Interest revenue experienced a modest increase in Q2 of the current year, driven by a slightly higher average balance of $22.6 million compared to $22.3 million during the same period last year.

Other revenue	157	151	6

Other revenue includes operational recoveries within the China office and recoveries of commodity taxes.

Marketing and sales expenses	17,700	18,801	(1,101)

In 2024, the marketing and sales budget was reduced compared to 2023, leading to decreased spending. This reduction is primarily attributed to the expiration of one-time special funding, which resulted in a $5.2 million decrease in program expenses. However, there was an additional $1 million spent on Business Events due to the launch of the International Convention Attraction Fund in 2024. Additionally, the U.S. market saw an increase in base funding of $3.1 million to support campaigns like National Geographic: Return to the Wild.

Analytics	2,630	3,332	(702)

The reduction is primarily due to the expiration of one-time special funding, leading to the discontinuation of research projects valued at $430,000. Additionally, there was a $292,000 decrease in spending as some research projects were deferred to future quarters. However, there was a $40,000 increase in spending due to the launch of the new Innovation Business Unit.

Corporate services	3,011	2,674	337

The Corporate Services and Strategy spending for Q2 2024 is higher than the same period last year, primarily due to a $262,000 increase in operating costs and an additional $51,000 spent on new partnerships within the VP Strategy and Stakeholder Relations unit.

Destination Stewardship	468	701	(233)

Destination Stewardship expenses are lower in Q2 2024 compared to the same period last year due to the Destination Development Symposium event which was not being held in 2024.

Parliamentary appropriations	19,425	30,886	(11,461)

Variances are largely due to timing and/or variability of cash flow needs. From a core cash flow needs perspective it is consistent year on year with the exception of receipt of a compensation adjustment in April (1.7M).

Canadian Tourism Commission
Narrative Discussion
June 30, 2024

Year to Date Results
(in thousands)

	Six months ended June 30, 2024	Six months ended June 30, 2023	Variance
Partner revenues	$ 3,051	$ 871	$ 2,180

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 quarter of the previous year. This growth in revenue can be attributed to marketing programs that have attracted more partner co-investment, amounting to $818,000 in the U.S. and Business Events markets. Additionally, the introduction of projects such as the National Geographic, Urban Hub Pilot, and Canadian Data Tourism Collective contributed $1.08 million.

Interest revenue	455	532	(77)

Interest revenue saw a slight decrease in 2024 due to the average balance of $18 million being slightly lower than the previous year's average balance of $20 million.

Other revenue	316	304	12

Other revenue includes operational recoveries within the China office and recoveries of commodity taxes.

Marketing and sales expenses	30,717	39,207	(8,490)

The marketing and sales budget for 2024 was reduced compared to 2023, leading to decreased spending levels. This reduction is primarily due to the expiration of one-time special funding, resulting in a $10 million decrease in program expenses. However, Business Events incurred new spending of $1.4 million due to the launch of the International Convention Attraction Fund in 2024.

Analytics	5,087	6,328	(1,241)

The decrease is primarily attributed to the conclusion of one-time special funding, leading to a $1.2 million reduction in overall program spending. This decrease largely stems from the discontinuation of certain research initiatives in 2024.

Corporate services	5,864	5,383	481

The Corporate Services and Strategy spending for the year-to-date in 2024 is higher compared to the same period last year. This increase is primarily due to a $325,000 rise in operating costs and an additional $81,000 spent on new partnerships within the VP Strategy and Stakeholder Relations unit.

Destination Stewardship	748	987	(239)

Year-to-date, Destination Stewardship expenses are lower in 2024 compared to the same period last year, primarily because the Destination Development Symposium event was not being held in 2024.

Parliamentary appropriations	55,886	54,035	1,851

Variances are largely due to timing and/or variability of cash flow needs. From a core cash flow needs perspective it is consistent year on year with the exception of receipt of a compensation adjustment in April (1.7M).

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 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 Q2:** ●

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. Any fluctuations in the USA market, including economic conditions, political changes, or socio-cultural shifts, can have a profound impact on the number of American travellers visiting Canada.

- **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 Q2:** ●

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):**
  DC has been proactively preparing for the potential impact of natural disasters, including wildfires, which have been a recurring challenge in recent summers. Natural disasters deter travel to affected regions, leading to a 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 can affect the overall attractiveness of Canada as a travel destination. To prepare for natural disasters, DC has put together an emergency response plan that focuses on supporting local and provincial emergency responses and communicating with affected stakeholders.

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

SOCIAL	**2023:**	**2024 Q2:**

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 to garner momentum behind public and policy support.

GOVERNANCE	**2023:**	**2024 Q2:**

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
June 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
August 21, 2024

Meaghan Ferrigno

Senior VP, Chief Data and Analytics Officer and CFO
Vancouver, Canada
August 21, 2024

Canadian Tourism Commission

Statement of Financial Position

As at June 30, 2024

(in thousands of Canadian dollars)

	June 30, 2024	December 31, 2023
Financial assets		
Cash and cash equivalents	20,184	5,745
Accounts receivable		
Government of Canada	236	1,448
Partner	1,032	500
Other - Agency Credit	5	205
Other	-	6
Accrued benefit asset	2,172	2,172
Portfolio investments	1,011	994
	24,640	11,070
Liabilities		
Accounts payable and accrued liabilities		
Trade	7,435	16,281
Employee compensation	2,208	2,439
Government of Canada	313	807
Accrued benefit liability	2,300	2,330
Deferred revenue	8,815	384
Deferred lease inducements	139	188
Asset retirement obligation	112	112
	21,322	22,541
Net (debt) financial assets	3,318	(11,471)
Non-financial assets		
Prepaid expenses	5,232	2,653
Tangible capital assets	718	931
	5,950	3,584
Accumulated surplus (deficit)	9,268	(7,887)

Canadian Tourism Commission

Statement of Operations

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

	Six months ended June 30	
	2024	**2023**
Revenues		
Partner revenues	3,051	871
Interest Income	455	532
Other	316	304
	3,822	1,707
Expenses		
Marketing and sales	30,717	39,207
Analytics	5,087	6,328
Corporate services	5,864	5,383
Destination stewardship	748	987
Amortization of tangible capital assets	217	156
	42,633	52,061
Net cost of operations before funding from the Government of Canada	(38,811)	(50,354)
Parliamentary appropriations	55,886	54,035
Surplus for the year	17,075	3,681
Accumulated operating (deficit) surplus, beginning of	(7,844)	20,069
Accumulated operating surplus, end of period	9,231	23,750

Canadian Tourism Commission

Statement of Remeasurement Gains and Losses

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

	Six months ended June 30	
	2024	**2023**
Accumulated remeasurement loss, beginning of period	(43)	(69)
Unrealized gain (loss) attributable to foreign exchange	37	(75)
Amounts reclassified to the statement of operations	43	69
Net remeasurement gain (loss) for the year	80	(6)
Accumulated remeasurement gain (loss), end of period	37	(75)

Canadian Tourism Commission

Statement of Change in Net (Debt) Financial Assets

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

	2024	2023
Surplus for the year	17,075	3,681
Acquisition of tangible capital assets	(3)	(2)
Amortization of tangible capital assets	217	156
	214	154
Effect of change in other non-financial assets		
Decrease in prepaid expenses	(2,580)	(9,486)
	(2,580)	(9,486)
Net remeasurement gain (loss)	80	(6)
Increase (decrease) in net financial assets	14,789	(5,657)
Net (debt) financial assets, beginning of period	(11,471)	15,887
Net financial assets, end of period	3,318	10,230

Canadian Tourism Commission

Statement of Cash Flows

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

	2024	2023
Operating transactions:		
Cash received from:		
Parliamentary appropriations used to fund operating and capital transactions	55,886	54,035
Partners	10,950	6,324
Other	267	255
Interest	455	533
Cash paid for:		
Cash payments to suppliers	(42,712)	(54,459)
Cash payments to and on behalf of employees	(10,466)	(10,367)
Cash provided by (used in) operating transactions	14,380	(3,679)
Capital transactions:		
Acquisition of tangible capital assets	(3)	(2)
Cash used in capital transactions	(3)	(2)
Investing transactions:		
Acquisition of portfolio investments	(18)	(119)
Redemption of portfolio investments	-	-
Cash used in investing transactions	(18)	(119)
Net remeasurement gain (loss) for the year	80	(6)
Net increase (decrease) in cash during the period	14,439	(3,806)
Cash and cash equivalents, beginning of period	5,745	27,411
Cash and cash equivalents, end of period	20,184	23,605

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 June 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 June 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:

	June 30, 2024	December 31, 2023
Accumulated operating surplus (deficit)	$ 9,231	$ (7,844)
Accumulated remeasurement gain (loss)	37	(43)
Accumulated surplus (deficit)	$ 9,268	$ (7,887)

6. TANGIBLE CAPITAL ASSETS (000S)

(in thousands)	Computer Hardware	Leasehold Improvements	Office Furniture	June 30, 2024
Cost of tangible capital assets, opening	$ 1,000	$ 1,824	$ 654	$ 3,478
Acquisitions	2		1	3
Disposals	-			-
Cost of tangible capital assets, closing	1,003	1,824	655	3,482
Accumulated amortization, opening	727	1,462	358	2,547
Amortization expense	81	95	41	217
Disposals	-			-
Accumulated amortization, closing	808	1,557	399	2,764
Net book value	$ 195	$ 267	$ 256	$ 718

(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