Canadian Tourism Commission

Quarterly Financial Report for the quarter ending September 30, 2017

Canadian Tourism Commission
Narrative Discussion
September 30, 2017

Introduction

The Canadian Tourism Commission (the “CTC”) is Canada’s national tourism marketing organization. A Crown corporation wholly owned by the Government of Canada, we lead the Canadian tourism industry in marketing Canada as a premiere four-season tourism destination. Reporting to Parliament through the Minister of Small Business and 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, Australia, South Korea, China, India, Brazil and the U.S., targeting leisure travellers and those travelling for business events.

Narrative Discussion

The Narrative Discussion contained herein applies to the quarter.

Quarterly Results

(in thousands)

	Three months ended September 30, 2017	Three months ended September 30, 2016	Variance
Partner revenues	**$ 5,394**	**$ 4,184**	**$ 1,210**

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

Partnership revenues were up relating to the following campaigns and initiatives: the China leisure market ($521K), the Millennial Travel Program (MTP) to be completed in 2017 ($499K), CTC's core leisure markets including UK, Germany, Australia and France ($379K), Business Events Canada events ($236K) and research initiatives ($151K).

This increase in partnership revenues is only partially offset by a slight decrease in our Global Partnership Agreements for the US Connecting America leisure initiatives ($338K) and for Brazil, one of our Emerging Leisure Markets ($169K).

Other revenue	**546**	**380**	**166**

Other revenue, which includes operational recoveries within the China office, interest revenue and credit card rebates, is relatively consistent with Q3 of last year. Slight increase of $166K mainly relates to timing of our international indirect tax returns.

Marketing and sales expenses	**33,105**	**23,187**	**9,918**

The CTC is committed to increase our investment in marketing and sales in 2017. Over the third quarter we have been successful in doing so as we have seen a $9.9M increase in our marketing and sales over Q3 of last year.

The increase in marketing and sales relates to the following campaigns and initiatives: the US Connecting America program caught up from a delay in program spend from first half of 2017 ($7.8M), increased program activity in the China leisure market as co-investments materialized ($2.4M) and increased initiatives in CTC's core and emerging leisure markets ($960K). The full impact of the increased funding is offset by the winding down of the MTP in Q3 ($641K) and less Business Events Canada spend ($390K).

The increased investment in marketing and sales was made possible due to the increased funding provided by the Government of Canada Federal Budget 2016 for Marketing Canada as a Premier Tourist Destination.

Corporate services	**1,631**	**1,457**	**174**

The CTC is dedicated to delivering efficient operations to maximize investment in our programs. Even with the slight increase in spend ($174K), Corporate Services has managed to maintain relatively the same percentage of overall spend from 2016 to 2017. The slight increase is the result of a lower realized foreign exchange gain in Q3.

Strategy and planning	**298**	**263**	**35**

Strategy and planning expenses remained relatively consistent in 2017 compared to 2016.

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Narrative Discussion
September 30, 2017

Year to Date Results

(in thousands)

	Nine months ended September 30, 2017	Nine months ended September 30, 2016	Variance
Partner revenues	$ 14,264	$ 11,730	$ 2,534

The CTC is continuing to expand partnerships with provincial and territorial marketing organizations, national, regional and local companies, destination marketers and tourism associations. This is reflected in our Q3 partnership revenues which increased by $2.5M over last year.

Partnership revenues were up relating to the following campaigns and initiatives: the Millennial Travel Program (MTP) with expected completion in 2017 ($1.6M), CTC's core leisure markets including UK, Germany, Australia and France ($410K), research initiatives ($291K), Business Events Canada events ($228K), the China leisure market ($132K) and increased interest in Global Partnership Agreements for US Connecting America initiatives ($251K).

The increase in partnership revenues is only partially offset by a decrease from Mexico and Brazil, two of our Emerging Leisure Markets ($314K).

Other revenue	1,104	954	150

Other revenue, which includes operational recoveries within the China office, interest revenue and credit card rebates, is relatively consistent with last year. The slight increase of $150K is a result of reconciling foreign exchange differences on previously billed agency invoices.

Marketing and sales expenses	69,666	54,989	14,677

The CTC is committed to increase our investment in marketing and sales in 2017. We have been successful in doing so as we have seen a $14.7M increase in marketing and sales over last year.

The most significant increases in marketing and sales relates to the following campaigns and initiatives: the US Connecting America program caught up from a delay in program spend in the first half of 2017 ($5.7M), CTC's core and emerging leisure markets ($4.1M) specifically within UK, South Korea, France and Germany, increased program activity in our China leisure market as co-investments materialized ($2.4M) and the MTP to be completed in 2017 ($1.9M).

The increased investment in marketing and sales was made possible due to the increased funding provided by the Government of Canada Federal Budget 2016 for Marketing Canada as a Premier Tourist Destination.

Corporate services	5,191	4,074	1,117

The CTC is dedicated to delivering efficient operations to maximize investment in our programs. Even with the increase in spend ($1.1M), Corporate Services has managed to maintain the same relative percentage of overall spend from 2016 to 2017. The increase is the result of completed corporate service staffing, 2017 Collective Bargaining professional fees and increased participation in employee training.

Strategy and planning	875	477	398

Strategy and planning expenses increased by $363K largely as a result of staffing changes in 2017 compared to 2016.

Risks and uncertainties

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

The risks outlined in the 2017-2021 Corporate Plan risk exercise as potentially impacting our organizational objectives are highlighted below.

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

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

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

  Mitigation activities: CTC is using a two-pronged approach to mitigate this risk: utilizing the latest technology in order to measure the results of its marketing efforts; and, working with its partners to standardize performance measurement approaches. Progress has been made in the last year to align CTC's performance measurement efforts to both service the organization and meet stakeholder needs.

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

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

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

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

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

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

- **Change and talent management**
  In response to CTC's strategic shift to be a media and agency-based organization, the prior year's corporate plan identified two separate moderate risks related to change management and talent management. This reflected the significance of the change to the organization as well as the people who work there. In 2016 these risks were combined to reflect their complimentary nature and the mitigations implemented by management: the turnover experienced to date has enabled CTC to refresh its workforce and build the skills to support the new strategic direction. In addition, this move to a media and agency-based organization has created tremendous attraction, resulting in very effective recruiting initiatives. Both the change management and talent management risks, being appropriately managed, have resulted in opportunities for the organization.

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

Significant changes to programs, personnel and operations

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

Statement of Management Responsibility by Senior Officials

Management is responsible for the preparation and fair presentation of these quarterly financial statements in accordance with the Treasury Board of Canada Standard on Quarterly Financial Reports for Crown Corporations, and for such internal controls as management determines is necessary to enable the preparation of quarterly financial statements that are free from material misstatement. Management is also responsible for ensuring all other information in this quarterly financial report is consistent, where appropriate, with the quarterly financial statements.

Based on our knowledge, these unaudited quarterly financial statements present fairly, in all material respects, the financial position, results of operations and cash flows of the corporation, as at the date of and for the periods presented in the quarterly financial statements.

David F. Goldstein

President and CEO
Vancouver, Canada
November 26, 2017

Anwar Chaudhry

SVP Finance and Risk Management, and CFO
Vancouver, Canada
November 26, 2017

Canadian Tourism Commission

Statement of Financial Position

As at September 30, 2017

(in thousands)

	September 30, 2017	December 31, 2016
Financial assets		
Cash and cash equivalents	$ 36,190	$ 21,288
Accounts receivable		
Partnership contributions	1,905	1,353
Government of Canada	2,432	1,034
Other	36	26
Accrued benefit asset	13,051	13,051
Portfolio investments	474	463
	54,088	37,215
Liabilities		
Accounts payable and accrued liabilities		
Trade	17,523	11,049
Employee compensation	1,287	1,215
Government of Canada	2	81
Accrued benefit liability	5,864	5,919
Deferred revenue	4,643	1,476
Deferred lease inducements	838	931
Asset retirement obligation	164	164
	30,321	20,835
Net financial assets	23,767	16,380
Non-financial assets		
Prepaid expenses and other assets	5,600	1,402
Tangible capital assets	1,778	1,974
	7,378	3,376
Accumulated surplus	$ 31,145	$ 19,756

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Statement of Operations

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

	Three months ended September 30		Nine months ended September 30	
	2017	2016	2017	2016
Revenues				
Partner revenues	$ 5,394	$ 4,184	$ 14,264	$ 11,730
Other	546	380	1,104	954
	5,940	4,564	15,368	12,684
Expenses				
Marketing and sales	33,105	23,187	69,666	54,989
Corporate services	1,631	1,457	5,191	4,074
Strategy and planning	298	263	875	477
Amortization of tangible capital assets	93	74	272	212
	35,127	24,981	76,004	59,752
Net cost of operations before funding from the Government of Canada	(29,187)	(20,417)	(60,636)	(47,068)
Parliamentary appropriations	26,449	29,869	72,067	64,570
(Deficit)/ Surplus for the period	(2,738)	9,452	11,431	17,502
Accumulated operating surplus, beginning of period	33,978	24,425	19,809	16,375
Accumulated operating surplus, end of period	$ 31,240	$ 33,877	$ 31,240	$ 33,877

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Statement of Remeasurement Gains and Losses

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

	Three months ended September 30		Nine months ended September 30	
	2017	2016	2017	2016
Accumulated remeasurement gain/ (loss), beginning of period	$ 63	$ 573	$ (53)	$ 593
Unrealized (loss)/ gain attributable to foreign exchange	(158)	30	(95)	603
Amounts reclassified to the statement of operations	-	-	53	(593)
Net remeasurement (loss)/ gain for the period	(158)	30	(42)	10
Accumulated remeasurement (loss)/ gain, end of period	$ (95)	$ 603	$ (95)	$ 603

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Statement of Change in Net Financial Assets

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

	Three months ended September 30		Nine months ended September 30	
	2017	2016	2017	2016
(Deficit)/ Surplus for the period	$ (2,738)	$ 9,452	$ 11,431	$ 17,502
Acquisition of tangible capital assets	(12)	(49)	(76)	(372)
Amortization of tangible capital assets	93	74	272	212
Net disposition of tangible capital assets	-	-	-	-
	81	25	196	(160)
Effect of change in other non-financial assets				
Increase in prepaid expenses	(183)	(3,940)	(4,198)	(6,954)
	(183)	(3,940)	(4,198)	(6,954)
Net remeasurement (loss)/ gain	(158)	30	(42)	10
(Decrease)/ Increase in net financial assets	(2,998)	5,567	7,387	10,398
Net financial assets, beginning of period	26,765	18,862	16,380	14,031
Net financial assets, end of period	$ 23,767	$ 24,429	$ 23,767	$ 24,429

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Statement of Cash Flows

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

	Three months ended September 30		Nine months ended September 30	
	2017	2016	2017	2016
Operating transactions:				
Cash received from:				
Parliamentary appropriations used to fund operating and capital transactions	$ 26,449	$ 29,869	$ 72,067	$ 64,570
Partners	4,805	8,420	16,879	19,912
Other	461	328	841	843
Interest	54	52	170	111
	31,769	38,669	89,957	85,436
Cash paid for:				
Cash payments to suppliers	(22,931)	(23,691)	(65,365)	(64,293)
Cash payments to and on behalf of employees	(2,828)	(2,672)	(9,561)	(9,630)
Cash provided by operating transactions	6,010	12,306	15,031	11,513
Capital transactions:				
Acquisition of tangible capital assets	(12)	(49)	(76)	(372)
Disposition of tangible capital assets	-	-	-	-
Cash used in capital transactions	(12)	(49)	(76)	(372)
Investing transactions:				
Increase in portfolio investments	(4)	(4)	(11)	(12)
Cash provided by investment transactions	(4)	(4)	(11)	(12)
Net remeasurement (loss)/ gain for the period	(158)	30	(42)	10
Net increase in cash during the period	5,836	12,283	14,902	11,139
Cash and cash equivalents, beginning of period	30,354	15,472	21,288	16,616
Cash and cash equivalents, end of period	$ 36,190	$ 27,755	$ 36,190	$ 27,755

1. Authority and objectives

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

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

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

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

In July 2015, the CTC was issued directive PC 2015-1109 pursuant to section 89 of the *Financial Administration Act* to align its travel, hospitality, conference and event expenditure policies, guidelines and practices with Treasury Board policies, directives and related instruments on travel, hospitality, conference and event expenditures in a manner that is consistent with its legal obligations, and to report on the implementation of this directive in the CTC's next corporate plan. The CTC implemented its new Travel, Hospitality, Conference, and Event Expenditures Policy on August 21, 2015 which complied with the requirements of the directive.

2. Significant accounting policies

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

a) Parliamentary appropriations

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

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

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

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

b) Partnership contributions

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

c) Other revenues

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

d) Foreign currency translation

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

e) Cash and cash equivalents

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

f) Portfolio investments

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

g) Prepaid expenses

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

h) Tangible capital assets

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

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

Intangible assets are not recognized in these financial statements.

i) Deferred revenue

Deferred revenue consists of deferred revenues from partnering organizations which are recognized as revenues based on an event's date or a license period.

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

l) Employee future benefits

The CTC offers a number of funded, partly funded and unfunded defined benefit pension plans, other unfunded defined benefit plans (which include post-employment benefits, post-retirement benefits and non-vested sick leave), as well as defined contribution pension plans. The pension plans include 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 will be closed effective December 30, 2017 and benefits and service of plan participants will be frozen as of that date. The CTC funds certain pension plans annually based on actuarially determined amounts needed to satisfy employee future benefit entitlements under current benefit regulations. Cost of living adjustments are automatically provided for retirees in accordance with Consumer Price Index increases.

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

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

Actuarial gains and losses are amortized over expected average remaining service lifetime ("EARSL") of active employees. For 2016, EARSL has been determined to be 8.6 years (8.9 years - 2015) for the Registered Pension Plan for Employees of the CTC ("RPP"), 0.0 years (0.0 years - 2015) for the Supplementary Retirement Plan for certain employees of the CTC ("SRP"), 12.2 years (12.6 years - 2015) for the Pension Plan for Employees of the CTC in Japan, South Korea and China ("WWP"), 7 years (7 years - 2015) for non-pension post-retirement benefits, 13 years (13 years - 2015) for severance benefits and 13 years (13 years - 2015) for sick leave benefits.

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

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 Canadian 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, the useful lives for amortization of tangible capital assets and the fair value of the asset retirement obligation.

o) Related party transactions

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

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

Audit services are provided without charge from the Office of the Auditor General of Canada to the CTC for the annual audit of the financial statements. In the normal course of business, the CTC receives in-kind contributions from its partners including the transfer of various types of goods and services to assist in the delivery of programs. These in-kind contributions received are not recognized in the financial statements.

3. Financial statement presentation

These unaudited interim financial statements should be read in conjunction with the annual financial statements of the Canadian Tourism Commission (the "Commission") as at and for the year ended December 31, 2016 and the narrative discussion included in the quarterly financial report. Amounts in these interim financial statements as at September 30, 2017 are unaudited and are presented in Canadian dollars.

4. Parliamentary appropriations

Parliamentary appropriations approved for the Government fiscal period April 1, 2017 to March 31, 2018 are $95.5M which includes $25.0M relating to the 2016 Federal Budget – Marketing Canada as a Premier Tourist Destination and $12.5M relating to the US Connecting America marketing campaign (April 1, 2016 to March 31, 2017 $70.5M). The Commission does not have the authority to exceed approved appropriations.

5. Accumulated surplus (000s)

The accumulated surplus is comprised of:

	September 30, 2017	December 31, 2016
Accumulated operating surplus	$ 31,240	$ 19,809
Accumulated remeasurement gain	(95)	(53)
Accumulated surplus	$ 31,145	$ 19,756

6. Tangible capital assets (000s)

	Computer Hardware	Computer Software	Leasehold Improvements	Office Furniture	Asset Retirement Cost	Q3 2017
Cost of tangible capital assets, opening	$ 550	$ 19	$ 1,868	$ 275	$ 112	$ 2,824
Acquisitions	67		9			76
Disposals						-
Cost of tangible capital assets, closing	617	19	1,877	275	112	2,900
Accumulated amortization, opening	330	16	374	118	12	850
Amortization expense	81	1	148	34	8	272
Disposals						-
Accumulated amortization, closing	411	17	522	152	20	1,122
Net book value	$ 206	$ 2	$ 1,355	$ 123	$ 92	$ 1,778

	Computer Hardware	Computer Software	Leasehold Improvements	Office Furniture	Asset Retirement Cost	2016 Total
Cost of tangible capital assets, opening	$ 327	$ 19	$ 1,594	$ 275	$ 112	$ 2,327
Acquisitions	223		274			497
Disposals						-
Cost of tangible capital assets, closing	550	19	1,868	275	112	2,824
Accumulated amortization, opening	265	15	187	71	1	539
Amortization expense	65	1	187	47	11	311
Disposals						-
Accumulated amortization, closing	330	16	374	118	12	850
Net book value	$ 220	$ 3	$ 1,494	$ 157	$ 100	$ 1,974