

# **Canadian Tourism Commission**

**Quarterly Financial Report for the quarter ending  
June 30, 2016**

**Canadian Tourism Commission  
Narrative Discussion  
June 30, 2016**

**Introduction**

The Canadian Tourism Commission (the “CTC”) is Canada’s national tourism marketing organization. A Crown corporation wholly owned by the Government of Canada, we lead the Canadian tourism industry in marketing Canada as a premiere four-season tourism destination. Reporting to Parliament through the Minister of Industry, our legislation requirements are outlined in the Canadian Tourism Commission Act.

The CTC runs marketing campaigns in international markets such as the U.K., Germany, France, Mexico, Japan, Australia, South Korea, China, India, Brazil and the U.S., targeting leisure travellers and those travelling for business events.

**Narrative Discussion**

The Narrative Discussion contained herein applies to the quarter.

**Canadian Tourism Commission  
Narrative Discussion  
June 30, 2016**

**Quarterly Results**

(in thousands)

	<b>Three months ended June 30, 2016</b>	<b>Three months ended June 30, 2015</b>	<b>Variance</b>
<b>Partner revenues</b>	<b>\$ 5,349</b>	<b>\$ 2,250</b>	<b>\$ 3,099</b>

Destination Canada ("DC") is continuing to expand partnerships with provincial and territorial marketing organizations, national, regional and local companies, destination marketers and tourism associations. Our success is clearly reflected in our Q2 Partnership revenues which increased by \$3.1M to our highest Q2 level recorded.

Our most significant increases relate to two major campaigns: the 2016 Connecting America marketing initiative (\$2.3M), and the 2016 Bell Media Millennial project targeting the youth segment (\$1.0M). Partnership revenues were also up in several of our markets, in particular China and Mexico.

<b>Other revenue</b>	<b>384</b>	<b>257</b>	<b>127</b>
----------------------	------------	------------	------------

Other revenue, which includes interest and credit card rebates, grew by \$127K over Q2 of last year as a result of increased Value Added Tax refunds from Australia and Japan of \$157K.

<b>Marketing and sales expenses</b>	<b>21,754</b>	<b>12,701</b>	<b>9,053</b>
-------------------------------------	---------------	---------------	--------------

As part of our 2016-2020 Corporate Plan, DC is committed to increase our investment in marketing and sales in 2016. We accomplished this through efficiencies gained in corporate administration and reallocating these funds to marketing. In addition, we acquired new incremental funding from the Shareholder which we directed into marketing. The net result is a \$9.1M increase in marketing and sales expenditures over Q2 of last year. The most significant increase is in support of our Connecting America marketing initiative (\$9.1M).

<b>Corporate services</b>	<b>1,263</b>	<b>1,858</b>	<b>(595)</b>
---------------------------	--------------	--------------	--------------

DC is dedicated to delivering increasingly efficient operations to maximize investment in our programs. In our 2016 plan, DC set out to decrease the cost of corporate services as a percent of overall spending. We delivered on this commitment - Corporate services spending fell by \$595K from Q2 of last year. This decrease is largely the result of savings materialized in office lease expenditures driven by our move to more cost effective accommodations, a reduced footprint, and reduced professional fees.

<b>Strategy and planning</b>	<b>41</b>	<b>145</b>	<b>(104)</b>
------------------------------	-----------	------------	--------------

Strategy and planning expenses fell by \$104K from Q2 2015 largely as a result of staffing changes.

**Canadian Tourism Commission  
Narrative Discussion  
June 30, 2016**

**Year to Date Results**

(in thousands)

	<b>Six months ended June 30, 2016</b>	<b>Six months ended June 30, 2015</b>	<b>Variance</b>
<b>Partner revenues</b>	<b>\$ 7,546</b>	<b>\$ 4,678</b>	<b>\$ 2,868</b>

Destination Canada ("DC") is continuing to expand partnerships with provincial and territorial marketing organizations, national, regional and local companies, destination marketers and tourism associations. Our success is clearly reflected in our partnership revenues which increased by \$2.9M over the six months ended June 30.

Our most significant increases relate to two major campaigns: the 2016 Connecting America marketing initiative (\$2.8M), and the 2016 Bell Media Millennial project targeting the youth segment (\$1.0M). Partnership revenues were also up in several of our markets, in particular Japan (\$100K) and Mexico (\$135K). These increases were partially offset by the absence of Follow the Global Customer and Parks Canada initiatives that were completed in 2015 (\$553K).

<b>Other revenue</b>	<b>574</b>	<b>440</b>	<b>134</b>
----------------------	------------	------------	------------

Other revenue, which includes interest and credit card rebates, grew by \$134K over Q2 of last year as a result of increased Value Added Tax refunds from Australia and Japan of \$157K.

<b>Marketing and sales expenses</b>	<b>31,802</b>	<b>21,151</b>	<b>10,651</b>
-------------------------------------	---------------	---------------	---------------

As part of our 2016-2020 Corporate Plan, Destination Canada is committed to increase our investment in marketing and sales in 2016. We accomplished this through efficiencies gained in corporate administration and reallocating these funds to marketing. In addition, we acquired new incremental funding from the Shareholder which we directed into marketing. The net result is a \$10.7M increase in marketing and sales expenditures over last year. The most significant increase is in support of our Connecting America marketing initiative (\$10.7M). We also spent \$1.6M more in China during the first six months of the year on increased trade marketing initiatives, and media and marketing promotion campaigns spending earlier in the year compared to last year. These increases are partially offset by a delay in Business Events Canada projects (\$1.1M) and lower Follow the Global Customer expenses (\$517K).

<b>Corporate services</b>	<b>2,617</b>	<b>3,683</b>	<b>(1,066)</b>
---------------------------	--------------	--------------	----------------

DC is dedicated to delivering increasingly efficient operations to maximize investment programs. In our 2016 plan, DC set out to decrease the cost of corporate services as a percent of overall spending. We delivered on this commitment - Corporate services spending fell by \$1.1M for the six months ended June 30, as compared to last year. This decrease is largely the result of savings materialized in office lease expenditures driven by our headquarters move to more cost effective accommodations (\$418K) and professional fees (\$169K).

<b>Strategy and planning</b>	<b>214</b>	<b>295</b>	<b>(81)</b>
------------------------------	------------	------------	-------------

Strategy and planning expenses fell by \$81K largely as a result of staffing changes.

## **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 identified during the 2015 risk exercise as potentially impacting our organizational objectives are highlighted below.

- **Marketing effectiveness**

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

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

- **Performance measurement**

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

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

- **Privacy**

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

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

- **Currency**

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

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

- **Global economic, geo-political and security issues**

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

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

- **Talent management**

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

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

- **Change management**

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

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

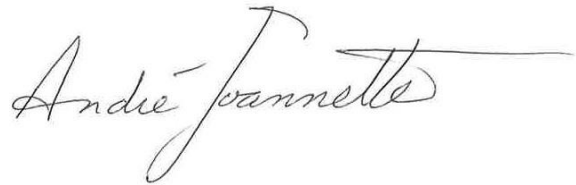
### **Significant changes to programs, personnel and operations**

There are no significant changes to programs, 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  
August 17, 2016*

---

André Joannette

*VP, Finance and Operations and CFO  
Vancouver, Canada  
August 17, 2016*

**Destination Canada****Statement of Financial Position**

As at June 30, 2016

*(in thousands)*

	June 30, 2016	December 31, 2015
<b>Financial assets</b>		
Cash and cash equivalents	\$ 15,472	\$ 16,616
Accounts receivable		
Partnership contributions	2,612	2,369
Government of Canada	742	238
Other	(6)	12
Accrued benefit asset	12,988	12,288
Portfolio investments	512	504
	<u>32,320</u>	<u>32,027</u>
<b>Liabilities</b>		
Accounts payable and accrued liabilities		
Trade	1,883	9,593
Employee compensation	931	1,310
Government of Canada	1	601
Accrued benefit liability	5,928	5,966
Deferred revenue	4,551	362
Asset retirement obligation	164	164
	<u>13,458</u>	<u>17,996</u>
<b>Net financial assets</b>	<u>18,862</u>	<u>14,031</u>
Non-financial assets		
Prepaid expenses and other assets	4,162	1,149
Tangible capital assets	1,974	1,788
	<u>6,136</u>	<u>2,937</u>
<b>Accumulated surplus</b>	<u>\$ 24,998</u>	<u>\$ 16,968</u>



**Destination Canada****Statement of Operations**

For the three and six months ended June 30  
(in thousands)

	Three months ended June 30		Six months ended June 30	
	2016	2015	2016	2015
<b>Revenues</b>				
Partner revenues	\$ 5,349	\$ 2,250	\$ 7,546	\$ 4,678
Other	384	257	574	440
	<u>5,733</u>	<u>2,507</u>	<u>8,120</u>	<u>5,118</u>
<b>Expenses</b>				
Marketing and sales	21,754	12,701	31,802	21,151
Corporate services	1,263	1,858	2,617	3,683
Strategy and planning	41	145	214	295
Amortization of tangible capital assets	78	89	138	177
	<u>23,136</u>	<u>14,793</u>	<u>34,771</u>	<u>25,306</u>
Net cost of operations before funding from the Government of Canada	(17,403)	(12,286)	(26,651)	(20,188)
Parliamentary appropriations	22,619	14,494	34,701	27,379
<b>Surplus for the period</b>	<u>5,216</u>	<u>2,208</u>	<u>8,050</u>	<u>7,191</u>
<b>Accumulated operating surplus, beginning of period</b>	19,209	16,667	16,375	11,684
<b>Accumulated operating surplus, end of period</b>	<u>\$ 24,425</u>	<u>\$ 18,875</u>	<u>\$ 24,425</u>	<u>\$ 18,875</u>

**Destination Canada****Statement of Remeasurement Gains and Losses**

For the three and six months ended June 30

*(in thousands)*

	Three months ended June 30		Six months ended June 30	
	2016	2015	2016	2015
<b>Accumulated remeasurement gain, beginning of period</b>	\$ 559	\$ 461	\$ 593	\$ 238
Unrealized gain/(loss) attributable to foreign exchange	14	(5)	573	456
Amounts reclassified to the statement of operations	-	-	(593)	(238)
Net remeasurement gain/(loss) for the period	14	(5)	(20)	218
<b>Accumulated remeasurement gain, end of period</b>	<b>\$ 573</b>	<b>\$ 456</b>	<b>\$ 573</b>	<b>\$ 456</b>

**Destination Canada****Statement of Change in Net Financial Assets**

For the three and six months ended June 30  
(in thousands)

	Three months ended June 30		Six months ended June 30	
	2016	2015	2016	2015
<b>Surplus for the period</b>	\$ 5,216	\$ 2,208	\$ 8,050	\$ 7,191
Acquisition of tangible capital assets	(204)	(13)	(323)	(36)
Amortization of tangible capital assets	78	89	138	177
Net disposition of tangible capital assets	-	-	-	4
	(126)	76	(185)	145
<b>Effect of change in other non-financial assets</b>				
Increase in prepaid expenses	(2,168)	(617)	(3,014)	(2,110)
	(2,168)	(617)	(3,014)	(2,110)
Net remeasurement gain/(loss)	14	(5)	(20)	218
Increase in net financial assets	2,936	1,662	4,831	5,444
<b>Net financial assets, beginning of period</b>	15,926	13,589	14,031	9,807
<b>Net financial assets, end of period</b>	<b>\$ 18,862</b>	<b>\$ 15,251</b>	<b>\$ 18,862</b>	<b>\$ 15,251</b>

**Destination Canada****Statement of Cash Flows**

For the three and six months ended June 30  
(in thousands)

	Three months ended June 30		Six months ended June 30	
	2016	2015	2016	2015
<b>Operating transactions:</b>				
Cash received from:				
Parliamentary appropriations used to fund operating and capital transactions	\$ 22,619	\$ 14,494	\$ 34,701	\$ 27,379
Partners	6,926	4,439	11,492	7,550
Other	344	210	515	352
Interest	40	47	59	88
	29,929	19,190	46,767	35,369
Cash paid for:				
Cash payments to suppliers	(23,606)	(11,114)	(40,602)	(24,449)
Cash payments to and on behalf of employees	(4,101)	(3,250)	(6,958)	(7,242)
Cash provided by operating transactions	2,222	4,826	(793)	3,678
<b>Capital transactions:</b>				
Acquisition of tangible capital assets	(204)	(13)	(323)	(36)
Disposition of tangible capital assets	-	-	-	4
Cash used in capital transactions	(204)	(13)	(323)	(32)
<b>Investing transactions:</b>				
Disposition of portfolio investments	(8)	(5)	(8)	(9)
Cash used in investment transactions	(8)	(5)	(8)	(9)
<b>Net remeasurement (loss) / gain for the period</b>	14	(5)	(20)	218
<b>Net decrease in cash during the period</b>	2,024	4,803	(1,144)	3,855
<b>Cash and cash equivalents, beginning of period</b>	13,448	13,800	16,616	14,748
<b>Cash and cash equivalents, end of period</b>	\$ 15,472	\$ 18,603	\$ 15,472	\$ 18,603

**Canadian Tourism Commission**  
**Notes to the Quarterly Financial Statements**  
**June 30, 2016**

**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.

**Canadian Tourism Commission**  
**Notes to the Quarterly Financial Statements**  
**June 30, 2016**

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

**b) Partnership contributions**

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

**c) Other revenues**

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

**d) Foreign currency translation**

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

**e) Cash and cash equivalents**

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

**f) Portfolio investments**

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

**g) Prepaid expenses**

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

**h) Tangible capital assets**

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

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

Intangible assets are not recognized in these financial statements.

**Canadian Tourism Commission**  
**Notes to the Quarterly Financial Statements**  
**June 30, 2016**

**i) Deferred revenue**

Deferred revenue consists of deferred revenues from partnering organizations and deferred lease inducements. Deferred revenues from partnering organizations are recognized as revenues based on an event's date or a license period. Deferred revenues relating to lease inducements are recognized as a reduction of lease expense over the term of the lease.

**j) Asset retirement obligation**

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

**k) Employee future benefits**

The CTC offers a number of funded, partly funded and unfunded defined benefit pension plans, other unfunded defined benefit plans (which include post-employment benefits, post-retirement benefits and non-vested sick leave), as well as defined contribution pension plans. The pension plans include statutory plans and a supplemental plan. Other benefit plans include post-employment severance benefits and post-retirement health, dental and life insurance benefits and non-vested sick leave. The defined benefit pension plans provide benefits based on years of service and average pensionable earnings at retirement. The CTC funds certain pension plans annually based on actuarially determined amounts needed to satisfy employee future benefit entitlements under current benefit regulations. Cost of living adjustments are automatically provided for retirees in accordance with Consumer Price Index increases.

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

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

Actuarial gains and losses are amortized over expected average remaining service lifetime ("EARSL") of active employees. For 2015, EARSL has been determined to be 8.9 years (8.7 years - 2014) for the Registered Pension Plan for Employees of the CTC ("RPP"), 0.0 years (8 years - 2014) for the Supplementary Retirement Plan for certain employees of the CTC ("SRP"), 12.6 years (14.3 years - 2014) for the Pension Plan for Employees of the CTC in Japan, South Korea and China ("WWP"), 7 years (7 years - 2014) for non-pension post-retirement benefits, 13 years (13 years - 2014) for severance benefits and 13 years (13 years - 2014) for sick leave benefits.

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

**Canadian Tourism Commission**  
**Notes to the Quarterly Financial Statements**  
**June 30, 2016**

cover any actuarial deficiencies of these plans. Contributions represent the total pension obligations of the CTC for these employees and are charged to operations during the year in which the services are rendered.

**l) Financial instruments**

Financial assets and financial liabilities are measured at amortized cost. Financial assets consist of cash and cash equivalents, accounts receivable, and portfolio investments, while financial liabilities consist of accounts payable and accrued liabilities.

**m) Measurement uncertainty**

The preparation of financial statements in accordance with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the amounts of income and expense during the reporting periods. Actual results could differ significantly from those estimates. The most significant estimates involve the determination of employee future benefits and related accrued benefit asset valuation, the useful lives for amortization of tangible capital assets and the fair value of the asset retirement obligation.

**n) Related party transactions**

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

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

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

**p) Adoption of new accounting standards**

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

**3. Financial statement presentation**

These unaudited interim financial statements should be read in conjunction with the annual financial statements of the Canadian Tourism Commission (the "Commission") as at and for the year ended December 31, 2015 and the narrative discussion included in the quarterly financial report. Amounts in these interim financial statements as at June 30, 2016 are unaudited and are presented in Canadian dollars.

**4. Parliamentary appropriations**

Parliamentary appropriations approved for the Government fiscal period April 1, 2016 to March 31, 2017 are \$95.5M which includes \$25M relating to the 2016 Federal Budget - Marketing Canada as a Premier Tourist Destination and \$12.5M relating to the Connecting America marketing campaign (April 1, 2015 to March 31, 2016 \$58.0M). The Commission does not have the authority to exceed approved appropriations.



**Canadian Tourism Commission**  
**Notes to the Quarterly Financial Statements**  
**June 30, 2016**

**5. Accumulated surplus (000s)**

The accumulated surplus is comprised of:

	June 30, 2016	December 31, 2015
Accumulated operating surplus	\$ 24,425	\$ 16,375
Accumulated remeasurement gain	573	593
Accumulated surplus	<u>\$ 24,998</u>	<u>\$ 16,968</u>

**6. Tangible capital assets (000s)**

	Computer Hardware	Computer Software	Leasehold Improvements	Office Furniture	Decom- Leaseholds	Q2 2016
Cost of tangible capital assets, opening	\$ 327	\$ 19	\$ 1,594	\$ 275	\$ 112	\$ 2,327
Acquisitions	50		273			323
Disposals						-
Cost of tangible capital assets, closing	<u>377</u>	<u>19</u>	<u>1,867</u>	<u>275</u>	<u>112</u>	<u>2,650</u>
Accumulated amortization, opening	265	15	187	71	1	539
Amortization expense	18		89	24	6	137
Disposals						-
Accumulated amortization, closing	<u>283</u>	<u>15</u>	<u>276</u>	<u>95</u>	<u>7</u>	<u>676</u>
Net book value	<u>\$ 94</u>	<u>\$ 4</u>	<u>\$ 1,591</u>	<u>\$ 180</u>	<u>\$ 105</u>	<u>\$ 1,974</u>

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