Canadian Tourism Commission

Quarterly Financial Report for the quarter ending September 30, 2020

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 premier four-season tourism destination. Reporting to Parliament through the Minister of Economic Development and Official Languages, our legislation requirements are outlined in the Canadian Tourism Commission Act.

The CTC runs marketing campaigns domestically and in international markets such as the U.K., Germany, France, Mexico, Japan, Australia, South Korea, China, India 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 and Year to Date Results

(in thousands)

	Three months ended September 30, 2020	Three months ended September 30, 2019	Variance
Partner revenues	$ (120)	$ 7,369	$ (7,489)

The CTC cancelled various events and year long marketing initiatives in Q3 due to COVID-19. This resulted in a reduction in revenue ($7.5M) across all markets when compared to Q3 2019 mainly due to: Asia Pacific ($2.2M), Europe & India ($1.7M), North America ($1.6M), Business Event ($1.3M), GoMedia ($450K) and Research ($150K).

Marketing activities and recognition of the related revenue paused at the end of March and resumed in September 2020. Management will continue to monitor the impact of the coronavirus outbreak and will adjust revenue in the future in accordance with amended partnership contracts.

Other revenue	365	448	(83)

Other revenue includes operational recoveries within the China office, interest revenues and recoveries of commodity taxes. The variance in Q3 of 2020 relates to a ($115K) decrease in interest earned on bank deposits and the timing of recoveries within the China office. The decrease is offset by $40K commodity tax recoveries.

Marketing and sales expenses	23,504	28,940	(5,436)

Marketing and sales spend is ($5.4M) lower in Q3 2020 compared to the prior year because the coronavirus outbreak caused the CTC to cancel various events and year long marketing initiatives. In Q3 2020, spend was redirected to the Domestic Program which saw an increase in expenses when compared to Q2 2020.

As a result of these cancellations, there has been a reduction in spend in Q3 2020: Asia Pacific ($5.2M), Europe & India ($5.7M), North America ($8.4M) and Business Events ($1.3M). GoMedia show expenses are lower than prior year due to the new format introduced as a result of COVID-19 ($300K). The Domestic Program introduced in Q2 2020 as part of the Response Recovery Resilience (3R) Plan had increase in spend of $15.4M and Research had increase in spend of $340K.

Corporate services	1,747	2,060	(313)

The CTC is dedicated to delivering efficient operations to maximize investment in our programs. The Corporate Services spend for Q3 2020 is lower when compared to Q3 of last year due to a decrease in professional and legal fees in Q3 2020.

Strategy and planning	262	231	31

Strategy and planning spend includes consulting fees, office rent and travel expenses. The $31K increase relates to realignment of costs.

Defined Benefit Pension Adjustment	0	9,633	(9,633)

The CTC transferred the defined benefit obligations to an insurance company through a purchase of an annuity in Q3 2019. This transaction resulted in removing all assets and liabilities under the DB components of the Registered Pension Plan and recorded a non-cash loss of $9.6M.

Parliamentary appropriations	23,916	23,917	(1)

Parliamentary appropriations for Q3 2020 are in line with the previous year and with scheduled drawdowns for 2020.

	Nine months ended September 30, 2020	Nine months ended September 30, 2019	Variance
Partner revenues	**$ 2,929**	**$ 15,652**	**$ (12,723)**

The CTC cancelled various events and year long marketing initiatives in 2020 due to COVID-19. This resulted in a reduction in revenue ($12.7M), across all markets. When compared to the prior year the decrease in revenue is mainly due to: Asia Pacific ($3.8M), Europe & India ($3.2M), North America ($2.6M), Business Events ($2.7M) and Research ($250K).

Marketing activities and recognition of the related revenue paused at the end of March and resumed in September 2020. Management will continue to monitor the impact of the coronavirus outbreak and will adjust revenue in the future in accordance with amended partnership contracts.

Other revenue	**1,131**	**1,363**	**(232)**

Other revenue includes operational recoveries within the China office, interest revenues and recoveries of commodity taxes. The variance in 2020 relates to a ($267K) decrease in interest earned on bank deposits and GST refunds and the timing of recoveries within the China office. The decrease is offset by $40K commodity tax recoveries.

Marketing and sales expenses	**49,692**	**72,837**	**(23,145)**

Marketing and sales spend is ($23.1M) lower in 2020 compared to the prior year and is a result of campaigns and events being cancelled in 2020 due to COVID-19.

As a result of these cancellations, there has been a reduction in 2020 spend: Asia Pacific ($10.5M), Europe & India ($11M), North America ($17M), Business Events ($4.3M) and Research ($370K). Increases in spend were seen in a domestic campaign in Q1 2020 prior to COVID-19, $3.1M and the introduction of the Domestic Program in Q2 2020 as part of the Response Recovery Resilience (3R) Plan, $17.3M.

Corporate services	**5,441**	**5,628**	**(187)**

The CTC is dedicated to delivering efficient operations to maximize investment in our programs. The Corporate Services spend for 2020 is lower when compared to last year mainly due to a decrease in professional and legal fees in 2020.

Strategy and planning	**607**	**631**	**(24)**

Strategy and planning spend includes consulting fees, office rent and travel expenses. The ($24K) decrease relates to realignment of costs.

Defined Benefit Pension Adjustment	**0**	**9,633**	**(9,633)**

The CTC transferred the defined benefit obligations to an insurance company through a purchase of an annuity in 2019. This transaction resulted in removing all assets and liabilities under the DB components of the Registered Pension Plan and recorded a non-cash loss of $9.6M.

Parliamentary appropriations	**71,749**	**73,305**	**(1,556)**

The ($1.5M) variance in parliamentary appropriation for 2020 compared to 2019 is the result of timing differences in scheduled drawdowns on the main estimates and one time funding received in 2019.

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 2020-2024 Corporate Plan which could potentially impact our organizational objectives are highlighted below.

- **Global Economic and Geo-Political**
  There is a risk that the global economy and the economies of the markets where we invest could experience a significant slowdown in growth, changes in the political landscape, an impact from climate change, or changes in security which would impact international travel to Canada.

  Mitigation activities: We will continue to maintain a balanced investment approach across our portfolio of markets and ensure that country budgets are flexible to allow reallocations, if necessary. We will maintain awareness of climate change and its related impact on tourism. We will continue to offer support, tools, assets and sales opportunities to the industry to help withstand these issues, facilitate their export readiness and help grow their businesses.

- **Marketing Effectiveness**
  There is a risk that we are not effective at promoting Canada as a premier tourism destination.

  Mitigation activities: We will continue to use our marketing task forces to address challenges as a collective and strengthen our digital and strategic marketing capabilities. We will continue to analyze and share data and better measure the impact of our marketing efforts.

- **Performance Measurement**
  There is a risk that we will be unable to measure the impact, effectiveness and attributable results of our marketing efforts, including the use of new marketing communications technologies in a manner that is meaningful to our stakeholders.

  Mitigation activities: We will continue to utilize the latest technology to measure the results of our marketing efforts and we will continue working with our partners to standardize performance measurement approaches.

- **Change and Talent Management**
  There is a risk that our dynamic and changing needs for skills and talent to support our business will negatively affect the recruitment of key talent, employee engagement and succession planning, impacting our organization’s efficiency and effectiveness. These market dynamics potentially impact our ability to recruit, maintain employee engagement and ultimately retain staff due to the competition in the marketplace for these skills, which are new and in demand.

  Mitigation activities: We will continue to focus on training, job enrichment opportunities and enhancing employee communications. We will continue to modernize our staffing approach and update succession plans at the management level to ensure the seamless continuity of business when key leadership positions are vacated.

- **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 our marketing efforts in highly competitive international marketplaces.

Mitigation activities: We employ a balanced portfolio approach where investments are spread across a diversified set of leisure and business markets to balance risk and maximize return. In addition, we make concerted efforts with vendors to transact in Canadian dollars whenever possible.

Significant changes to programs, personnel and operations

At the time of writing this report, we are still in the midst of the coronavirus outbreak. While it is too early to tell what long-term impact this crisis will have on Canada's tourism sector, we know that the sector has and continues to feel the effects of travel restrictions and bans. The number of cases has increased in several markets and performance in 2020 is expected to decline and differ greatly from 2019. There has been a significant impact on 2020 partnership revenues and spend against appropriations. However, a reasonable estimate of the financial impact cannot be made at this time. The Global Economic and Geo-Political risks mentioned above are amplified and as a result, management has developed a response, recovery and resilience plan.

<u>Statement of Management Responsibility by Senior Officials</u>

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.

Marsha Walden

President and CEO
Vancouver, Canada
November 19, 2020

Anwar Chaudhry

SVP, Finance and Risk Management, and CFO
Vancouver, Canada
November 19, 2020

Canadian Tourism Commission

Statement of Financial Position

As at September 30, 2020

(in thousands)

	September 30, 2020	December 31, 2019
Financial assets		
Cash and cash equivalents	$ 36,554	$ 31,641
Accounts receivable		
Partnership contributions	395	1,617
Government of Canada	378	618
Other	3	4
Accrued benefit asset	1,504	1,653
Portfolio investments	820	803
	39,654	36,336
Liabilities		
Accounts payable and accrued liabilities		
Trade	4,264	14,333
Employee compensation	1,217	1,677
Government of Canada	57	81
Accrued benefit liability	5,415	5,435
Deferred revenue	1,828	488
Deferred lease inducements	507	580
Asset retirement obligation	164	164
	13,452	22,758
Net financial assets	26,202	13,578
Non-financial assets		
Prepaid expenses and other assets	9,424	1,721
Tangible capital assets	1,170	1,413
	10,594	3,134
Accumulated surplus	$ 36,796	$ 16,712

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Statement of Operations

For the nine months ended September 30

(in thousands)

	Three months ended September 30		Nine months ended September 30	
	2020	2019	2020	2019
Revenues				
Partner revenues	$ (120)	$ 7,369	$ 2,929	$ 15,652
Other	365	448	1,131	1,363
	245	7,817	4,060	17,015
Expenses				
Marketing and sales	23,504	28,940	49,692	72,837
Corporate services	1,747	2,060	5,441	5,628
Strategy and planning	262	231	607	631
Amortization of tangible capital assets	73	77	251	258
Defined Benefit Pension Adjustment	-	9,633	-	9,633
	25,586	40,941	55,991	88,987
Net cost of operations before funding from the Government of Canada	(25,341)	(33,124)	(51,931)	(71,972)
Parliamentary appropriations	23,916	23,917	71,749	73,305
Surplus (Deficit) for the period	(1,425)	(9,207)	19,818	1,333
Accumulated operating surplus, beginning of period	38,149	32,491	16,906	21,951
Accumulated operating surplus, end of period	$ 36,724	$ 23,284	$ 36,724	$ 23,284

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Statement of Remeasurement Gains and Losses

For the nine months ended September 30

(in thousands)

	Three months ended September 30		Nine months ended September 30	
	2020	2019	2020	2019
Accumulated remeasurement gain (loss), beginning of period	$ 87	$ (133)	$ (194)	$ 154
Unrealized gain (loss) attributable to foreign exchange	(15)	(72)	72	(205)
Amounts reclassified to the statement of operations	-	-	194	(154)
Net remeasurement gain (loss) for the period	(15)	(72)	266	(359)
Accumulated remeasurement gain (loss), end of period	$ 72	$ (205)	$ 72	$ (205)

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Statement of Change in Net Financial Assets

For the nine months ended September 30

(in thousands)

	Three months ended September 30		Nine months ended September 30	
	2020	2019	2020	2019
Surplus (Deficit) for the period	$ (1,425)	$ (9,207)	$ 19,818	$ 1,333
Acquisition of tangible capital assets	-	(78)	(12)	(283)
Amortization of tangible capital assets	73	77	251	258
Net disposition of tangible capital assets	-	-	4	-
	73	(1)	243	(25)
Effect of change in other non-financial assets				
(Increase) Decrease in prepaid expenses	(4,851)	544	(7,703)	14
	(4,851)	544	(7,703)	14
Net remeasurement gain (loss)	(15)	(72)	266	(359)
Increase (Decrease) in net financial assets	(6,218)	(8,736)	12,624	963
Net financial assets, beginning of period	32,420	27,707	13,578	18,008
Net financial assets, end of period	$ 26,202	$ 18,971	$ 26,202	$ 18,971

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Statement of Cash Flows

For the nine months ended September 30

(in thousands)

	Three months ended September 30		Nine months ended September 30	
	2020	2019	2020	2019
Operating transactions:				
Cash received from:				
Parliamentary appropriations used to fund operating and capital transactions	$ 23,916	$ 23,917	$ 71,749	$ 73,305
Partners	(973)	5,654	5,491	20,358
Other	277	261	736	730
Interest	64	163	322	556
	23,284	29,995	78,298	94,949
Cash paid for:				
Cash payments to suppliers	(23,860)	(25,866)	(61,999)	(80,113)
Cash payments to and on behalf of employees	(3,937)	(3,785)	(11,623)	(11,620)
Cash provided by (used in) operating transactions	(4,513)	344	4,676	3,216
Capital transactions:				
Acquisition of tangible capital assets	-	(78)	(12)	(283)
Cash used in capital transactions	-	(78)	(12)	(283)
Investing transactions:				
Acquisition of portfolio investments	(6)	(3)	(17)	(10)
Cash used in investment transactions	(6)	(3)	(17)	(10)
Net remeasurement gain (loss) for the period	(15)	(72)	266	(359)
Net increase (decrease) in cash during the period	(4,534)	191	4,913	2,564
Cash and cash equivalents, beginning of period	41,088	35,997	31,641	33,624
Cash and cash equivalents, end of period	$ 36,554	$ 36,188	$ 36,554	$ 36,188

1. AUTHORITY, OBJECTIVES AND DIRECTIVES

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 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 CTC 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 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. The Treasury Board issued revised directives and guidelines in 2017. On November 29, 2018, the CTC approved an updated 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 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, 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 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 and tradeshow expenditure.

h) Tangible capital assets

Tangible capital assets are recorded at cost less accumulated amortization and the amount of any write-downs or disposals. Tangible capital assets are written down when conditions indicate they no longer contribute to the ability to provide services and are accounted for as expenses in the Statement of Operations.

Tangible capital assets are amortized on a straight-line basis over the estimated useful life of the assets as follows:

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

Intangible assets are not recognized in these financial statements.

i) Deferred revenue

Deferred revenue consists of contributions from partnering organizations and restricted appropriations received from the Government of Canada. When contributions 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, it is recognized as deferred revenue until the criteria and stipulations are met that gave rise to the liability. As at September 30, 2020 and December 31, 2019, the deferred revenue balance is solely made up of deferred contributions 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 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 has been closed effective December 30, 2017 and benefits and service of plan participants are 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.

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 2019, EARSL has been determined to be 5.6 years (6.6 years - 2018) for the Registered Pension Plan for Employees of the CTC ("RPP"), 0.0 years (0.0 years - 2018) for the Supplementary Retirement Plan for certain employees of the CTC ("SRP"), 15.5 years (15.4 years - 2018) for the Pension Plan for Employees of the CTC in Japan, South Korea and China ("WWP"), 21 years (21 years - 2018) for non-pension post-retirement benefits, 12 years (12 years - 2018) for severance benefits and 14 years (14 years - 2018) 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, the fair value of the asset retirement obligation and contingencies.

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.

Related parties also include key management personnel (KMP) having authority for planning, controlling, and directing the activities of the CTC, as well as their close family members. The CTC 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 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. The audit services and 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 CTC 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

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, 2019 and the narrative discussion included in the quarterly financial report. Amounts in these interim financial statements as at September 30, 2020 are unaudited and are presented in Canadian dollars.

4. PARLIAMENTARY APPROPRIATIONS

Parliamentary appropriations approved for the Government fiscal period April 1, 2020 to March 31, 2021 are $95.7M (April 1, 2019 to March 31, 2020 $103.7M). The Commission does not have the authority to exceed approved appropriations.

5. ACCUMULATED SURPLUS (000S)

The accumulated surplus is comprised of:

	September 30, 2020	December 31, 2019
Accumulated operating surplus	$ 36,724	$ 16,906
Accumulated remeasurement gain / (loss)	72	(194)
Accumulated surplus	$ 36,796	$ 16,712

The accumulated surplus at September 30, 2020 is significantly greater than in 2019 as it reflects postponements to the timing of program spending due to the Covid-19 travel restrictions. In the second quarter of the year, the CTC shifted its marketing programs from international to domestic travel markets, including an investment of $30 million with Provincial and Territorial Marketing Organizations for tourism economic recovery in communities. The remaining surplus will be re-directed to domestic activities in 2020 and 2021 and will support sales and marketing initiatives with international travel trade suppliers intended to stimulate overseas traveller visits to Canada in spring/summer 2021.

6. TANGIBLE CAPITAL ASSETS (000S)

(in thousands)	Computer Hardware	Computer Software	Leasehold Improvements	Office Furniture	September 30, 2020
Cost of tangible capital assets, opening	$ 632	$ 19	$ 2,123	$ 352	$ 3,126
Acquisitions	12	-	-	-	12
Disposals	(13)	(19)	(175)	(12)	(219)
Cost of tangible capital assets, closing	631	-	1,948	340	2,919
Accumulated amortization, opening	464	19	988	242	1,713
Amortization expense	66	-	147	37	250
Disposals	(12)	(19)	(171)	(12)	(214)
Accumulated amortization, closing	518	-	964	267	1,749
Net book value	$ 113	$ -	$ 984	$ 73	$ 1,170

(in thousands)	Computer Hardware	Computer Software	Leasehold Improvements	Office Furniture	December 31, 2019
Cost of tangible capital assets, opening	$ 690	$ 19	$ 1,989	$ 275	$ 2,973
Acquisitions	145	-	144	97	386
Disposals	(203)	-	(10)	(20)	(233)
Cost of tangible capital assets, closing	632	19	2,123	352	3,126
Accumulated amortization, opening	560	18	805	208	1,591
Amortization expense	107	1	193	54	355
Disposals	(203)	-	(10)	(20)	(233)
Accumulated amortization, closing	464	19	988	242	1,713
Net book value	$ 168	$ -	$ 1,135	$ 110	$ 1,413