Canadian Tourism Commission

Quarterly Financial Report for the quarter ending March 31, 2022

Canadian Tourism Commission
Narrative Discussion
March 31, 2022

Introduction

The Canadian Tourism Commission (the “CTC”) – doing business as Destination Canada – is Canada’s national tourism marketing organization. A Crown corporation wholly owned by the Government of Canada, we lead the Canadian tourism industry in marketing and developing Canada as a premier four-season tourism destination. We provide market intelligence and industry data for decision making by governments, partners and tourism businesses. Reporting to Parliament through the Minister of Tourism and Associate Minister of Finance, 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, South Korea, Australia, China and the U.S., targeting leisure travellers and those travelling for business events. The CTC works collaboratively with industry, communities and government partners to elevate the appeal of Canada’s tourism destinations to visitors and to enhance the quality of life of Canadian residents across the nation.

Narrative Discussion

The Narrative Discussion contained herein applies to the quarter.

Quarterly and Year to Date Results
(in thousands)

	Three months ended March 31, 2022	Three months ended March 31, 2021	Variance
Partner revenues	$ 413	$ 191	$ 222

Partnerships with provincial and territorial marketing organizations, national, regional, and local companies have increased compared to the same quarter of the prior year. In Q1 2022 the CTC was able to resume marketing activities that had been paused in 2021 and signed new partnering agreements for 2022. The markets with increased revenue include: Japan $112K, Australia $87K, Germany $83K, Mexico $62K. This increase was offset by a decreased Business Events revenue ($113K).

Other revenue	201	318	(117)

Other revenue includes operational recoveries within the China office, interest revenues and recoveries of commodity taxes. The variance in Q1 of 2022 mainly relates to a timing difference ($120K) in recoveries within the China office due to co-location agreement renewal.

Marketing and sales expenses	21,579	15,020	6,559

In response to the easing of travel restrictions in Q1 2022, the marketing is focused on the international travel markets rather than the domestic travel markets. Spend has also increased due to incremental funding for Helping Visitors Discover Canada program. The total spend increased $12M for the following markets: US $5.8M, Global Programs $2.9M, Europe $1.8M, Business Events $1.1M, Asia Pacific $231K and Mexico $193K.

This increase was offset by a decrease in spend related to Domestic Program ($5.5M), part of the Response Recovery Resilience (3R) Plan that ended in 2021.

Corporate services	2,184	1,935	249

The CTC is dedicated to delivering efficient operations to maximize investment in our programs. The Corporate Services spend for Q1 2022 is higher when compared to Q1 of last year mainly due to an increase in travel and meeting related expenses, training costs as well as consulting and legal fees in Q1 2022. The increased spend also includes decommissiong costs in relation to restoration of China office's leased premises.

Strategy, Analytics and Destination Stewardship	1,636	1,349	287

The CTC prioritizes investment in strategy, research, and destination development. Spend includes consulting fees, office rent, and travel expenses. The increase mainly relates to Research.

Parliamentary appropriations	34,582	23,916	10,665

Parliamentary appropriations for Q1 2022 increased when compared to the prior year due to incremental funding received for Helping Visitors Discover Canada program.

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 risk highlighted below is relevant to our organization but not included in the 2021-2025 Corporate Plan.

- **Mandate**
  The first object of the Canadian Tourism Commission Act, calls on the commission to "sustain a vibrant and profitable Canadian tourism industry." The COVID-19 endemic and extended recovery period calls into question this organization's ability to fulfill its legislated mandate. Many organizations have ceased operations, creating lasting negative impacts on the complex tourism ecosystem and those organizations and businesses that have survived. As the world shifts to recovery, leisure and business travel demand is increasing. DC does not have sufficient capacity to fully assist the sector in recovery nor the ability to address the deep and numerous gaps in the tourism supply chain and labour force.

  Mitigation activities: We will be unable to mitigate some elements of this risk as certain key factors, such as numbers of COVID-19 cases, new variants, vaccine rollouts, and travel restrictions are outside of our control. The one-time funding of $100 million over three government fiscal years announced in Budget 2021 for Helping Visitors Discover Canada will help us target high-value travellers and stimulate demand for international and domestic visitors.

The risks outlined in the 2021-2025 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 a global health event or changes in security which would impact travel to and within Canada.

  Mitigation activities: We will use research and data analytics to make decisions about the best opportunities for Canada domestically and internationally. We will work closely with our provincial, territorial and city partners to ensure alignment. Our decisions will be informed by the experience of our partners. We will reallocate funds as conditions dictate. We will support industry with research, information, tools, media assets and sales opportunities to support pathfinding and help maintain businesses during this critical period.

- **Pandemic**
  There is a risk that we will not be able to market Canada effectively in the "new normal" as a result of the disruption of demand for domestic and international travel caused by the COVID-19 pandemic. Canada will face fierce international competition for visitors when borders reopen and reduced infrastructure, talent, capabilities and systems dedicated to moving visitors due to the pandemic shut down.

  Mitigation activities: We will be unable to mitigate some elements of this risk as certain key factors, such as numbers of COVID-19 cases, new variants, vaccine rollouts, border re-openings and travel restrictions are outside of our control. The one-time funding of $100 million over three government fiscal years announced in Budget 2021 for Helping Visitors Discover Canada will help us target high-value travellers and stimulate demand for international and domestic visitors.

- **Stakeholder Confidence:**
  There is a risk that our ability to support a vibrant and profitable Canadian tourism industry does not match stakeholder expectations, negatively impacting our reputation.

  Mitigation activities: We have developed a three-phased approach to managing the COVID-19 crisis: our Response Recovery Resilience (3R) Plan. Destination Canada and our partners are learning from the crisis and reshaping our work moving forward to weave resilience into our mandate. Using data and analysis, we are adjusting our plans to use resources in the most effective way possible. We have increased sharing of information with partners and industry to keep everyone informed. We have broadened our outreach to national associations representing the visitor economy to make sure we have the best view of the industry possible. At all times we are making decisions within our domain that will allow industry to recover as quickly as conditions will allow.

- **Strategic Shift**
  There is a risk that our strategy shifts and the funding and resources required to execute may not be aligned to effectively deliver on our mandate. Our reliance on partners in the context of destination development and the broader mandate results in challenges in meeting objectives and managing relationships.

  Mitigation activities: We are developing strategy from the ground-up that integrates destination development and other opportunities into corporate planning. Resources will be adjusted so that these opportunities can be fully realized. Delivering on the potential of destination development will require close coordination with many independent actors. Government of Canada coordination mechanisms will be used extensively to gain traction and seek alignment as conditions permit. Destination development is a shared responsibility between us and others, most notably regional development agencies.

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

  Mitigation activities: Collectively with our partners, we will work to address challenges and strengthen our digital and strategic marketing capabilities. We will continue to analyze and share data and better measure the impact of our combined 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 various stakeholders.

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

- **Change Management**
  There is a risk that our dynamic and changing needs for skills and talent to support our shift in strategy may negatively affect our organizational efficiency and effectiveness. These dynamics may impact our ability to attract the right talent, maintain employee engagement and ultimately retain staff due to the competition in the marketplace for these skills and experience, which are new and in demand.

  Mitigation activities: We will 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.

- **Partnership and Relationship Management**
  With our reliance on strategic partnerships and the number and complexity of such arrangements, the risks associated with managing partnership contracts and agreements grow. As we strive to share our research, collaborate and communicate in new ways and with new stakeholders in the visitor economy, risks associated with managing such wide-reaching relationships grow as well.

  Mitigation activities: We will continue to leverage our strong relationships with various partners and will seek to add value to our relationships through, information, products and services. We will seek meaningful feedback to ensure that we are meeting the needs of our partners.

- **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 work with our large vendors to manage the risk by setting foreign exchange rates in advance of each month to reduce the fluctuation of value in our transactions in foreign currencies.

Significant changes to programs, personnel and operations

We are in the endemic stage of the COVID-19 outbreak. At the time of writing this report, international borders have reopened and the CTC is continuing to focus on the US and other international travel markets. Partner revenues are expected to remain low in 2022. The future impact of the endemic on the CTC's operations is still unknown. As a result, an estimate of the financial impact of the endemic on the CTC's future results of operations and financial position cannot be made at this time.

Statement of Management Responsibility by Senior Officials

Management is responsible for the preparation and fair presentation of these quarterly financial statements in accordance with the Treasury Board of Canada's Directive on Accounting Standards: GC 5200 Crown Corporations Quarterly Financial Reports, and for such internal controls as management determines is necessary to enable the preparation of quarterly financial statements that are free from material misstatement. Management is also responsible for ensuring all other information in this quarterly financial report is consistent, where appropriate, with the quarterly financial statements.

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

Marsha Walden	Anwar Chaudhry
President and CEO *Vancouver, Canada* *May 24, 2022*	*SVP, Finance and Risk Management, and CFO* *Vancouver, Canada* *May 24, 2022*

Canadian Tourism Commission

Statement of Financial Position

As at March 31, 2022

(in thousands)

	March 31, 2022	December 31, 2021
Financial assets		
Cash and cash equivalents	$ 25,632	$ 11,118
Accounts receivable		
Partner	42	535
Government of Canada	383	16,376
Other	2	14
Accrued benefit asset	1,934	1,934
Portfolio investments	545	541
	28,538	30,518
Liabilities		
Accounts payable and accrued liabilities		
Trade	5,780	16,698
Employee compensation	2,162	2,246
Government of Canada	176	0
Accrued benefit liability	3,748	3,783
Deferred revenue	334	569
Deferred lease inducements	359	384
Asset retirement obligation	112	164
	12,671	23,844
Net financial assets	15,867	6,674
Non-financial assets		
Prepaid expenses	5,131	4,573
Tangible capital assets	889	959
	6,020	5,532
Accumulated surplus	$ 21,887	$ 12,206

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Statement of Operations

For the three months ended March 31
(in thousands)

	2022	2021
Revenues		
Partner revenues	$ 413	$ 191
Other	201	318
	614	509
Expenses		
Marketing and sales	21,579	15,020
Corporate services	2,184	1,935
Strategy, Analytics and Destination Stewardship	1,636	1,349
Amortization of tangible capital assets	81	77
	25,480	18,381
Net cost of operations before funding from the Government of Canada	(24,866)	(17,872)
Parliamentary appropriations	34,582	23,916
(Deficit)/Surplus for the period	9,716	6,044
Accumulated operating surplus, beginning of period	12,242	36,530
Accumulated operating surplus, end of period	$ 21,958	$ 42,574

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Statement of Remeasurement Gains and Losses

For the three months ended March 31

(in thousands)

		2022		2021
Accumulated remeasurement gain/(loss), beginning of period	$	(36)	$	51
Unrealized (loss)/gain attributable to foreign exchange		(71)		(34)
Amounts reclassified to the statement of operations		36		(51)
Net remeasurement (loss)/gain for the period		(35)		(85)
Accumulated remeasurement (loss)/gain, end of period	$	(71)	$	(34)

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Statement of Change in Net Financial Assets

For the three months ended March 31

(in thousands)

	2022	2021
(Deficit)/Surplus for the period	$ 9,716	$ 6,044
Acquisition of tangible capital assets	(12)	(36)
Amortization of tangible capital assets	81	77
Net disposition of tangible capital assets	1	-
	70	41
Effect of change in other non-financial assets		
Decrease/(Increase) in prepaid expenses	(558)	(9,186)
	(558)	(9,186)
Net remeasurement (loss)/gain	(35)	(85)
(Decrease)/Increase in net financial assets	9,193	(3,186)
Net financial assets, beginning of period	6,674	29,748
Net financial assets, end of period	$ 15,867	$ 26,562

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Statement of Cash Flows

For the three months ended March 31
(in thousands)

	2022	2021
Operating transactions:		
Cash received from:		
Parliamentary appropriations used to fund operating and capital transactions*	$ 48,916	$ 23,916
Partners	671	1,331
Other	119	242
Interest	59	53
	49,765	25,542
Cash paid for:		
Cash payments to suppliers	(30,967)	(24,193)
Cash payments to and on behalf of employees	(4,233)	(3,932)
Cash (used in)/provided by operating transactions	14,565	(2,583)
Capital transactions:		
Acquisition of tangible capital assets	(12)	(36)
Cash (used in)/provided by capital transactions	(12)	(36)
Investing transactions:		
Acquisition of portfolio investments	(4)	(6)
Cash provided by/(used in) investment transactions	(4)	(6)
Net remeasurement (loss)/gain for the period	(35)	(85)
Net (decrease)/increase in cash during the period	14,514	(2,710)
Cash and cash equivalents, beginning of period	11,118	37,784
Cash and cash equivalents, end of period	$ 25,632	$ 35,074

* Cash received includes an incremental funding of $14.3M for Helping Visitors Discover Canada which was accrued at December 31, 2021.

1. AUTHORITY, OBJECTIVES AND DIRECTIVES

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

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

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

In December 2014, the Commission was issued directive PC 2014-1378 pursuant to section 89 of the *Financial Administration Act* directing the Commission to implement pension plan reforms. These reforms are to ensure that pension plans of Crown corporations provide a 50:50 current service cost-sharing ratio between employee and employer for pension contributions by December 31, 2017. The 50:50 cost- sharing ratio was fully implemented as of December 31, 2017.

In July 2015, the Commission was issued directive PC 2015-1109 pursuant to section 89 of the *Financial Administration Act* to align its travel, hospitality, conference and event expenditures policies, guidelines and practices with Treasury Board policies, directives and related instruments on travel, hospitality, conference and event expenditures in a manner that is consistent with its legal obligations, and to report on the implementation of this directive in the Commission's next corporate plan. The Commission implemented its new Travel, Hospitality, Conference, and Event Expenditures Policy on August 21, 2015 which complied with the requirements of the directive. The Treasury Board issued revised directives and guidelines in 2017. On November 29, 2018, the Commission approved an updated policy to align with the new requirements.

2. SIGNIFICANT ACCOUNTING POLICIES

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

a) Parliamentary appropriations

The Commission is mainly financed by the Government of Canada through parliamentary appropriations. Parliamentary appropriations used to fund core operations and capital expenditures are considered unrestricted and recognized as revenues when the appropriations are authorized and any eligibility criteria are met. Parliamentary appropriations used to fund one-time activities are considered restricted. 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 Commission's year-end date (December 31) being different than the Government of Canada's year-end date (March 31), the Commission is funded by portions of appropriations from two Government fiscal years.

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

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

b) Partner revenues

The Commission conducts marketing activities in partnership with a variety of Canadian and foreign organizations. Where the Commission assumes the financial risks of conducting a marketing activity, contributions received from a partnering organization are recognized in income over the effective life of the contract or when the event has taken place. Partner revenues received for which the related marketing activity has not yet taken place are recognized as deferred revenue.

c) Other revenues

Other revenues consist of cost recoveries from co-location partners, 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 Commission does not hedge against the risk of foreign currency fluctuations.

e) Cash and cash equivalents

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

f) Portfolio investments

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

g) Prepaid expenses

Payments made prior to the related services being rendered are recorded as a prepaid expense. Prepaid expenses are recognized as an expense as the related services are rendered. Prepaid expenses consist of program and operating expenses such as subscriptions, marketing activities with Provincial and Territorial Marketing organizations and tradeshow 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 revenue from partnering organizations and restricted appropriations received from the Government of Canada. When revenues are received from partnering organizations, they are recognized as deferred revenue until the event has taken place or recognized as partner revenue over the effective life of the contract. When restricted appropriations are received from the Government of Canada, it is recognized as deferred revenue until the criteria and stipulations are met that gave rise to the liability. As at March 31, 2022, and December 31, 2021, the deferred revenue balance is solely made up of deferred revenue from partnering organizations.

j) Deferred lease inducements

Deferred lease inducements consist of various office lease inducements including reimbursement of leasehold improvement costs and free rent periods. These inducements are deferred and recognized as a straight-line reduction to office lease expenses over the term of the lease.

k) Asset retirement obligation

Asset retirement obligation consists of decommissioning costs for various office leases. The Commission recognizes asset retirement obligations as a result of legal obligations to restore leased office spaces back to their original states at the end of the lease term. Asset retirement obligations are measured 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 Commission 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 were frozen as of that date. The Commission funds certain pension plans annually based on actuarially determined amounts needed to satisfy employee future benefit entitlements under current benefit regulations. Cost of living adjustments are automatically provided for retirees in accordance with Consumer Price Index increases.

The costs and obligations of the defined benefit plans are actuarially determined using the projected benefit method prorated on service that incorporates management's best estimates of the rate of employee turnover, the average retirement age, the average cost of claims per person, future salary and benefit levels, expected return on plan assets, future medical costs, and other actuarial factors. For the 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 2021, EARSL has been determined to be 0.0 years (0.0 years - 2020) for the Supplementary Retirement Plan for certain employees of the Commission (“SRP”), 13 years (14 years - 2020) for the Pension Plan for Employees of the Commission in Japan, South Korea and China (“WWP”), N/A (21 years - 2020) for non-pension post-retirement benefits, 14 years (14 years – 2020) for severance benefits and 14 years (14 years - 2020) for sick leave benefits.

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

Gains and losses determined upon a plan curtailment are accounted for in the period of curtailment.

m) Financial instruments

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

n) Measurement uncertainty

The preparation of financial statements in accordance with 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, contingencies, partner revenues, prepaid expenses and accrued liabilities.

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

Related parties also include key management personnel (KMP) having authority for planning, controlling, and directing the activities of the Commission, as well as their close family members. The Commission has defined its KMP to be members of the Board of Directors and management employees at the Senior Vice-President level and above.

p) Partnership contributions in-kind
In the normal course of business, the Commission receives in-kind contributions from its partners including the transfer of various types of goods and services to assist in the delivery of programs. The 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 Commission records inter-entity transactions at the exchange amount except the following:

- Audit services received without charge between commonly controlled entities.
- In-kind contributions received from commonly controlled entities.

The value of the audit services is considered insignificant in the context of the financial statements as a whole and inter-entity in-kind contributions are not recognized in the financial statements.

3. FINANCIAL STATEMENT PRESENTATION

a) These unaudited interim financial statements should be read in conjunction with the annual financial statements of the Canadian Tourism Commission (the "Commission") as at and for the year ended December 31, 2021 and the narrative discussion included in the quarterly financial report. Amounts in these interim financial statements as at March 31, 2022 are unaudited and are presented in Canadian dollars.

b) The Commission changed the allocation of its Research unit expenses from Marketing and Sales to Strategy, Analytics and Destination Stewardship. The prior year's comparatives have been restated to reflect the current year presentation. Refer to the Statement of Operations.

4. PARLIAMENTARY APPROPRIATIONS

Parliamentary appropriations approved for the Government fiscal period April 1, 2022 to March 31, 2023 are $156.2M which includes $96.20M base funding and $60.0M relating to the 2022 Federal Budget - incremental funding for the purpose of Helping Visitors Discover Canada (April 1, 2021 to March 31, 2022 $96.2M and $25.0M). The Commission does not have the authority to exceed approved appropriations.

5. ACCUMULATED SURPLUS (000S)

The accumulated surplus is comprised of:

	March 31, 2022	December 31, 2021
Accumulated operating surplus	$ 21,958	$ 12,242
Accumulated remeasurement gain / (loss)	(71)	(36)
Accumulated surplus	$ 21,887	$ 12,206

6. TANGIBLE CAPITAL ASSETS (000S)

(in thousands)	Computer Hardware	Computer Software	Leasehold Improvements	Office Furniture	March 31, 2022
Cost of tangible capital assets, opening	$ 757	$ -	$ 1,948	$ 340	$ 3,045
Acquisitions	12				12
Disposals	(9)		(122)	(3)	(135)
Cost of tangible capital assets, closing	760	-	1,826	337	2,923
Accumulated amortization, opening	591	-	1,204	291	2,087
Amortization expense	29		48	5	81
Disposals	(9)		(122)	(3)	(134)
Accumulated amortization, closing	610	-	1,130	294	2,034
Net book value	$ 150	$ -	$ 696	$ 43	$ 889

(in thousands)	Computer Hardware	Computer Software	Leasehold Improvements	Office Furniture	2021 Total
Cost of tangible capital assets, opening	$ 671	$ -	$ 1,948	$ 340	$ 2,959
Acquisitions	136				136
Disposals	(53)				(53)
Cost of tangible capital assets, closing	754	-	1,948	340	3,042
Accumulated amortization, opening	538	-	1,013	272	1,823
Amortization expense	102		192	19	313
Disposals	(53)				(53)
Accumulated amortization, closing	587	-	1,205	291	2,083
Net book value	$ 167	$ -	$ 743	$ 49	$ 959