

# **Canadian Tourism Commission**

**Quarterly Financial Report for the quarter ending  
September 30, 2021**

**Canadian Tourism Commission  
Narrative Discussion  
September 30, 2021**

**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 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, China and the U.S., targeting leisure travellers and those travelling for business events. The CTC works collaboratively with industry, communities and government partners to elevate the appeal of Canada’s tourism destinations to visitors and to enhance the quality of life of Canadian residents across the nation.

**Narrative Discussion**

The Narrative Discussion contained herein applies to the quarter.

**Canadian Tourism Commission**  
**Narrative Discussion**  
**September 30, 2021**

**Quarterly and Year to Date Results**

(in thousands)

	<b>Three months ended September 30, 2021</b>	<b>Three months ended September 30, 2020</b>	<b>Variance</b>
<b>Partner revenues</b>	<b>\$ 139</b>	<b>\$ (120)</b>	<b>\$ 259</b>
Partnerships with provincial and territorial marketing organizations, national, regional, and local companies have increased compared to the same quarter of the prior year. In Q3 2020, the CTC cancelled various events and partnership agreements which resulted in refunds (\$120K). In Q3 2021, work on various year-long initiatives resumed for Business Events \$130K.			
<b>Other revenue</b>	<b>282</b>	<b>365</b>	<b>(83)</b>
Other revenue includes operational recoveries within the China office and interest revenues. Other revenue decreased in Q3 2021 when compared to the same quarter of the prior year mainly due to lower bank interest rates and fewer personnel in the China office.			
<b>Marketing and sales expenses</b>	<b>39,407</b>	<b>22,371</b>	<b>17,036</b>
As borders open and travel restrictions ease, the CTC has resumed marketing to the US while continuing to focus on domestic travel markets. Spend increased compared to the prior year in the following markets: US Market \$12.1M, Domestic Program \$3.2M, and Global Programs \$1.2M and Business Events \$615K.			
<b>Corporate services</b>	<b>1,871</b>	<b>1,747</b>	<b>124</b>
The CTC is dedicated to delivering efficient operations to maximize investment in our programs. The increased spend relates to consultant fees, membership dues and other related costs.			
<b>Strategy, Analytics and Destination Stewardship</b>	<b>1,651</b>	<b>1,395</b>	<b>256</b>
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.			
<b>Parliamentary appropriations</b>	<b>0</b>	<b>23,916</b>	<b>(23,916)</b>
Parliamentary appropriations is lower compared to the prior year because the Q3 2021 drawdown will occur in Q4 2021.			

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	Nine months ended September 30, 2021	Nine months ended September 30, 2020	Variance
<b>Partner revenues</b>	\$ 585	\$ 2,929	\$ (2,344)
Partnerships with provincial and territorial marketing organizations, national, regional, and local companies have decreased when compared to the prior year. The reduction in revenue across all markets is mainly due to: In-Market Leisure (\$1.7M), Global Programs (\$490K), and Research (\$320K). The decrease is offset by increased Business Events revenue \$175K.			
<b>Other revenue</b>	882	1,131	(249)
Other revenue includes operational recoveries within the China office and interest revenues. Other revenue decreased in 2021 when compared to the prior year mainly due to lower bank interest rates and fewer personnel in the China office.			
<b>Marketing and sales expenses</b>	75,182	47,187	27,995
As borders open and travel restrictions ease, the CTC has resumed marketing to the US while continuing to focus on domestic travel markets in 2021. Spend increased in 2021 when compared to the prior year in the following markets: Domestic Program \$21.7M and In-Market Leisure US market \$11.8M. The spend was offset by decreased spend in other In-Market Leisure countries (\$4.1M) and the completion of the Domestic Campaign in 2020 (\$1M).			
<b>Corporate services</b>	5,848	5,441	407
The CTC is dedicated to delivering efficient operations to maximize investment in our programs. The increased spend is mainly due to a realignment of costs.			
<b>Strategy, Analytics and Destination Stewardship</b>	4,448	3,112	1,336
The CTC prioritizes investment in strategy, research and destination development. Spend includes consulting fees, office rent, and travel expenses. The increase in spend is mainly due to Research \$900K.			
<b>Parliamentary appropriations</b>	47,956	71,749	(23,793)
Parliamentary appropriations is lower compared to the prior year because the Q3 2021 drawdown will occur in Q4 2021.			

## **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 on-going COVID-19 pandemic 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 and the reopening of borders, 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, 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.

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/pandemic 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.

- **Performance**

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.

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○ **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**

At the time of writing this report, international borders have reopened and the CTC continues to focus on the domestic and US travel markets. Partner revenues are expected to remain low in 2021. The future impact of the pandemic on the CTC's operations is still unknown. As a result, an estimate of the financial impact of COVID-19 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.



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Marsha Walden

*President and CEO  
Vancouver, Canada  
November 16, 2021*



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Anwar Chaudhry

*SVP, Finance and Risk Management, and CFO  
Vancouver, Canada  
November 16, 2021*



**Canadian Tourism Commission****Statement of Financial Position**

As at September 30, 2021

*(in thousands)*

	September 30, 2021	December 31, 2020
<b>Financial assets</b>		
Cash and cash equivalents	\$ 12,767	\$ 37,784
Accounts receivable		
Partner	114	1,306
Government of Canada	401	418
Other	7	1
Accrued benefit asset	1,450	1,450
Portfolio investments	728	713
	<u>15,467</u>	<u>41,672</u>
<b>Liabilities</b>		
Accounts payable and accrued liabilities		
Trade	13,628	3,427
Employee compensation	1,928	2,182
Government of Canada	0	75
Accrued benefit liability	3,694	3,749
Deferred revenue	1,608	1,845
Deferred lease inducements	408	482
Asset retirement obligation	164	164
	<u>21,430</u>	<u>11,924</u>
<b>Net financial liabilities / assets</b>	<u>(5,963)</u>	<u>29,748</u>
<b>Non-financial assets</b>		
Prepaid expenses	5,133	5,697
Tangible capital assets	1,017	1,136
	<u>6,150</u>	<u>6,833</u>
<b>Accumulated surplus</b>	<u>\$ 187</u>	<u>\$ 36,581</u>

**Canadian Tourism Commission****Statement of Operations**For the nine months ended September 30  
(in thousands)

	Three months ended September 30		Nine months ended September 30	
	2021	2020	2021	2020
<b>Revenues</b>				
Partner revenues	\$ 139	\$ (120)	\$ 585	\$ 2,929
Other	282	365	882	1,131
	421	245	1,467	4,060
<b>Expenses</b>				
Marketing and sales	39,407	22,371	75,182	47,187
Strategy, Analytics and Destination Stewardship	1,651	1,395	4,448	3,112
Corporate services	1,871	1,747	5,848	5,441
Amortization of tangible capital assets	79	73	237	251
	43,008	25,586	85,715	55,991
Net cost of operations before funding from the Government of Canada	(42,587)	(25,341)	(84,248)	(51,931)
Parliamentary appropriations <sup>1</sup>	-	23,916	47,956	71,749
<b>Deficit / Surplus for the period</b>	(42,587)	(1,425)	(36,292)	19,818
<b>Accumulated operating surplus, beginning of period</b>	42,825	38,149	36,530	16,906
<b>Accumulated operating surplus, end of period</b>	\$ 238	\$ 36,724	\$ 238	\$ 36,724

<sup>1</sup> Quarter three parliamentary appropriation draw will take place in Q4

**Canadian Tourism Commission****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	
	2021	2020	2021	2020
<b>Accumulated remeasurement gain (loss), beginning of period</b>	\$ (57)	\$ 87	\$ 51	\$ (194)
Unrealized (loss) gain attributable to foreign exchange	6	(15)	(51)	72
Amounts reclassified to the statement of operations	-	-	(51)	194
Net remeasurement (loss) gain for the period	6	(15)	(102)	266
<b>Accumulated remeasurement (loss) gain, end of period</b>	\$ (51)	\$ 72	\$ (51)	\$ 72

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**Canadian Tourism Commission**

**Statement of Change in Net Financial Assets**

For the nine months ended September 30  
(in thousands)

	2021	2020
<b>Deficit / Surplus for the period</b>	<u>\$ (36,292)</u>	<u>\$ 19,818</u>
Acquisition of tangible capital assets	(118)	(12)
Amortization of tangible capital assets	237	251
Net disposition of tangible capital assets	-	4
	<u>119</u>	<u>243</u>
<b>Effect of change in other non-financial assets</b>		
Decrease / Increase in prepaid expenses	564	(7,703)
	<u>564</u>	<u>(7,703)</u>
Net remeasurement (loss) gain	(102)	266
Decrease / Increase in net financial assets	(35,711)	12,624
<b>Net financial assets, beginning of period</b>	29,748	13,578
<b>Net financial liabilities / assets, end of period</b>	<u><u>\$ (5,963)</u></u>	<u><u>\$ 26,202</u></u>

**Canadian Tourism Commission****Statement of Cash Flows**

For the nine months ended September 30

*(in thousands)*

	2021	2020
<b>Operating transactions:</b>		
Cash received from:		
Parliamentary appropriations used to fund operating and capital transactions	\$ 47,956	\$ 71,749
Partners	1,540	5,491
Other	649	736
Interest	160	322
	<u>50,305</u>	<u>78,298</u>
Cash paid for:		
Cash payments to suppliers	(63,253)	(61,999)
Cash payments to and on behalf of employees	(11,834)	(11,623)
Cash used in / provided by operating transactions	<u>(24,782)</u>	<u>4,676</u>
<b>Capital transactions:</b>		
Acquisition of tangible capital assets	(118)	(12)
Cash used in capital transactions	<u>(118)</u>	<u>(12)</u>
<b>Investing transactions:</b>		
Acquisition of portfolio investments	(15)	(17)
Cash used in investment transactions	<u>(15)</u>	<u>(17)</u>
<b>Net remeasurement (loss) gain for the period</b>	<u>(102)</u>	<u>266</u>
<b>Net decrease / increase in cash during the period</b>	<u>(25,017)</u>	<u>4,913</u>
<b>Cash and cash equivalents, beginning of period</b>	<u>37,784</u>	<u>31,641</u>
<b>Cash and cash equivalents, end of period</b>	<u>\$ 12,767</u>	<u>\$ 36,554</u>

UNAUDITED

**Canadian Tourism Commission  
Notes to the Quarterly Financial Statements  
September 30, 2021**

**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.

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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) Partner revenues**

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 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 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, 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.

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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 September 30, 2021 and December 31, 2020, 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 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 were 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.



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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 ("EARSLS") of active employees. If no active employees are remaining, actuarial gains and losses are amortized fully in the next fiscal year. For 2020, EARSLS has been determined to be 0.0 years (5.6 years - 2019) for the Registered Pension Plan for Employees of the CTC ("RPP"), 0.0 years (0.0 years - 2019) for the Supplementary Retirement Plan for certain employees of the CTC ("SRP"), 14 years (15.5 years - 2019) for the Pension Plan for Employees of the CTC in Japan, South Korea and China ("WWP"), 21 years (21 years - 2019) for non-pension post-retirement benefits, 14 years (12 years - 2019) for severance benefits and 14 years (14 years - 2019) for sick leave benefits.

Employees working in the United Kingdom and the United States 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 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. The US plan has been closed to new entrants effective December 31, 2019 and the benefits frozen at that date. The CTC no longer employs US based employees.

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.

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**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**

- 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, 2020 and the narrative discussion included in the quarterly financial report. Amounts in these interim financial statements as at September 30, 2021 are unaudited and are presented in Canadian dollars.
- b)** The CTC 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, 2021 to March 31, 2022 are \$96.2M (April 1, 2020 to March 31, 2021 \$95.7M). The Commission does not have the authority to exceed approved appropriations.

**5. ACCUMULATED SURPLUS (000S)**

The accumulated surplus is comprised of:

	September 30, 2021	December 31, 2020
Accumulated operating surplus	\$ 238	\$ 36,530
Accumulated remeasurement gain / (loss)	(51)	51
Accumulated surplus	<u>\$ 187</u>	<u>\$ 36,581</u>

**Canadian Tourism Commission**  
**Notes to the Quarterly Financial Statements**  
**September 30, 2021**

**6. TANGIBLE CAPITAL ASSETS (000S)**

(in thousands)	Computer Hardware	Computer Software	Leasehold Improvements	Office Furniture	September 30, 2021
Cost of tangible capital assets, opening	\$ 671	\$ -	\$ 1,948	\$ 340	\$ 2,959
Acquisitions	119				119
Disposals					-
Cost of tangible capital assets, closing	790	-	1,948	340	3,078
Accumulated amortization, opening	538	-	1,013	272	1,823
Amortization expense	79		144	15	238
Disposals					-
Accumulated amortization, closing	617	-	1,157	287	2,061
Net book value	\$ 173	\$ -	\$ 791	\$ 53	\$ 1,017

(in thousands)	Computer Hardware	Computer Software	Leasehold Improvements	Office Furniture	2020 Total
Cost of tangible capital assets, opening	\$ 632	\$ 19	\$ 2,123	\$ 352	\$ 3,126
Acquisitions	57				57
Disposals	(18)	(19)	(175)	(12)	(224)
Cost of tangible capital assets, closing	671	-	1,948	340	2,959
Accumulated amortization, opening	464	19	988	242	1,713
Amortization expense	92	-	196	42	330
Disposals	(18)	(19)	(171)	(12)	(220)
Accumulated amortization, closing	538	-	1,013	272	1,823
Net book value	\$ 133	\$ -	\$ 935	\$ 68	\$ 1,136