

TERRACE – KITIMAT AIRPORT SOCIETY

FINANCIAL STATEMENTS

MARCH 31, 2020

TERRACE – KITIMAT AIRPORT SOCIETY

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INDEPENDENT AUDITOR'S REPORT

**TO THE DIRECTORS
TERRACE – KITIMAT AIRPORT SOCIETY**

Opinion

We have audited the financial statements of Terrace – Kitimat Airport Society, which comprise the statement of financial position as at March 31, 2020 and the statements of changes in Society position, operations and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Society as at March 31, 2020 and the results of its operations and cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations. The accounting principles used in preparing the financial statements have been applied on a consistent basis with that of the previous year.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. We are independent of the Society in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgement and maintain professional skepticism throughout the audit.

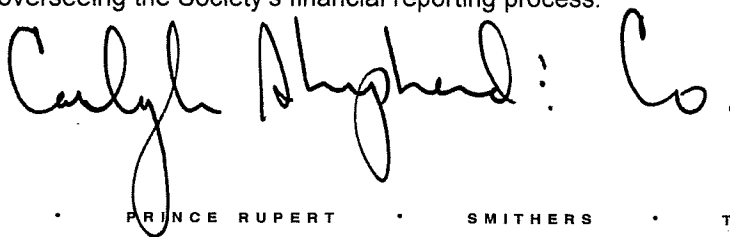
Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal controls as management determines are necessary to enable the preparation of financial statements that are free of material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Society's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless conditions exist that do not allow for the going concern basis to be used.

The Directors are responsible for overseeing the Society's financial reporting process.

Terrace, BC
June 23, 2020

 Carlyle Shepherd: Co.

TERRACE - KITIMAT AIRPORT SOCIETY

STATEMENT OF FINANCIAL POSITION

MARCH 31


ASSETS

| | 2020 | 2019 |
|---|-------------------|-------------------|
| | \$ | \$ |
| CURRENT | | |
| Cash - operating | 2,466,668 | 137,961 |
| - capital reserve | 1,028,258 | - |
| Accounts receivable (note 3) | 778,857 | 840,369 |
| Inventory (note 2) | 161,708 | 146,905 |
| Prepaid expenses | 39,995 | 41,897 |
| | <u>4,475,486</u> | <u>1,167,132</u> |
| PROPERTY AND EQUIPMENT (notes 2 and 4) | <u>38,744,190</u> | <u>40,244,518</u> |
| | <u>43,219,676</u> | <u>41,411,650</u> |

LIABILITIES AND SOCIETY POSITION

| | | |
|--|-------------------|-------------------|
| CURRENT | | |
| Bank demand loan (note 5) | - | 530,000 |
| Accounts payable and accruals (note 6) | 630,948 | 524,294 |
| Unearned revenue (note 7) | 55,282 | 84,885 |
| | <u>686,230</u> | <u>1,139,179</u> |
| SOCIETY POSITION | | |
| Surplus | 2,760,998 | 27,953 |
| Capital reserve fund (note 8) | 1,028,258 | - |
| Equity in property and equipment | 38,744,190 | 40,244,518 |
| | <u>42,533,446</u> | <u>40,272,471</u> |
| | <u>43,219,676</u> | <u>41,411,650</u> |

APPROVED BY THE DIRECTORS


 _____ Director


 _____ Director

TERRACE - KITIMAT AIRPORT SOCIETY
STATEMENT OF CHANGES IN SOCIETY POSITION

YEAR ENDED MARCH 31

| | Surplus | Capital Reserve Fund | Equity in Property and Equipment | Total 2020 | Total 2019 |
|-----------------|-------------------|-------------------------------------|---|-----------------------|-----------------------|
| | \$ | \$ | \$ | \$ | \$ |
| Opening balance | 27,953 | - | 40,244,518 | 40,272,471 | 35,820,599 |
| Revenue | 8,120,948 | - | 21,025 | 8,141,973 | 10,040,037 |
| Expenditure | -3,955,959 | - | -1,925,039 | -5,880,998 | -5,588,165 |
| Fund transfer | <u>-1,431,944</u> | <u>1,028,258</u> | <u>403,686</u> | <u>-</u> | <u>-</u> |
| Closing balance | <u>2,760,998</u> | <u>1,028,258</u> | <u>38,744,190</u> | <u>42,533,446</u> | <u>40,272,471</u> |

TERRACE - KITIMAT AIRPORT SOCIETY

STATEMENT OF OPERATIONS

YEAR ENDED MARCH 31

| | 2020 | 2019 |
|---------------------------------------|------------------|-------------------|
| | \$ | \$ |
| REVENUE | | |
| Airport user fees | 4,839,082 | 3,864,556 |
| Airport improvement fee (note 9) | 981,069 | 822,427 |
| Parking fees | 678,785 | 617,876 |
| Rentals | 1,494,183 | 1,198,522 |
| Grants | - | 3,417,351 |
| Other | 148,854 | 119,305 |
| | <u>8,141,973</u> | <u>10,040,037</u> |
| EXPENDITURE | | |
| Amortization | 1,925,039 | 2,040,000 |
| Bank charges and interest | 30,225 | 54,708 |
| Directors | 6,834 | 1,984 |
| Salaries, wages and benefits | 1,834,967 | 1,730,195 |
| Services, supplies and administration | 1,872,180 | 1,551,451 |
| Utilities | 211,753 | 209,827 |
| | <u>5,880,998</u> | <u>5,588,165</u> |
| REVENUE OVER EXPENDITURE | <u>2,260,975</u> | <u>4,451,872</u> |

TERRACE - KITIMAT AIRPORT SOCIETY

STATEMENT OF CASH FLOWS

YEAR ENDED MARCH 31

| | 2020 | 2019 |
|--|------------------|-------------------|
| | \$ | \$ |
| OPERATING ACTIVITIES | | |
| Revenue over expenditure | 2,260,975 | 4,451,872 |
| Amortization | 1,925,039 | 2,040,000 |
| Gain on sale of property and equipment | -21,025 | - |
| Accounts receivable | 61,512 | 705,292 |
| Inventory | -14,803 | -10,604 |
| Prepaid expenses | 1,902 | 2,420 |
| Accounts payable and accruals | 106,654 | -1,324,753 |
| Deferred revenue | -29,603 | 50,630 |
| | <u>4,290,651</u> | <u>5,914,857</u> |
| FINANCING ACTIVITIES | | |
| Bank demand loan | <u>-530,000</u> | <u>530,000</u> |
| INVESTING ACTIVITIES | | |
| Property and equipment additions | -424,711 | -8,497,365 |
| Property and equipment disposals | 21,025 | - |
| | <u>-403,686</u> | <u>-8,497,365</u> |
| CHANGE IN CASH | 3,356,965 | -2,052,508 |
| OPENING CASH BALANCE | <u>137,961</u> | <u>2,190,469</u> |
| CLOSING CASH BALANCE | <u>3,494,926</u> | <u>137,961</u> |

The closing cash balance is represented as follows:

| | | |
|-------------------|------------------|----------------|
| - Operating | 2,466,668 | 137,961 |
| - Capital reserve | 1,028,258 | - |
| | <u>3,494,926</u> | <u>137,961</u> |

TERRACE – KITIMAT AIRPORT SOCIETY

NOTES

MARCH 31, 2020

1. NATURE OF OPERATIONS

The Terrace – Kitimat Airport Society was incorporated under the Society Act of British Columbia and operates on a not-for-profit basis. Accordingly, the Society is exempt from income taxes. The Society's main customers are airlines landing at the airport and various tenants operating businesses on the airport land and premises.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Basis of Financial Statement Presentation

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations.

b) Inventory

Inventory is recorded at cost.

c) Property and Equipment

Property and equipment is recorded at cost and is amortized using the straight-line method at the following annual rates:

| | |
|----------------|-------------------|
| Buildings | 40 years |
| Infrastructure | 15 & 20 years |
| Vehicles | 10, 15 & 20 years |
| Equipment | 3, 10 & 20 years |

When property and equipment no longer contribute to the airport's ability to provide services, the carrying value is written down to its residual value.

d) Recognition of Revenue and Expenditures

Revenue is recorded when services are provided.

Expenditures are accounted for in the period when the goods and services are acquired and the liability is incurred.

e) Use of Estimates

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the amounts reported. Actual results could differ from those estimates.

TERRACE – KITIMAT AIRPORT SOCIETY

NOTES

MARCH 31, 2020

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

f) Financial instruments

The Society measures financial assets and liabilities at market value at the date of acquisition except for those investments quoted in an active market, which are reported at market value at the year-end.

Financial assets measured at cost are tested for impairment when there are indicators of impairment. There were no indicators of impairment in the 2020 fiscal year.

3. ACCOUNTS RECEIVABLE

Accounts receivable are comprised of regular trade accounts which were virtually all collected by June 2020.

4. PROPERTY AND EQUIPMENT

| | Cost \$ | Accumulated Amortization \$ | Net Book Value | |
|----------------|-------------------|-----------------------------------|-------------------|-------------------|
| | | | 2020 \$ | 2019 \$ |
| Land | 1,926,004 | - | 1,926,004 | 1,926,004 |
| Buildings | 28,677,801 | 4,356,830 | 24,320,971 | 25,014,658 |
| Infrastructure | 15,330,821 | 5,865,013 | 9,465,808 | 10,049,618 |
| Vehicles | 5,803,062 | 2,914,612 | 2,888,450 | 3,080,273 |
| Other | 429,567 | 286,610 | 142,957 | 173,965 |
| | <u>52,167,255</u> | <u>13,423,065</u> | <u>38,744,190</u> | <u>40,244,518</u> |

TERRACE – KITIMAT AIRPORT SOCIETY

NOTES

MARCH 31, 2020

5. BANK DEMAND LOAN

Toronto Dominion Bank, line of credit authorized to \$3,900,000 with interest at prime minus .1% per annum, secured by a general security agreement and a mortgage over land and buildings.

6. ACCOUNTS PAYABLE AND ACCRUALS

Accounts payable and accruals are comprised as follows:

| | 2020 | 2019 |
|--------------------|----------------|----------------|
| | \$ | \$ |
| Trade | 210,899 | 139,154 |
| Governmental | 66,590 | 1,824 |
| Wages and benefits | 243,334 | 265,250 |
| Security deposits | <u>110,125</u> | <u>118,066</u> |
| | <u>630,948</u> | <u>524,294</u> |

7. UNEARNED REVENUE

Unearned revenue is the 2021 fiscal year portion of rent and advertising paid in advance.

8. CAPITAL RESERVE FUND

The capital reserve fund is an internally restricted fund for future capital infrastructure and maintenance projects.

9. AIRPORT IMPROVEMENT FEE

The Society collects \$7 per enplaning passenger to recover funds spent on the 2015 to 2019 fiscal years terminal expansion and paving completed in the 2019 fiscal year. The fee is to be eliminated when the cost of the projects, net of grants, has been recovered. There is \$7.7 million still to be recovered.

TERRACE – KITIMAT AIRPORT SOCIETY

NOTES

MARCH 31, 2020

10. PENSION INFORMATION

The Society and its employees contribute to the Municipal Pension Plan (the Plan), a jointly trustee pension plan. The board of trustees, representing plan members and employers, is responsible for administering the plan, including investment of the assets and administration of benefits. The pension plan is a multi-employer contributory pension plan. Basic pension benefits provided are based on a formula. As at December 31, 2018, the plan has about 205,000 active members and approximately 101,000 retired members.

Every three years, an actuarial valuation is performed to assess the financial position of the plan and adequacy of plan funding. The actuary determines an appropriate combined employer and member contribution rate to fund the plan. The actuary's calculated contribution rate is based on the entry-age normal cost method, which produces the long-term rate of member and employer contributions sufficient to provide benefits for average future entrants to the plan. This rate may be adjusted for the amortization of any actuarial funding surplus and will be adjusted for the amortization of any unfunded actuarial liability.

The most recent valuations for the Municipal Pension Plan as of December 31, 2018, indicated a \$2,886 million funding surplus for basic pension benefits on a going concern basis. The next valuation will be December 31, 2021 with results available in 2022.

Employers participating in the plan record their pension expense as the amount of employer contributions made during the fiscal year (defined contribution pension plan accounting). This is because the plan records accrued liabilities and accrued assets for the plan in aggregate, resulting in no consistent and reliable basis for allocating the obligation, assets and cost to individual employers participating in the plan.

11. REMUNERATION OF EMPLOYEES AND DIRECTORS

In the 2020 fiscal year, \$1,205,767 was paid to thirteen employees earning more than \$75,000. In the 2019 fiscal year, \$1,009,559 was paid to ten employees earning more than \$75,000.

Directors do not receive any remuneration.

12. COVID-19 PANDEMIC

The outbreak of covid-19 significantly disrupted the world economy and has a negative impact on the April to June 2020 operating results of the Society due to the reduction in passenger numbers. The continuing impact on the airport operations is unknown.