

June 19, 2021

PRIVATE AND CONFIDENTIAL

Board of Directors
Terrace – Kitimat Airport Society
103 – 4401 Bristol Road
Terrace, BC V8G 0E9

Dear Directors:

We have completed our audit of the March 31, 2021 financial statements of the Society.

The Society's internal accounting controls continue to be strong.

We thank Carman and the staff for their capable and courteous assistance during the audit.

If there are any questions or comments on the enclosed financial statements and related matters, please discuss them with us.

Thank you.

Yours truly

CARLYLE SHEPHERD & CO.



Ernie Dusdal, CPA, CMA

ED/bn
Encl.

TERRACE – KITIMAT AIRPORT SOCIETY

FINANCIAL STATEMENTS

MARCH 31, 2021

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, 2021 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, 2021 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, 2021



TERRACE - KITIMAT AIRPORT SOCIETY

STATEMENT OF FINANCIAL POSITION

MARCH 31

ASSETS

	2021	2020
	\$	\$
CURRENT		
Cash - operating	3,011,686	2,466,668
- capital reserve	1,846,134	1,028,258
Accounts receivable (note 3)	743,652	778,857
Inventory (note 2)	122,943	161,708
Prepaid expenses	31,158	39,995
	<u>5,755,573</u>	<u>4,475,486</u>
PROPERTY AND EQUIPMENT (notes 2 and 4)	<u>37,922,441</u>	<u>38,744,190</u>
	<u>43,678,014</u>	<u>43,219,676</u>

LIABILITIES AND SOCIETY POSITION

CURRENT		
Accounts payable and accruals (note 6)	698,096	630,948
Unearned revenue (note 7)	68,263	55,282
	<u>766,359</u>	<u>686,230</u>
SOCIETY POSITION		
Surplus	3,143,080	2,760,998
Capital reserve fund (note 8)	1,846,134	1,028,258
Equity in property and equipment	37,922,441	38,744,190
	<u>42,911,655</u>	<u>42,533,446</u>
	<u>43,678,014</u>	<u>43,219,676</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 2021	Total 2020
	\$	\$	\$	\$	\$
Opening balance	2,760,998	1,028,258	38,744,190	42,533,446	40,272,471
Revenue	4,878,356	817,876	166,905	5,863,137	8,141,973
Expenditure	-3,587,869	-	-1,897,059	-5,484,928	-5,880,998
Fund transfer	<u>-908,405</u>	<u>-</u>	<u>908,405</u>	<u>-</u>	<u>-</u>
Closing balance	<u>3,143,080</u>	<u>1,846,134</u>	<u>37,922,441</u>	<u>42,911,655</u>	<u>42,533,446</u>

TERRACE - KITIMAT AIRPORT SOCIETY

STATEMENT OF OPERATIONS

YEAR ENDED MARCH 31

	2021	2020
	\$	\$
REVENUE		
Airport user fees	2,821,529	4,839,082
Airport improvement fee (note 9)	810,877	981,069
Parking fees	290,266	678,785
Rentals	1,344,271	1,494,183
Other	596,194	148,854
	<u>5,863,137</u>	<u>8,141,973</u>
 EXPENDITURE		
Amortization	1,897,059	1,925,039
Bank charges and interest	25,457	30,225
Directors	1,474	6,834
Salaries, wages and benefits	1,942,296	1,834,967
Services, supplies and administration	1,409,254	1,872,180
Utilities	209,388	211,753
	<u>5,484,928</u>	<u>5,880,998</u>
 REVENUE OVER EXPENDITURE	 <u>378,209</u>	 <u>2,260,975</u>

TERRACE - KITIMAT AIRPORT SOCIETY

STATEMENT OF CASH FLOWS

YEAR ENDED MARCH 31

	2021	2020
	\$	\$
OPERATING ACTIVITIES		
Revenue over expenditure	378,209	2,260,975
Amortization	1,897,059	1,925,039
Gain on sale of property and equipment	-	-21,025
Accounts receivable	35,204	61,512
Inventory	38,765	-14,803
Prepaid expenses	8,837	1,902
Accounts payable and accruals	67,148	106,654
Unearned revenue	12,981	-29,603
	<u>2,438,203</u>	<u>4,290,651</u>
FINANCING ACTIVITIES		
Bank demand loan	<u>-</u>	<u>-530,000</u>
INVESTING ACTIVITIES		
Property and equipment additions	-1,075,309	-424,711
Property and equipment disposals	<u>-</u>	<u>21,025</u>
	<u>-1,075,309</u>	<u>-403,686</u>
CHANGE IN CASH	1,362,894	3,356,965
OPENING CASH BALANCE	<u>3,494,926</u>	<u>137,961</u>
CLOSING CASH BALANCE	<u>4,857,820</u>	<u>3,494,926</u>
The closing cash balance is represented as follows:		
- Operating	3,011,686	2,466,668
- Capital reserve	<u>1,846,134</u>	<u>1,028,258</u>
	<u>4,857,820</u>	<u>3,494,926</u>

TERRACE – KITIMAT AIRPORT SOCIETY

NOTES

MARCH 31, 2021

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

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MARCH 31, 2021

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 2021 fiscal year.

3. ACCOUNTS RECEIVABLE

Accounts receivable are comprised of regular trade accounts which were virtually all collected by June 2021.

4. PROPERTY AND EQUIPMENT

	Cost	Accumulated Amortization	Net Book Value	
	\$	\$	2021	2020
			\$	\$
Land	1,926,004	-	1,926,004	1,926,004
Buildings	28,896,698	5,080,844	23,815,854	24,320,971
Infrastructure	16,187,233	6,758,514	9,428,719	9,465,808
Vehicles	5,803,063	3,163,150	2,639,913	2,888,450
Other	429,568	317,617	111,951	142,957
	<u>53,242,566</u>	<u>15,320,125</u>	<u>37,922,441</u>	<u>38,744,190</u>

TERRACE – KITIMAT AIRPORT SOCIETY

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MARCH 31, 2021

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:

	2021	2020
	\$	\$
Trade	166,128	210,899
Governmental	19,706	66,590
Wages and benefits	402,137	243,334
Security deposits	<u>110,125</u>	<u>110,125</u>
	<u>698,096</u>	<u>630,948</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 fees per enplaning passengers 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 \$7.2 million still to be recovered.

TERRACE – KITIMAT AIRPORT SOCIETY

NOTES

MARCH 31, 2021

10. PENSION INFORMATION

The Society and its employees contribute to the Municipal Pension Plan (the Plan), a jointly trustees 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, 2019, the plan has about 213,000 active members and approximately 106,000 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 valuation 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 2021 fiscal year, \$1,146,788 was paid to eleven employees earning more than \$75,000. In the 2020 fiscal year, \$1,205,767 was paid to thirteen employees earning more than \$75,000.

Directors do not receive any remuneration.

12. COVID-19 PANDEMIC

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