

COMOX VALLEY AIRPORT COMMISSION
Financial Statements - March 31, 2021

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the Comox Valley Airport Commission

Opinion

We have audited the financial statements of the Comox Valley Airport Commission (the "Commission"), which comprise the statement of financial position as at March 31, 2021, and the statements of changes in net assets, 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 Commission 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 (ASNPO).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Commission 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.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with ASNPO, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Commission'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 management either intends to liquidate the Commission or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Commission's financial reporting process. When individuals responsible for the oversight of the financial reporting process are the same as those responsible for the preparation of the financial statements, no reference to oversight responsibilities is required.

Auditor's Responsibilities 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.

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Commission's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Commission to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Chan Newsrad Boatis Inc

Chartered Professional Accountants
Courtenay, BC

June 21, 2021

COMOX VALLEY AIRPORT COMMISSION

Statement of Financial Position

March 31, 2021

	Operating Fund	Capital Fund	2021 Total	2020 Total
	\$	\$	\$	\$
ASSETS				
Current Assets				
Cash	1,287,648	1,305,240	2,592,888	4,041,264
Guaranteed Investment Certificates (Note 3)	-	11,663,129	11,663,129	9,926,355
Accounts Receivable	195,822	11,581	207,403	334,727
Prepaid Expenses	<u>21,282</u>	<u>-</u>	<u>21,282</u>	<u>48,301</u>
	1,504,752	12,979,950	14,484,702	14,350,647
Tangible Capital Assets (Note 4)	-	8,379,813	8,379,813	9,311,525
Agreement for Purchase (Note 5)	<u>-</u>	<u>1,512,113</u>	<u>1,512,113</u>	<u>1,512,113</u>
	<u>1,504,752</u>	<u>22,871,876</u>	<u>24,376,628</u>	<u>25,174,285</u>
LIABILITIES				
Current Liabilities				
Accounts Payable	112,619	-	112,619	122,750
Government Remittances Payable	28,102	-	28,102	64,903
Wages Payable	98,632	-	98,632	114,121
Deferred Revenue	37,175	-	37,175	45,683
Refundable Tenant Deposit	<u>31,430</u>	<u>-</u>	<u>31,430</u>	<u>31,430</u>
	307,958	-	307,958	378,887
Obligation for Property Purchase (Note 5)	<u>-</u>	<u>2,190,000</u>	<u>2,190,000</u>	<u>2,190,000</u>
	<u>307,958</u>	<u>2,190,000</u>	<u>2,497,958</u>	<u>2,568,887</u>
NET ASSETS				
Capital Fund	-	20,681,876	20,681,876	19,183,727
Unrestricted	<u>1,196,794</u>	<u>-</u>	<u>1,196,794</u>	<u>3,421,671</u>
	<u>1,196,794</u>	<u>20,681,876</u>	<u>21,878,670</u>	<u>22,605,398</u>
	<u>1,504,752</u>	<u>22,871,876</u>	<u>24,376,628</u>	<u>25,174,285</u>

Commitments (Note 6)

Approved by the Directors:



 Director



 Director

COMOX VALLEY AIRPORT COMMISSION

Statement of Changes in Net Assets

Year Ended March 31, 2021

	Operating Fund	Capital Fund	2021 Total	2020 Total
	\$	\$	\$	\$
Net Assets - Beginning of Year	3,421,671	19,183,727	22,605,398	21,592,731
Excess (Deficit) of Revenues over Expenditures	<u>(43,772)</u>	<u>(682,956)</u>	<u>(726,728)</u>	<u>1,012,667</u>
	3,377,899	18,500,771	21,878,670	22,605,398
Interfund Transfers	<u>(2,181,105)</u>	<u>2,181,105</u>	-	-
Net Assets - End of Year	<u>1,196,794</u>	<u>20,681,876</u>	<u>21,878,670</u>	<u>22,605,398</u>

COMOX VALLEY AIRPORT COMMISSION

Statement of Operations

Year Ended March 31, 2021

	Operating Fund	Capital Fund	2021 Total	2020 Total
	\$	\$	\$	\$
Revenues				
Advertising	25,788	-	25,788	34,987
Airport Improvement Fees (Note 7)	-	167,645	167,645	972,887
Concessions - Car	236,550	-	236,550	582,601
Concessions - Other	20,085	-	20,085	88,582
Concessions - Parking	214,632	-	214,632	1,333,371
Fuel Commissions	45,780	-	45,780	106,306
Government Funding	424,941	35,175	460,116	13,895
Interest	-	166,828	166,828	273,847
Miscellaneous	10,254	-	10,254	11,557
Office Rentals	215,466	-	215,466	217,974
Terminal Fees	323,695	-	323,695	1,910,908
	<u>1,517,191</u>	<u>369,648</u>	<u>1,886,839</u>	<u>5,546,915</u>
Expenses				
Airport Improvement Fee (Note 7)	-	10,983	10,983	72,639
Amortization	-	1,041,621	1,041,621	1,030,635
Bad Debts	-	-	-	683
Bank Charges and Interest	4,942	-	4,942	5,507
Board (Note 8)	51,220	-	51,220	54,693
Fuel Facility	1,616	-	1,616	13,699
Insurance	78,990	-	78,990	61,076
Marketing	31,734	-	31,734	81,336
Office and Miscellaneous	65,231	-	65,231	116,993
Parking Administration	80,962	-	80,962	114,899
Professional Fees	121,694	-	121,694	61,308
Property Taxes	83,160	-	83,160	156,836
Rent	26,436	-	26,436	56,314
Supplies	203,252	-	203,252	325,537
Utilities	99,634	-	99,634	125,889
Volunteers	433	-	433	10,434
Wages and Benefits	1,488,345	-	1,488,345	1,557,883
	<u>2,337,649</u>	<u>1,052,604</u>	<u>3,390,253</u>	<u>3,846,361</u>
Income (Deficit) from Operations	(820,458)	(682,956)	(1,503,414)	1,700,554
Canadian Emergency Wage Subsidy (Note 11)	776,686	-	776,686	-
Impairment of Agreement for Purchase	-	-	-	(687,887)
Excess (Deficit) of Revenues over Expenses	<u>(43,772)</u>	<u>(682,956)</u>	<u>(726,728)</u>	<u>1,012,667</u>

COMOX VALLEY AIRPORT COMMISSION

Statement of Cash Flows

Year Ended March 31, 2021

	Operating Fund	Capital Fund	2021 Total	2020 Total
	\$	\$	\$	\$
Cash Flows From Operating Activities:				
Cash Received from Passengers and Others	2,381,767	233,746	2,615,513	5,372,500
Cash Paid to Suppliers	(869,217)	(10,986)	(880,203)	(1,231,068)
Cash Paid to Employees	(1,503,834)	-	(1,503,834)	(1,538,766)
Interest Received	-	166,828	166,828	273,847
	<u>8,716</u>	<u>389,588</u>	<u>398,304</u>	<u>2,876,513</u>
Cash Flows From Investing Activities:				
Purchase of Tangible Capital Assets	-	(109,906)	(109,906)	(155,882)
Purchase of Investments	-	(1,736,774)	(1,736,774)	(43,920)
	<u>-</u>	<u>(1,846,680)</u>	<u>(1,846,680)</u>	<u>(199,802)</u>
Cash Flows From Financing Activities:				
Interfund Transfers	(2,181,105)	2,181,105	-	-
Increase (Decrease) in Cash	(2,172,389)	724,013	(1,448,376)	2,676,711
Cash - Beginning of Year	<u>3,460,037</u>	<u>581,227</u>	<u>4,041,264</u>	<u>1,364,553</u>
Cash - End of Year	<u>1,287,648</u>	<u>1,305,240</u>	<u>2,592,888</u>	<u>4,041,264</u>

COMOX VALLEY AIRPORT COMMISSION

Notes to Financial Statements

March 31, 2021

1. Nature of Operations:

The Comox Valley Airport Commission ("the Commission") was granted letters patent under the Canada Corporations Act on February 12, 1996. The Commission is also registered as an extraprovincial non-share corporation.

The Commission has operated the civilian air terminal located on leased land from the Crown on CFB Comox grounds since June 1, 1996. The Commission also owns and is developing an adjacent parcel of land on Knight Road to meet further air service demands.

All earnings of the Commission are retained and reinvested in civilian airport operations and development. The Commission is exempt from tax under S.149(1)(l) of the Income Tax Act.

2. Significant Accounting Policies:

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

The Commission follows the restricted fund method of accounting for contributions. Accordingly, revenues received for each of the specific funds and the expenditures incurred by each fund are segregated for accounting and reporting purposes into the following specific funds:

Operating Fund

The Operating Fund accounts for the Commission's operating activities, including the administrative and general costs of operations. This fund reports the assets, liabilities, revenues and expenditures related to unrestricted revenue received as well as presents amounts that are received and restricted and do not have another appropriate fund as deferred revenue.

Capital Fund

The Capital Fund reports the assets, liabilities, revenues and expenses related to the Commission's property and equipment purchases, expansion projects and debt repayment.

Use of Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting standards for not-for-profit organizations 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 reported amounts of revenues and expenses during the current year. These estimates are reviewed periodically and adjustments are made to income as appropriate in the year they become known. Significant estimates include the useful lives of tangible capital assets and the resulting amortization of tangible capital assets as well as the date at which permits will be received with respect to the agreement the Commission has entered into to purchase property that would trigger the purchase.

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March 31, 2021

2. Significant Accounting Policies (continued):

Tangible Capital Assets

Tangible Capital Assets are initially recorded at cost. Amortization is recorded using the straight-line method at rates intended to amortize the cost of assets over their estimated useful lives. The estimated useful lives of capital assets are as follows:

Airside	Lease term
Building	Lease term
Equipment	10 years
Air Terminal Building	Lease term
Furniture and Fixtures	10 years
Conveyance Equipment	20 years
Fuel Facility	Lease term
Groundside	Lease term
Computer Equipment	3 years

Long-Lived Assets

Measurement

Long-lived assets consist of all non-current assets. Long-lived assets for use are measured and amortized as described in the applicable accounting policies.

Impairment

A long-lived asset is tested for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. An impairment loss is recognized when the carrying amount of the asset exceeds the sum of the undiscounted cash flows resulting from its use and eventual disposition. The impairment loss is measured as the amount by which the carrying amount of the long-lived asset exceeds its fair value.

Financial Instruments

Measurement

The Commission initially measures its financial assets and liabilities at fair value. The Commission subsequently measures all its financial assets and financial liabilities at amortized cost unless otherwise disclosed.

Impairment

Financial assets measured at cost are tested for impairment when there are indicators of impairment. The amount of the write-down is recognized in net income. The previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in net income.

Revenue Recognition

Restricted contributions are recognized as revenue of the Capital Fund in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Unrestricted contributions and contributions for operations are recognized as revenue of the Operating Fund in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Revenues are receivable when service are performed, the facilities are utilized or the amounts are earned pursuant to the related agreements.

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Notes to Financial Statements

March 31, 2021

2. Significant Accounting Policies (continued):

Revenue Recognition (continued)

Terminal fees are recognized as each passenger enplanes and deplanes. Airport improvement fees are recognized as each passenger enplanes. Car concession revenue is recognized monthly based on a percentage of gross monthly revenue from car rental agencies. Parking concession revenue is recognized as the lot is used. Office and property rental revenue is recognized monthly per rental agreements. Other concession revenue is recognized monthly based on a percentage of gross revenue from other concessions. Advertising revenue is recognized monthly as it is earned. Fuel commissions are recognized daily based on a percentage of volume used at the fuel facility.

3. Guaranteed Investment Certificates:

Guaranteed Investment Certificates (GIC's) are recorded at cost plus accrued interest, maturing at various dates over the next 8 months. Interest rates on the GIC's vary from 0.70% - 1.760%.

4. Tangible Capital Assets:

	<u>2021</u>		<u>2020</u>	
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Cost</u>	<u>Accumulated Amortization</u>
	\$	\$	\$	\$
Land	651,614	-	651,614	-
Airside	9,233,578	6,099,379	9,233,578	5,695,596
Building	318,122	184,447	318,122	167,317
Equipment	431,766	391,732	431,766	380,178
Air Terminal Building	7,879,573	5,428,822	7,827,986	5,098,133
Furniture and Fixtures	369,991	309,503	360,685	299,823
Conveyance Equipment	1,198,171	943,302	1,198,171	883,394
Fuel Facility	150,356	87,845	150,356	79,511
Groundside	2,975,896	1,605,769	2,933,200	1,425,966
Computer Equipment	175,910	142,687	169,593	121,950
Expansion Development Costs:				
Operations Building	<u>188,322</u>	<u>-</u>	<u>188,322</u>	<u>-</u>
	<u>23,573,299</u>	<u>15,193,486</u>	<u>23,463,393</u>	<u>14,151,868</u>
Unamortized Cost	<u>8,379,813</u>		<u>9,311,525</u>	

Airside, building, air terminal building, fuel facility and groundside assets are amortized over the life remaining on the land lease with the Department of National Defence. As at March 31, 2021, seven years remain on this lease.

Expansion development costs include plans and designs for future development. No amortization will be recorded until the development is complete.

COMOX VALLEY AIRPORT COMMISSION

Notes to Financial Statements

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5. Agreement for Purchase:

In 2010, the Commission entered into a contract to purchase a parcel of land adjacent to their current location for \$2,200,000. This parcel is currently part of a larger parcel which is to be subdivided. The completion date is 30 days following the registration of the Subdivision Plan with the Victoria Land Title Office. A \$10,000 non-refundable deposit has been paid and \$490,000 is due to be paid upon the completion date. The balance of the purchase price is to be paid, without interest, in 60 monthly installments of \$28,333.

The Commission believes that the subdivision will occur some time in the near future so the commitment and agreement for purchase have not been discounted in the current year.

On March 28, 2020, the Commission obtained a third party appraisal which the Commission used to estimate a value for the parcel of land to which the Agreement for Purchase related to, to be \$1,512,113. As a result of the reduction in the estimated fair value of the land to which the Agreement for Purchase related, the value of the Agreement for Purchase asset was assessed to be impaired at March 31, 2020. There has not been any change in the estimated value of the land nor has there been any additional impairment expense recognized since this date.

6. Commitments:

Effective June 30, 2003, the Commission entered into a 25 year lease with the Department of National Defence for the land where the airport is situated.

The Commission is committed under a lease agreement for land with total future lease payments of \$383,317, assuming there is no further change in the payment amount over the term of the lease.

Lease payments in each of the next five years are estimated as follows:

	\$
2022	52,871
2023	52,871
2024	52,871
2025	52,871
2024	52,871

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Notes to Financial Statements

March 31, 2021

7. Airport Improvement Fees:

The Commission collects an airport improvement fee (AIF) of \$5 per outgoing passenger to fund the cost of major capital expenditures. These fees are collected by the air carriers under an agreement between the Commission, the Air Transport Association of Canada (ATAC) and the air carriers serving the airport, entitling the air carriers to withhold a 7% administration fee. By agreement with ATAC, AIF revenues are restricted to pay for the capital and related financing costs of major airport infrastructure development. The Commission does not recognize any one time capital funding received from those parties not detailed below within the below calculation.

To March 31, 2021, the cumulative capital related expenditures exceed the cumulative AIF revenues and specific previously received capital grant funding as follows:

	<u>2021</u>	<u>2020</u>
	\$	\$
Capital Grant Funding:		
Comox Valley Regional District	4,000,000	4,000,000
Province of BC	2,000,000	2,000,000
Transport Canada	1,900,000	1,900,000
Canadian Airport Authority	535,652	535,652
AIF Revenue Collected	13,362,850	13,195,205
AIF Interest Earned	<u>979,169</u>	<u>812,341</u>
	<u>22,777,671</u>	<u>22,443,198</u>
AIF Administration Fees	(973,282)	(962,299)
AIF Capital Expenditures	(22,624,234)	(22,514,328)
Financing Costs	<u>(2,203,827)</u>	<u>(2,203,827)</u>
	<u>(25,801,343)</u>	<u>(25,680,454)</u>
Net Capital Expenditures Funded by Debt and Operating Fund Transfers	<u>(3,023,672)</u>	<u>(3,237,256)</u>

8. Director Compensation:

Included in board expenses for the current year are fees paid to the Board of the Commission for their services as directors totaling \$50,906 (2020 - \$48,358).

COMOX VALLEY AIRPORT COMMISSION

Notes to Financial Statements

March 31, 2021

9. Financial Instruments:

The Commission is exposed to various risks through its financial instruments. It is management's opinion that the Commission is not exposed to significant concentrations at the financial statement date except as otherwise disclosed.

Liquidity Risk

Liquidity risk is the risk that the Commission will encounter difficulty in meeting obligations associated with financial liabilities. The Commission is exposed to this risk mainly in respect of its accounts payable.

Credit Risk

Credit risk is the risk that the Commission will incur losses based on credit that it has granted to other parties. The total amount of this exposure is the balance in accounts receivable of \$207,403 (2020 - \$334,727). Two customers account for 48% of this balance (2020 - two customers accounted for 62%), but management feels that the risk of collection of these amounts is minimal due to the past payment history of these customers and the organizational size of these customers.

Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest risk and other price risk. The Commission, at year-end, is not exposed significantly to currency risk, interest risk or other price risk.

10. Environmental Matters

The Commission is subject to various laws, regulations and government policies relating to health and safety, to the generation, storage, transportation, disposal and environment emissions of various substances and to the protection of the environment in general. A risk of environmental liability is inherent in the operations; real estate ownership, operation or control; and other commercial activities of the Commission with respect to both current and past operations. Although the effect on operating results and liquidity cannot be reasonably estimated, management believes, based on current information, that environmental matters will not have a material adverse effect on the Commission's financial condition or competitive position.

11. Government Assistance:

During the year the Government of Canada implemented the Canada Emergency Wage Subsidy (CEWS) program to cover a portion of wages for employers who experienced a revenue drop during the COVID-19 pandemic. The Society applied for and received CEWS of \$776,686. Included in accounts receivable is \$121,813 in CEWS receivable that was deposited subsequent to year-end.

12. COVID-19:

The global outbreak of the coronavirus disease (COVID-19) continues to cause economic uncertainties that are likely to have a material negative impact on the operations of the Commission. The extent of the continued impact of COVID-19 on the Commission and its operations for the year ended March 31, 2022 cannot be determined at this time as travel restrictions are currently in place throughout Canada. The negative impact of COVID-19 on the Commission is not expected to be lessened until such time as the travel restrictions throughout Canada are removed.