

COMOX VALLEY AIRPORT COMMISSION
Financial Statements - March 31, 2019

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MANAGEMENT REPORT

March 31, 2019

The Board of Directors of the Comox Valley Airport Commission (the "Commission") has delegated the responsibility for the integrity and objectivity of the financial information contained in the financial statements to the management of the Commission. The financial statements, which in part, are based on informed judgments and estimates, have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations, which have been applied on a basis consistent with that of the preceding year.

To assist in carrying out their responsibility, management maintains an accounting system and internal controls to provide reasonable assurance that transactions are properly authorized and recorded in compliance with legislative and regulatory requirements and that financial records are reliable for preparation of the financial statements. These systems are monitored and evaluated by management.

The Commission's independent auditors, Chan Nowosad Boates Inc., Chartered Professional Accountants, are engaged to express an opinion as to whether these financial statements present fairly the Commission's financial position and operating results in accordance with Canadian accounting standards for not-for-profits. Their opinion is based on procedures they consider sufficient to support such an opinion.

The financial statements have, in management's position, been properly prepared within the reasonable limits of materiality and in accordance with Canadian accounting standards for not-for-profit organizations. These statements present, in all significant respects, the financial position of the Commission as at March 31, 2019.



Fred Bigelow
CEO
June 17, 2019



INDEPENDENT AUDITORS' REPORT

To the Board of Directors of the Comox Valley Airport Commission

Opinion

We have audited the accompanying financial statements of the Comox Valley Airport Commission (the "Commission"), which comprise the statement of financial position as at March 31, 2019, and the statement of changes in net assets, operations and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the Commission's financial statements present fairly, in all material respects, the financial position of the Commission as at March 31, 2019, and of its financial performance and its cash flows for the year then ended. The financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations.

Basis of 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 of 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 Canadian accounting standards for not-for-profit organizations, 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 intends for the Commission's to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for over-seeing the Commission's financial reporting process.

Auditors' 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 the users taken on the basis of these financial statements.

Auditors' 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 judgement 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.
- 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.

Other Matters

The financial statements for the year ended March 31, 2018 were audited by another firm of Chartered Professional Accountants who expressed an unqualified opinion on those financial statements on June 18, 2018.

Chan Nowosal Bonte Inc.

Chartered Professional Accountants
Courtenay, BC

June 17, 2019

COMOX VALLEY AIRPORT COMMISSION

Statement of Financial Position

March 31, 2019

	Operating Fund	Capital Fund	2019 Total	2018 Total
	\$	\$	\$	\$
ASSETS				
Current Assets				
Cash	956,763	407,790	1,364,553	1,012,954
Guaranteed Investment Certificates (Note 3)	-	8,432,855	8,432,855	4,791,361
Accounts Receivable	373,576	79,966	453,542	504,540
Prepaid Expenses	69,411	-	69,411	12,709
	<u>1,399,750</u>	<u>8,920,611</u>	<u>10,320,361</u>	<u>6,321,564</u>
Guaranteed Investment Certificates (Note 3)	-	1,449,580	1,449,580	3,156,257
Tangible Capital Assets (Note 4)	-	10,186,279	10,186,279	10,195,029
Agreement for Purchase (Note 5)	-	2,200,000	2,200,000	1,813,983
	<u>1,399,750</u>	<u>22,756,470</u>	<u>24,156,220</u>	<u>21,486,833</u>
LIABILITIES				
Current Liabilities				
Accounts Payable	110,376	-	110,376	81,046
Government Remittances Payable	71,613	-	71,613	60,472
Wages Payable	95,004	-	95,004	83,114
Deferred Revenue	65,066	-	65,066	57,847
Refundable Tenant Deposit	31,430	-	31,430	31,430
	<u>373,489</u>	<u>-</u>	<u>373,489</u>	<u>313,909</u>
Obligation for Property Purchase (Note 5)	-	2,190,000	2,190,000	1,803,983
	<u>373,489</u>	<u>2,190,000</u>	<u>2,563,489</u>	<u>2,117,892</u>
NET ASSETS				
Invested in Capital Assets	-	20,566,470	20,566,470	18,569,329
Unrestricted	1,026,261	-	1,026,261	799,612
	<u>1,026,261</u>	<u>20,566,470</u>	<u>21,592,731</u>	<u>19,368,941</u>
	<u>1,399,750</u>	<u>22,756,470</u>	<u>24,156,220</u>	<u>21,486,833</u>

COMMITMENTS (Note 6)

Approved by the Directors:



Director



Director

COMOX VALLEY AIRPORT COMMISSION

Statement of Changes in Net Assets

Year Ended March 31, 2019

	Operating Fund	Capital Fund	2019 Total	2018 Total
	\$	\$	\$	\$
Net Assets - Beginning of Year	799,612	18,569,329	19,368,941	17,992,339
Excess of Revenues over Expenditures	<u>1,901,157</u>	<u>322,633</u>	<u>2,223,790</u>	<u>1,376,602</u>
	2,700,769	18,891,962	21,592,731	19,368,941
Interfund Transfers	<u>(1,674,508)</u>	<u>1,674,508</u>	-	-
Net Assets - End of Year	<u>1,026,261</u>	<u>20,566,470</u>	<u>21,592,731</u>	<u>19,368,941</u>

COMOX VALLEY AIRPORT COMMISSION

Statement of Operations

Year Ended March 31, 2019

	Operating Fund	Capital Fund	2019 Total	2018 Total
	\$	\$	\$	\$
Revenue				
Advertising	31,913	-	31,913	13,156
Airport Improvement Fees (Note 7)	-	1,054,675	1,054,675	936,584
Concessions - Car	614,649	-	614,649	533,269
Concessions - Other	98,641	-	98,641	93,719
Concessions - Parking	1,324,222	-	1,324,222	1,065,493
Fuel Commissions	119,736	-	119,736	128,745
Government Funding	91,413	140,963	232,376	-
Interest	-	195,062	195,062	122,099
Miscellaneous	13,145	-	13,145	16,468
Office Rentals	213,628	-	213,628	198,827
Terminal Fees	2,059,409	-	2,059,409	1,845,707
	<u>4,566,756</u>	<u>1,390,700</u>	<u>5,957,456</u>	<u>4,954,067</u>
Expenses				
Airport Improvement Fee (Note 7)	-	77,703	77,703	69,051
Amortization	-	990,364	990,364	919,224
Bad Debts	3,062	-	3,062	-
Bank Charges and Interest	4,935	-	4,935	5,633
Board (Note 8)	55,148	-	55,148	64,624
Fuel Facility	11,023	-	11,023	7,245
Insurance	62,361	-	62,361	43,311
Marketing	82,744	-	82,744	63,443
Office and Miscellaneous	115,936	-	115,936	99,528
Parking Administration	116,344	-	116,344	112,242
Professional Fees	75,853	-	75,853	100,962
Property Taxes	91,774	-	91,774	97,000
Rent	44,308	-	44,308	39,277
Repairs and Maintenance	353,253	-	353,253	197,364
Utilities	135,100	-	135,100	132,167
Volunteers	9,196	-	9,196	15,304
Wages and Benefits (Note 8)	1,504,562	-	1,504,562	1,401,568
	<u>2,665,599</u>	<u>1,068,067</u>	<u>3,733,666</u>	<u>3,367,943</u>
	1,901,157	322,633	2,223,790	1,586,124
Writedown of Tangible Capital Asset	-	-	-	(209,522)
Excess of Revenues over Expenditures	<u>1,901,157</u>	<u>322,633</u>	<u>2,223,790</u>	<u>1,376,602</u>

COMOX VALLEY AIRPORT COMMISSION

Statement of Cash Flows

Year Ended March 31, 2019

	Operating Fund	Capital Fund	2019 Total	2018 Total
	\$	\$	\$	\$
Cash Flows From Operating Activities:				
Cash Received from Passengers and Others	4,640,265	1,180,346	5,820,611	4,689,421
Cash Paid to Suppliers	(1,172,333)	(77,703)	(1,250,036)	(1,042,153)
Cash Paid to Employees	(1,492,672)	-	(1,492,672)	(1,377,070)
Interest Received	-	195,062	195,062	122,099
Interest Paid	(4,935)	-	(4,935)	-
	<u>1,970,325</u>	<u>1,297,705</u>	<u>3,268,030</u>	<u>2,392,297</u>
Cash Flows From Investing Activities:				
Purchase of Tangible Capital Assets	-	(981,614)	(981,614)	(435,919)
Purchase of Investments	-	(1,934,817)	(1,934,817)	(4,138,519)
	<u>-</u>	<u>(2,916,431)</u>	<u>(2,916,431)</u>	<u>(4,574,438)</u>
Cash Flows From Financing Activities:				
Interfund Transfers	(1,674,508)	1,674,508	-	-
Increase (Decrease) in Cash	295,817	55,782	351,599	(2,182,141)
Cash - Beginning of Year	<u>660,946</u>	<u>352,008</u>	<u>1,012,954</u>	<u>3,195,095</u>
Cash - End of Year	<u>956,763</u>	<u>407,790</u>	<u>1,364,553</u>	<u>1,012,954</u>

COMOX VALLEY AIRPORT COMMISSION

Notes to Financial Statements

March 31, 2019

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 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.

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.

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. In the year of acquisition of a tangible capital asset, amortization is taken at one-half of the rates. 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

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Notes to Financial Statements

March 31, 2019

2. Significant Accounting Policies (continued):

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 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.

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 15 months. Those GIC's maturing prior to March 31, 2020 have been classified on the statement of financial position as current assets. Interest rates on the GIC's vary from 2.16% - 2.71%.

COMOX VALLEY AIRPORT COMMISSION

Notes to Financial Statements

March 31, 2019

4. Tangible Capital Assets:

	<u>2019</u>		<u>2018</u>	
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Cost</u>	<u>Accumulated Amortization</u>
	\$	\$	\$	\$
Land	651,614	-	651,614	-
Airside	9,208,392	5,293,212	8,837,954	4,896,653
Building	318,122	150,186	318,060	133,058
Equipment	423,050	367,002	415,383	352,182
Air Terminal Building	7,797,397	4,771,331	7,796,856	4,446,256
Furniture and Fixtures	345,609	290,729	317,873	281,571
Conveyance Equipment	1,196,940	823,516	1,196,940	763,669
Fuel Facility	150,356	71,176	150,356	62,841
Groundside	2,871,632	1,250,849	2,379,200	1,103,773
Computer Equipment	156,077	103,231	100,505	90,865
Expansion Development Costs:				
Operations Building	<u>188,322</u>	<u>-</u>	<u>161,156</u>	<u>-</u>
	<u>23,307,511</u>	<u>13,121,232</u>	<u>22,325,897</u>	<u>12,130,868</u>
Unamortized Cost	<u>10,186,279</u>		<u>10,195,029</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, 2019, nine 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.

In the prior year, the costs associated with the International Terminal expansion plan, which totaled \$209,522, were written off to reflect management's assessment that these costs will no longer serve a future benefit to the Commission as future expansion will require new plans and consultations. The writedown was recognized in income in the prior year.

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 within the next 12-18 months so the commitment and agreement for purchase has not been discounted in the current year.

COMOX VALLEY AIRPORT COMMISSION

Notes to Financial Statements

March 31, 2019

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 \$489,059, 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:

	\$
2020	52,871
2021	52,871
2022	52,871
2023	52,871
2024	52,871

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, 2019, the cumulative capital related expenditures exceed the cumulative AIF revenues and specific previously received capital grant funding as follows:

	<u>2019</u>	<u>2018</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	535,562
AIF Revenue Collected	12,222,318	11,167,643
AIF Interest Earned	<u>538,494</u>	<u>343,432</u>
	<u>21,196,464</u>	<u>19,946,637</u>
AIF Administration Fees	(889,660)	(811,957)
AIF Capital Expenditures	22,358,446)	21,376,832)
Financing Costs	<u>(2,203,827)</u>	<u>(2,203,827)</u>
	<u>(25,451,933)</u>	<u>(24,392,616)</u>
Net Capital Expenditures Funded by Debt and Operating Fund Transfers	<u>(4,255,469)</u>	<u>(4,445,979)</u>

COMOX VALLEY AIRPORT COMMISSION

Notes to Financial Statements

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8. Management and Director Compensation:

Included in wages and benefits expense for the current year are gross wages paid to the Chief Executive Officer, Operations Manager, Deputy Operations Manager, Facilities Manager, Marketing Manager, and Administration Manager totaling \$567,941 (2018 - \$516,967).

Included in board expenses for the current year are fees paid to the Board of the Commission for their services as directors totaling \$49,282 (2018 - \$49,953).

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 \$453,542 (2018 - \$504,540). Two customers account for 55% of this balance (2018 - two customers accounted for 49%), 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. Comparative Figures:

The comparative figures for the year ended March 31, 2018 were audited by another firm of Chartered Professional Accountants and an unqualified audit report was issued on June 18, 2018. Certain comparative figures have been reclassified, where necessary, to conform with the presentation adopted in the current year.