

TERRACE-KITIMAT AIRPORT SOCIETY

FINANCIAL STATEMENTS

MARCH 31, 2015

TERRACE-KITIMAT AIRPORT SOCIETY

MARCH 31, 2015

CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS	
Statement of Financial Position	2
Statement of Revenues and Expenditures	3
Statement of Changes in Fund Balances	4
Statement of Cash Flows	5
Summary of Significant Accounting Policies and Other Explanatory Information	6-10

INDEPENDENT AUDITOR'S REPORT

To the Directors of the Terrace-Kitimat Airport Society

We have audited the accompanying financial statements of the Terrace-Kitimat Airport Society, which comprise the statements of financial position as at March 31, 2015 and March 31, 2014 and the statements of revenues and expenditures, changes in fund balances and cash flows for the years ended March 31, 2015 and March 31, 2014, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility 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 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Terrace-Kitimat Airport Society as at March 31, 2015 and March 31, 2014 and the results of its operations and its cash flows for the years then ended in accordance with Canadian Accounting Standards for Not-for-Profit Organizations.

Terrace, British Columbia
June 26, 2015



CHARTERED ACCOUNTANTS

**TERRACE-KITIMAT AIRPORT SOCIETY
STATEMENT OF FINANCIAL POSITION**

AS AT MARCH 31, 2015

	General fund	Capital asset fund	Capital reserve fund	March 31, 2015	March 31, 2014
ASSETS					
CURRENT					
Cash	18,316	-	-	18,316	542,164
Accounts receivable	1,436,389	-	-	1,436,389	567,279
Inventory	130,620	-	-	130,620	112,637
Short-term investments	28,872	-	1,731,874	1,760,746	1,740,959
Prepaid expenses	26,400	-	-	26,400	26,364
	1,640,597	-	1,731,874	3,372,471	2,989,403
PROPERTY, PLANT AND EQUIPMENT (Note 3)	-	15,947,904	-	15,947,904	11,026,383
	\$ 1,640,597	\$ 15,947,904	\$ 1,731,874	\$ 19,320,375	\$ 14,015,786
LIABILITIES					
CURRENT					
Revolving demand loan (Note 4)	240,000	-	-	240,000	-
Accounts payable and accrued liabilities	587,013	-	-	587,013	373,243
Unearned revenue	71,605	-	-	71,605	84,920
	898,618	-	-	898,618	458,163
NET ASSETS	741,979	15,947,904	1,731,874	18,421,757	13,557,623
	\$ 1,640,597	\$ 15,947,904	\$ 1,731,874	\$ 19,320,375	\$ 14,015,786

APPROVED ON BEHALF OF THE BOARD:

 Director

 Director

TERRACE-KITIMAT AIRPORT SOCIETY
STATEMENT OF REVENUES AND EXPENDITURES
FOR THE YEAR ENDED MARCH 31, 2015

	General fund	Capital asset fund	Capital reserve fund	2015	2014
REVENUE					
Airport user fees	\$ 3,853,605	\$ -	\$ -	\$ 3,853,605	\$ 2,871,540
Landing and other passenger fees	246,015	-	-	246,015	169,475
Rentals	873,072	-	-	873,072	739,631
Parking fees	623,201	-	-	623,201	428,889
Airport improvement fees	-	-	247,595	247,595	-
Grants	-	2,679,072	-	2,679,072	-
Interest	-	-	18,387	18,387	13,477
Other revenue	123,367	-	-	123,367	84,749
	5,719,260	2,679,072	265,982	8,664,314	4,307,761
GENERAL AND ADMINISTRATIVE EXPENSES					
Amortization of property, plant and equipment	-	1,102,689	-	1,102,689	1,120,979
Bank charges and interest	22,138	-	-	22,138	12,583
Directors' expenses	6,728	-	-	6,728	2,851
Salaries, wages and benefits (Note 5)	1,380,806	-	-	1,380,806	1,064,431
Services, supplies and administration	1,107,043	-	-	1,107,043	1,004,779
Utilities	180,776	-	-	180,776	170,185
	2,697,491	1,102,689	-	3,800,180	3,375,808
NET EARNINGS FROM OPERATIONS	3,021,769	1,576,383	265,982	4,864,134	931,953
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	\$ 3,021,769	\$ 1,576,383	\$ 265,982	\$ 4,864,134	\$ 931,953

TERRACE-KITIMAT AIRPORT SOCIETY
STATEMENT OF CHANGES IN FUND BALANCES
FOR THE YEAR ENDED MARCH 31, 2015

	General fund	Capital asset fund	Capital reserve fund	2015	2014
FUND BALANCES, BEGINNING OF YEAR	\$ 818,563	\$ 11,026,383	\$ 1,712,677	\$ 13,557,623	\$ 12,625,670
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	3,021,769	1,576,383	265,982	4,864,134	931,953
INTERFUND TRANSFERS (Note 6)	(3,098,353)	3,345,138	(246,785)	-	-
FUND BALANCES, END OF YEAR	\$ 741,979	\$ 15,947,904	1,731,874	\$ 18,421,757	\$ 13,557,623

TERRACE-KITIMAT AIRPORT SOCIETY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2015

	2015	2014
CASH PROVIDED BY OPERATING ACTIVITIES		
Excess of revenue over expenses	\$ 4,864,134	\$ 931,953
Adjustments for:		
Amortization of property, plant and equipment	1,102,689	1,120,979
	5,966,823	2,052,932
CHANGES IN NON-CASH WORKING CAPITAL BALANCES		
Accounts receivable	(869,110)	(304,925)
Inventory	(17,982)	7,478
Prepaid expenses	(36)	(38)
Accounts payable and accrued liabilities	213,770	89,952
Unearned revenue	(13,315)	5,026
	5,280,150	1,850,425
FINANCING ACTIVITIES		
Advances from revolving demand loan	240,000	-
	240,000	-
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(6,024,211)	(477,402)
Purchase of short-term investments	(19,787)	(1,013,198)
	(6,043,998)	(1,490,600)
INCREASE (DECREASE) IN CASH FLOW	(523,848)	359,825
CASH, beginning of year	542,164	182,339
CASH, end of year	\$ 18,316	\$ 542,164

**TERRACE-KITIMAT AIRPORT SOCIETY
NOTES TO FINANCIAL STATEMENTS**

MARCH 31, 2015

1. NATURE OF OPERATIONS

The Terrace-Kitimat Airport Society (the "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 has operated the Northwest Regional Airport since April 1, 1999. The Society's main customers are airlines landing at the airport and various tenants operating businesses on the airport land and premises.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Basis of Presentation

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNFPO) utilizing the restricted fund method of accounting. Canadian accounting standards for not-for-profit organizations are part of Canadian generally accepted accounting principles (GAAP).

General fund

The general fund reports the functional and general expenditures of the Society and the revenues financing those operations. This fund reports unrestricted resources.

Capital asset fund

The capital asset fund reports the capital assets of the Society, specifically acquisitions, amortization and disposals. The fund balance represents the net book value of the Society's capital assets.

Capital reserve fund

The capital reserve fund is established for funds internally restricted for future capital infrastructure and maintenance that are specifically but not limited to those works not funded by Transport Canada's capital funding programs, such as water sewer upgrades, ground side road infrastructure, parking infrastructure, runway overlays, and equipment replacement.

b) Inventory

The inventory of consumable supplies is recorded at the lower of cost and estimated net realizable value.

c) Contributions and Revenue Recognition

The Society follows the restricted fund method of accounting for contributions. Contributions are recognized as revenue of the appropriate restricted fund in the year in which they are received. All other revenues are recognized when they are earned.

**TERRACE-KITIMAT AIRPORT SOCIETY
NOTES TO FINANCIAL STATEMENTS**

MARCH 31, 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Long-lived Assets

Long-lived assets are reviewed for impairment whenever changes in circumstances indicate that the carrying amount of an asset may not be recoverable. For purposes of evaluating the recoverability of long-lived assets, the recoverability test is performed using undiscounted net cash flows estimated to be generated by the assets.

e) Property, Plant and Equipment

Property, plant and equipment is stated at cost or deemed cost less accumulated amortization. Contributed capital assets are recorded at fair value at the date of contribution. Property, plant and equipment is amortized over its estimated useful life at the following rates and methods:

Buildings	- 3% to 10% per annum straight line
Paving	- 7% per annum straight line
Mobile and automotive equipment	- 5% to 10% per annum straight line
Office furniture and equipment	- 10% per annum straight line
Aircraft landing aids	- 10% per annum straight line
Shop equipment	- 10% per annum straight line
Computer equipment and software	- 33% per annum straight line

In the year of acquisition, amortization is recorded at one-half of the above annual rates.

Property, plant and equipment is reviewed for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable and exceed its fair value.

f) Financial Instruments

Measurement of financial instruments

The Society initially measures its financial assets and financial liabilities at fair value, except for certain related party transactions that are measured at the carrying amount or exchange amount, as appropriate.

The Society subsequently measures all its financial assets and financial liabilities at cost or amortized cost, except for investments in equity instruments that are quoted in an active market, which are measured at fair value. Changes in fair value of these financial instruments are recognized in net income.

Financial assets measured at amortized cost on a straight-line basis include cash, short-term investments, and accounts receivable.

Financial liabilities measured at amortized cost on a straight-line basis include accounts payable.

**TERRACE-KITIMAT AIRPORT SOCIETY
NOTES TO FINANCIAL STATEMENTS**

MARCH 31, 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

f) Financial Instruments (continued)

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.

Transaction costs

The Society's transaction costs related to financial instruments that will be subsequently measured at fair value are recognized in net income in the period incurred. The carrying amount of the financial instruments that will not be subsequently measured at fair value is adjusted for transaction costs directly attributable to the origination, issuance or assumption of these instruments.

g) Use of estimates

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

h) Income taxes

The Society is exempt from federal and provincial income taxes as well as capital tax.

**TERRACE-KITIMAT AIRPORT SOCIETY
NOTES TO FINANCIAL STATEMENTS**

MARCH 31, 2015

3. PROPERTY, PLANT AND EQUIPMENT

	Cost	Accumulated Amortization	2015 Net book value	2014 Net book value
Land	\$ 1,926,004	\$ -	\$ 1,926,004	\$ 1,926,004
Buildings	8,580,647	2,340,523	6,240,124	5,456,668
Paving	12,620,455	8,829,120	3,791,335	2,312,332
Mobile and automotive equipment	2,652,299	1,752,282	900,017	1,037,669
Office furniture and equipment	33,861	29,039	4,822	5,565
Aircraft landing aids	3,558,848	728,327	2,830,521	74,729
Shop equipment	563,047	331,014	232,033	181,508
Computer equipment and software	132,615	109,567	23,048	31,907
	\$ 30,067,776	\$ 14,119,872	\$ 15,947,904	\$ 11,026,382

During the year, the Society received \$2,679,072 (2014 - \$25,011) of grants for improvements and new technology, such as heavy airside mobile equipment, wildlife fencing, rehabilitation of runway pavements, airfield lighting, and electrical systems.

The Society has committed to spending \$16.5 million in an air terminal expansion, and the funding will come from government grants and bank financing.

4. REVOLVING DEMAND LOAN

The Society has a Toronto-Dominion Bank line of credit available to it in the amount of \$1,500,000 which bears interest at a rate of prime less 0.1% per annum, secured by a general security agreement and first mortgage over land and buildings.

5. PENSION INFORMATION

The Society and its employees contribute to the Municipal Pension Plan (the "plan"), a jointly trusted pension plan. The Board of Trustees, representing plan members and employers is responsible for overseeing the management of the pension plan, including investment of the assets and administration of benefits. The pension plan is a multi-contributory pension plan. Basic pension benefits are defined. The plan has approximately 163,000 active contributors.

Every three years an actuarial valuation is performed to assess the financial position of the plan and the adequacy of plan funding. The most recent valuation as at December 31, 2012 indicates a deficit of \$0.8 million. The actuary does not attribute portions of the deficit to individual employers. During the year, the Society paid \$73,399 (2014 - \$63,819) for employer contributions to the plan.

**TERRACE-KITIMAT AIRPORT SOCIETY
NOTES TO FINANCIAL STATEMENTS**

MARCH 31, 2015

6. INTERFUND TRANSFERS

During the current year, \$3,098,353 (2014 - \$477,402) was transferred from the general fund to the capital asset fund. Nil (2014 - \$1,012,677) was transferred from the general fund to the capital reserve fund during the current year. \$246,785 (2014 - nil) was transferred from the capital reserve fund to the capital asset fund during the year.

7. CAPITAL MANAGEMENT

All of the Society's earnings are reinvested in airport development. The Society manages its capital to allow it to fund operations, satisfy outstanding revolving debt and fund future capital asset acquisitions.

8. FINANCIAL INSTRUMENTS

The Society is exposed to various risks through its financial instruments and has a comprehensive risk management framework to monitor, evaluate and manage these risks. The following analysis provides information about the Society's risk exposure and concentration as of March 31, 2015.

Liquidity risk

Liquidity risk is the risk of being unable to meet a demand for cash or fund obligations as they come due. It stems from the possibility of the lender demanding repayment in full of their demand loans. Funds generated through operations provide the Society's cash requirements. These funds are used to support operations and finance the capital program and repayment of the Society's revolving demand loan upon which the Society can withdraw further funds.

Accounts payable and accrued liabilities are generally repaid within 30 days. The revolving demand loan (note 4) requires regular principal payments which do not pose a cashflow concern, however, the lender does have the right to demand payment in full.

Interest rate risk

The Society is exposed to interest rate risk on its floating interest rate financial instruments, as changes in these rates could significantly impact cash flows.

Credit risk

The Society is subject to credit risk through its accounts receivable. A significant portion of Society's revenues, and resulting receivable balances are derived from airlines. The Society performs ongoing credit valuations of receivable balances and maintains provisions for potential credit losses.

Commodity Risk

The Society's principal commodity risks are the fluctuating level of diesel and oil prices, which affect its operating expenses. The Society does not hedge this risk as diesel and oil costs are not significant to total operating expenses.