



Navigating Turbulent Airspace

2020 Annual Report



Table of Contents

Introduction	3
2020 Highlights	4
Chairman and CEO Report	5
Executive Team	7
Corporate Governance	8
Auditor's Report	10
Financial Statements	12
Capital Initiatives and Business Plan	23

Vision

Connecting the World to our Region

Mission Statement

An outstanding airport team dedicated to enhancing our community by providing an excellent airport experience for all and driving economic growth in the region.



INTRODUCTION



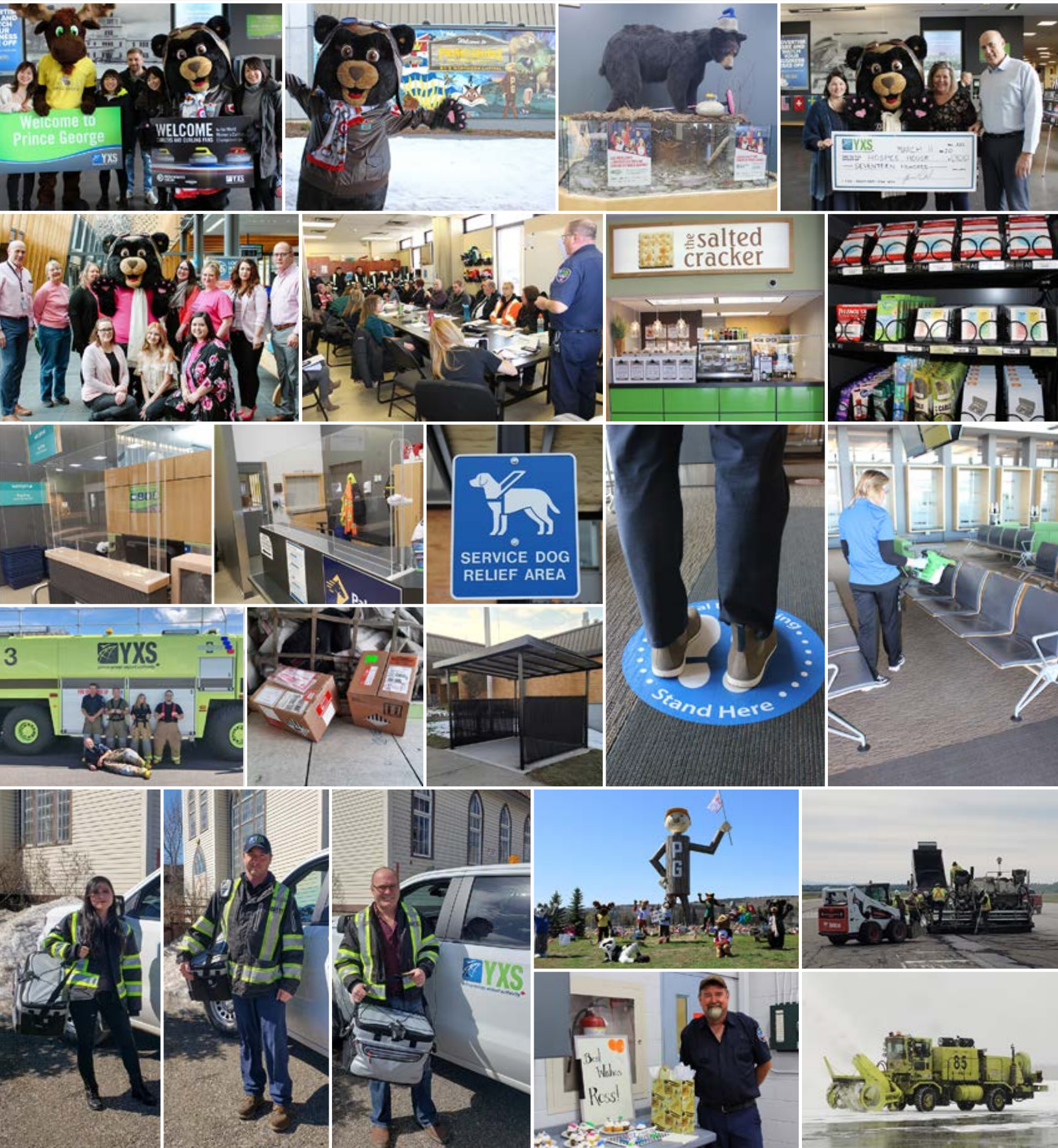
2020 was an unprecedented year for the Prince George Airport Authority (PGAA). The COVID-19 pandemic had a dramatic effect on the Prince George Airport (YXS) and the aviation industry as a whole.

2020 really was all about navigating through turbulent times as PGAA adapted to new, evolving public health requirements and recommendations. Accessibility was also a main focus and several projects were completed to comply with new regulations set out by Transport Canada to make it easier for individuals to navigate through the airport. This is something PGAA has been striving to improve since completing the Rick Hansen Foundation assessment in 2019.

YXS saw 176,994 passengers utilize the airport in 2020, as our airline partners drastically reduced flight schedules and passenger services in response to the pandemic. Flair Airlines joined the YXS team, with service to Vancouver and Edmonton. We also welcomed The Salted Cracker with a new food and beverage offering at YXS. We continue to work with our airline partners to support a return to robust airline connections for the people of Prince George and the surrounding Region.

The Prince George Airport Authority looks forward to what 2021 will bring and are confident we will see a strong restart for YXS, your airport. We're Ready When You Are!

2020 Highlights



Chairman and CEO Report

2020 began with the onboarding of our new CEO, Gordon Duke, and quickly underwent a dramatic and all-encompassing change with the global COVID-19 pandemic. It is impossible to understate the impact the pandemic has had on the aviation sector globally, and in particular, Canada. YXS is no different, despite the strong efforts by the Prince George Airport Authority (PGAA) team to offset or mitigate impacts. For Canadian airports, data indicate that 2020 passenger traffic was just 28% of 2019 passenger levels, and that Canada's airports expect only 18% of 2019 passenger levels for 2021, 42% in 2022, 59% in 2023 and 67% in 2024. The road to recovery and resilience for our sector is long. 2020 passenger traffic at YXS saw a decrease of 64.3% from 2019 numbers. This is directly attributed to the COVID-19 pandemic. Aircraft movements overall saw a decrease of 16.10%. Scheduled commercial aircraft movements saw a decrease of 30.28% from 2019.

The Prince George Airport Authority began tracking COVID-19 in late January, primarily focusing on ensuring we had appropriate inventory of supplies and materials in the event supply chains from Asia were impacted. In early March, we held an Emergency Table Top Exercise with stakeholders to plan how to deal with COVID-19. By mid-March, the situation was dire. We implemented drastic cost-cutting measures across the organisation, and began a remote work regime to lower the risk for our Operations team. Although PGAA staff returned to on-site work in July, with the second wave of COVID-19 hitting in October, we have returned to, and remain in, a Remote Work arrangement still. All PGAA staff, including the Board took a twenty percent cut in hours for about four months, with this planned again for six months in 2021.

Due to the ongoing pandemic, PGAA had very poor financial operating results in 2020, a dramatic departure from the past ten years. Our long-term capital requirements to maintain the infrastructure we inherited from the federal government continue to exceed our long-term financial capacity. To ensure a robust and vibrant airport for our region, we will continue to solicit the federal and provincial governments for financial assistance.

Since 2003, when the PGAA took over responsibility for the operation of YXS, \$107 million of capital has been invested in expansion and rehabilitation.

The PGAA continues to improve safety and increase capacity at YXS. In 2020, the PGAA invested \$746,000 in capital development. In line with the PGAA Strategic Plan, our focus has shifted to innovation as we re-imagine how our airport will operate in a 'post-COVID' environment. We worked with a local food and beverage provider, The Salted Cracker, to

establish a temporary kiosk operation at YXS after our existing operator ceased operations in March. After Budget Car Rental terminated their lease at the airport in May, we re-allocated their parking spaces as a Premium Parking option and sold annual passes. The Fire Training Centre is being marketed to other BC Airports to complete annual Airport Rescue Fire Fighting (ARFF) re-certification training without leaving the province. This is another potential source of non-aeronautical revenue.

Another area of focus has been on enhancing our accessibility programs. In 2020, we re-vamped our website to be compliant with new regulations, and established visual paging as well as a service animal relief area. Training has been completed to provide assistance to those passengers requiring help getting from a vehicle into the Terminal Building through our curbside assistance program. We continue to work on the recommendations from the Rick Hansen Foundation Assessment completed in 2019.

All projects requiring a Canadian Environmental Assessment Act review have had the review conducted. Assessment reviews are available on request.

In 2020, the PGAA posted a net operating loss of \$1.1 million. This loss can be attributed to the impacts of the COVID-19 pandemic. Significant expense reductions, including salaries and benefits, materials and supplies, fuel and most other budgetary line items, were still not enough to offset the massive negative impact to revenues.

We experienced a shortfall of \$3.47 million in Airport Improvement Fees (AIF) against what was budgeted for 2020. This is, again, due to the ongoing pandemic. AIF revenue is calculated outside of the operating surplus.

Redeveloping vibrant air service will be a key priority as the world recovers from the global pandemic. For PGAA, we will continue to reach out to industry contacts to ensure YXS remains a focus for our airline partners. We have partnered with Central Mountain Air to begin reviving their hub operations at YXS, with service re-introduced to Fort Nelson in Feb 2021. Flair Airlines began operating at YXS in Aug of 2020, with twice weekly service to Edmonton and Vancouver. Although the passenger numbers were growing, the airline made the difficult decision to suspend service temporarily at YXS until May 3rd, 2021 due to ongoing travel restrictions and decreased ticket sales. In 2021 we will continue to seek additional non-stop destinations from the Prince George Airport.

The Airport Authority strives to offer Best in Class customer service. The Prince George Airport participated in the Airport

Service Quality (ASQ) measurement program again in 2019. The average score from the traveling public at YXS ranked as a 'High Satisfaction' score beating our benchmarked airports. Particular strengths were friendliness, efficiency, and security. Several customer service initiatives were implemented in 2020 but we did not participate in the ASQ program due to safety concerns. In 2021, we are looking at alternative ways to survey our passengers and airport workers to continue to improve our customer experience.

The PGAA stays connected with our community through social media and presentations to local organizations, Boards, City and Regional Councils. Throughout 2020 the PGAA responded to many community requests to present updates on our efforts to work through and mitigate the impact of the pandemic.

The staff at the Prince George Airport Authority are tremendous community supporters. We were unable to host our annual charity golf tournament in 2020, however PGAA continues to support Hope Air with logistics support for their 2021 National Tour. When our community began to feel the impact of COVID, PGAA staff worked with Meals on Wheels to deliver food to those in need. Donations were also made to the Hospice House early in the year as a result of staff led initiatives in 2019. Our employees take pride in PGAA's community contributions, and work tirelessly on these initiatives.

Board members and staff represent the PGAA, both in the community and throughout Canada on several Boards and

Committees. These include Canadian Airports Council of Chairs, as well as the Canadian Airports Council (CAC) Policy Committee, the Small Airports Caucus and other committees of the CAC. Additional Board and Committee participation include the British Columbia Aviation Council and Tourism Prince George, among others.

Looking ahead to 2021, we continue to focus on adjusting our airport to the reality of a new operating environment in the aftermath of a global pandemic. We will be seeking any funding opportunities to support our Capital requirements and off-set operating costs. Innovation and business agility will be key aspects of our recovery and building future resilience.

There are 12 Board of Director positions on the Prince George Airport Authority Board. At present there are 9 members. In 2020 we welcomed Frank Robertson as a new director. We said goodbye to Dean Mason, Blair Mayes, and Bill McGill. We thank them for giving their time and expertise to the Board. The Board members remained very active in 2020, serving on five Committees: Governance Committee, Finance and Audit Committee, Human Resources Committee, Economic Development Committee, and Major Projects and Environmental Committee.

We thank our Board members, our employees, and our partners for helping us in delivering our vision of "Connecting the World to our Region" for the airport.



A handwritten signature in black ink, appearing to read 'Gordon Duke', written over a horizontal line.

Gordon Duke
President and CEO,
Prince George Airport Authority



A handwritten signature in black ink, appearing to read 'Don Zurowski', written over a horizontal line.

Don Zurowski
Board Chair,
Prince George Airport Authority

Executive Team



Gordon Duke
President and CEO



Diane Bertram
Director of Finance and Administration



Lindsay Cotter
Manager of Marketing and
Communications



Trevor Gust
Manager of Operations



Michelle Kenny
Manager of Corporate Services



Veronica Laass
Manager of Accounting



Geoff Stocks
Manager of Regulatory Compliance



Chrisie Berry
Executive Assistant

Corporate Governance

The Mission of the Prince George Airport Authority is to operate a safe secure airport with quality customer-oriented passenger facilities and services, and a developing cargo business, in an economically sustainable and environmentally responsible manner that contributes to regional economic development.

The primary responsibility of the Board of Directors ('Board') is to foster the long-term success of the Prince George Airport Authority ('Authority') consistent with the Board's responsibilities to the communities it serves.

The Board has the responsibility to oversee the conduct of the business of the Authority and to direct and oversee management which is responsible for the day-to-day operation of the business. In performing its functions, the Board also considers the legitimate interests which others such as employees, suppliers, customers and communities have in the Authority. In overseeing the conduct of the business, the Board, through the President & CEO, will set the standards of conduct for the Authority and ensure the safety of its operations.

**Dean Mason**

Chair - Board of Directors
Nominated by City of Prince George
Attendance 6/6 Board*

**Derek Dougherty**

Treasurer - Board of Directors
Chair - Finance and Audit Committee
Nominated by Regional District of Fraser-Fort George
Attendance 6/6 Board, 14/17 Committee

**Don Zurowski**

Vice Chair - Board of Directors
Nominated by The City of Prince George
Attendance 6/6 Board, 27/31 Committee

**Todd Corrigan**

Secretary - Board of Directors
Nominated by Prince George Chamber of Commerce
Attendance 6/6 Board, 9/12 Committee

**Shauna Harper**

Director
Nominated by The City of Prince George
Attendance 6/6 Board, 10/10 Committee

**Terry Kuzma**

Director
Nominated by Prince George Airport Authority
Attendance 6/6 Board, 6/10 Committee

**Blair Mayes**

Chair - Economic Development Committee
Nominated by Prince George Airport Authority
Attendance 6/6 Board, 8/10 Committee

**Frank Robertson**

Director
Nominated by Prince George Airport Authority
Attendance 6/6 Board, 9/10 Committee

**Bill McGill**

Chair - Governance Committee
Nominated by the Province of BC
Attendance 1/1 Board, 1/1 Committee
Resigned February 29, 2020

**Regina Toth**

Director
Nominated by Federal Government
Attendance 6/6 Board, 14/15 Committee

**Emily Cheung**

Chair - Major Projects and Environmental Committee
Nominated by Regional District of Fraser-Fort George
Attendance 6/6 Board, 7/7 Committee

**Sandra Rossi**

Director
Nominated by Prince George Airport Authority
Attendance 6/6 Board, 10/10 Committee

*The Board Chair attends all committee meetings as required.

Board of Directors

The Prince George Airport Authority is governed by a board consisting of 12 directors nominated by the following entities:

Nominating Entities Positions	Number of Board
Government of Canada	2
Province of British Columbia	1
Regional District of Fraser-Fort George	2
City of Prince George	3
Prince George Chamber of Commerce	1
Prince George Airport Authority	3

Each board member may serve up to a total of 9 years on the board.

Skills and Experience

Directors on the Board collectively possess skills, experience and expertise that help advance the mandate and mission of the Airport Authority - while demonstrating governance best practices and fiscal responsibility. In addition, they include at least one representative from each of: the business community, organized labour, and consumer interests.

Committees

The work of the Board was supported by five committees in 2020, consisting entirely of independent directors. The following committees meet regularly throughout the year:

- Audit and Finance Committee
- Governance and Nominating Committee
- Human Resources Committee
- Major Projects and Environment Committee
- Economic Development Committee

Accountability

The Prince George Airport Authority is acutely aware of the trust that has been placed in it by the community and its stakeholders. The Board of Directors has adopted a Code of Conduct. Board members review and sign annual disclosures of potential conflicts of interest while adhering to the Board's Conflict of Interest policy guidelines throughout the year. There were no contraventions of the Code of Conduct in 2020.

Maintaining transparency and openness with the public is an integral piece of good governance. The Board of Directors adheres to bylaw 14.5 which states that contracts in excess of a total value of \$75,000 (subject to annual adjustment for inflation according to the Consumer Price Index based on 1994 dollars) shall be awarded based on a public tendering process. For 2020, the adjusted value was \$119,164 and all contracts valued at or over this value were awarded by bid.

Compensation

The compensation of the Board is reviewed annually by the Governance Committee. In 2020 the officers of the corporation and directors received the following annual retainers:

Chair	\$ 12,000
Vice Chair	\$ 5,000
Secretary	\$ 4,500
Treasurer and Chair Finance Committee	\$ 5,500
Chair Governance Committee	\$ 6,500
Chair Human Resources Committee	\$ 6,500
Chair Major Projects & Environment Committee	\$ 5,500
Chair Airlines and Community Consultation Committee	\$ 4,500
Board Members	\$ 4,500

*All Board members also receive \$400 per Board and Committee meeting attended

Acting upon the recommendation of the Human Resources and Compensation Committee, the Board has the responsibility to approve the appointment and compensation of senior management, to approve the total compensation arrangements for excluded staff, and to ensure that plans are made for management succession and development. The combined salaries of the Prince George Airport Authority management for the 2020 year was \$880,432.

Independent Auditor's Report

To the of Prince George Airport Authority Inc.:

Opinion

We have audited the financial statements of Prince George Airport Authority Inc. (the "Authority"), which comprise the statement of financial position as at December 31, 2020, and the statements of operations, changes in net assets 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 Authority as at December 31, 2020, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

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 Authority 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 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 Authority'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 Authority or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Authority's financial reporting process.

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.

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 Authority'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 Authority'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 Authority 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.

Prince George, British Columbia

April 8, 2021



MNP LLP

Chartered Professional Accountants

MNP
LLP

Statement of Financial Position

As at December 31, 2020

	2020	2019
Assets		
Current		
Cash	1,988,728	909,633
Investment	15,230	12,197
Accounts receivable	635,092	2,503,718
Inventory	17,450	17,965
Prepaid expenses	351,403	434,997
	3,007,903	3,878,510
Capital assets (Note 3)	68,498,902	72,237,902
Defined benefit asset (Note 4)	1,640,000	1,345,000
	73,146,805	77,461,412
Liabilities		
Current		
Bank demand loans (Note 5)	6,240,350	7,337,353
Accounts payable and accrued liabilities (Note 6)	765,764	1,196,680
Government remittance payable	3,211	36,378
Deferred revenue	9,942	13,567
Current portion of long-term debt (Note 7)	315,302	1,261,209
Derivative financial liability (Note 8)	216,230	-
	7,550,799	9,845,187
Long-term debt (Note 7)	6,488,319	5,780,540
Deferred contributions related to capital assets (Note 9)	18,906,750	20,182,869
	32,945,868	35,808,596
Commitments (Note 10)		
Net Assets		
Invested in capital assets (Note 11)	36,541,970	37,669,722
Unrestricted (Note 12)	3,658,967	3,983,094
	40,200,937	41,652,816
	73,146,805	77,461,412
Approved on behalf of the Board		
		
Director	Director	

The accompanying notes are an integral part of these financial statements

Statement of Operations

Year ended December 31, 2020

	2020	2019
Revenue		
Concessions	435,787	762,070
General terminal	801,337	1,725,637
Landing fee	1,599,520	2,869,871
Other Income	1,222,819	1,559,529
Parking	905,251	1,946,711
Rental income	406,657	405,153
	5,371,371	9,268,971
Expenses		
Administration	388,369	1,115,710
Insurance	219,030	216,531
Operations	2,172,320	2,718,795
Property taxes	191,579	231,441
Salaries and employee benefits	3,087,257	3,064,798
Utilities	425,305	465,486
	6,483,860	7,812,761
Operating surplus (deficit)	(1,112,489)	1,456,210
Other items		
Airport improvement fee (net) (Note 13)	1,841,670	5,202,806
Amortization of capital assets	(4,406,304)	(4,114,963)
Amortization of deferred contributions related to capital assets (Note 9)	1,594,840	1,516,944
Government assistance (Note 14)	1,036,437	-
Interest on long-term debt	(388,612)	(505,276)
(Loss) gain on disposal of capital assets	(35,191)	(18,400)
Remeasurement of pension benefit assets	234,000	242,000
Unrealized loss on derivative financial instrument	(216,230)	-
	(339,390)	2,323,111
Excess (deficiency) of revenue over expenses	(1,451,879)	3,779,321

The accompanying notes are an integral part of these financial statements

Statement of Changes in Net Assets

Year ended December 31, 2020

	<i>Invested in Capital Assets (Note 11)</i>	<i>Restricted Airport Improvement fee (Note 13)</i>	<i>Unrestricted (Note 12)</i>	2020	2019
				<i>Total</i>	<i>Total</i>
Net assets beginning of year	37,669,722	-	3,983,094	41,652,816	37,873,495
Excess (deficiency) of revenue over expenses	-	1,453,057	(2,904,936)	(1,451,879)	3,779,321
Capital asset additions	745,832	(745,832)	-	-	-
Loss on disposal of capital assets	(35,191)	-	35,191	-	-
Net repayment of bank demand loan and subsidies	973,071	(707,225)	(265,846)	-	-
Amortization of capital assets	(4,406,304)	-	4,406,304	-	-
Amortization of deferred contributions	1,594,840	-	(1,594,840)	-	-
Net assets, end of year	36,541,970	-	3,658,967	40,200,937	41,652,816

The accompanying notes are an integral part of these financial statements

Statement of Cash Flows

Year ended December 31, 2020

	2020	2019
Cash provided by (used for) the following activities		
Operating		
Excess (deficiency) of revenue over expenses	(1,451,879)	3,779,321
Amortization of capital assets	4,406,304	4,114,963
Loss on disposal of capital assets	35,191	18,400
Amortization of deferred contributions related to capital assets	(1,594,840)	(1,516,944)
Defined benefit adjustment	(295,000)	(292,000)
Accrued interest	82,977	-
Unrealized loss on derivative financial instrument	216,230	-
	1,398,983	6,103,740
Changes in working capital accounts		
Accounts receivable	1,868,626	455,534
Inventory	515	3,441
Prepaid expenses	83,594	2,799
Accounts payable and accrued liabilities	(430,916)	(540,606)
Government remittance payable	(33,168)	33,451
Deferred revenue	(3,625)	(1,375)
	2,884,009	6,056,984
Financing		
Cash contributions received for capital assets	362,059	2,334,717
Bank demand loan proceeds	-	3,000,000
Repayment of bank demand loans	(1,097,003)	(1,249,501)
Repayment of long-term debt	(321,105)	(1,261,208)
	(1,056,049)	2,824,008
Investing		
Capital asset additions	(745,832)	(9,071,862)
Increase in investments	(3,033)	(2,904)
	(748,865)	(9,074,766)
Increase (decrease) in cash resources	1,079,095	(193,774)
Cash resources, beginning of year	909,633	1,103,407
Cash resources, end of year	1,988,728	909,633

The accompanying notes are an integral part of these financial statements

Notes to the Financial Statements

Year ended December 31, 2020

1. Incorporation and nature of the organization

The Prince George Airport Authority Inc. (the "Authority") is incorporated without share capital; incorporated under Part II of the Canada Corporations Act as a non-share capital, not-for-profit organization and thus is exempt from income taxes under section 149(1) of the Income Tax Act ("the Act"). All earnings from operations are reinvested in airport development.

The Authority signed a 60-year ground lease with Transport Canada effective March 31, 2003 ("Canada Lease") and assumed responsibility for the management, operations and development of the Prince George Airport. The lease provides for an option to extend the term a further 20 years.

Impacts of COVID-19

The global outbreak of COVID-19 (coronavirus), and the restrictions put in place by the Canadian, provincial and municipal governments regarding travel, business operations and isolation/quarantine orders, significantly reduced the number of air passengers and air traffic movements during the year. The impact of the COVID-19 outbreak on the Authority's operations from lost passengers and air traffic resulted in a loss from operations for the year ended December 31, 2020.

The Authority has been closely monitoring and continues to monitor the impact of these developments on its operations and finances and has taken measures to preserve capital and reduce expenses. In particular, non-essential capital projects have been postponed and discretionary spending reduced. In addition, the Authority has been able to defer payments of certain debt obligations, received rent relief from the Government of Canada until 2024, and received Canada Emergency Wage Subsidy funding.

At this time, it is unknown the extent of the impact the COVID-19 outbreak may have on the Authority as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put, in place by Canada and other countries to fight the virus. While the extent of the impact is unknown, we anticipate this outbreak may cause reduced customer demand, supply chain disruptions, staff shortages, and increased government regulations, all of which may negatively impact the Authority's business and financial condition.

2. Significant accounting policies

Basis of accounting

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations ("ASNPO"), using the following significant accounting policies:

Financial instruments

The Authority initially measures its financial assets and financial liabilities at fair value. The Authority subsequently measures the majority of its financial assets and financial liabilities at amortized cost, except for investments which are measured at cost less any reduction for impairment, and the defined benefit asset and derivative financial instrument which are measured at fair value. Changes in fair value are recognized in the statement of operations.

Financial assets measured at amortized cost include cash and accounts receivable.

With respect to financial assets measured at cost or amortized cost, the Authority recognizes an impairment loss, if any, in the statement of operations when there are indicators of impairment and it determines that a significant adverse change has occurred during the period in the expected timing or amount of future cash flows. When the extent of impairment of a previously written-down asset decreases and the decrease can be related to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed to the statement of operations in the period the reversal occurs.

Financial liabilities measured at amortized cost include bank demand loans, accounts payable and accrued liabilities, government remittances payable, and long-term debt.

Inventory

The inventory of consumable supplies is recorded at the lower of cost, determined on a first-in first-out basis and estimated net realizable value.

Notes to the Financial Statements

Year ended December 31, 2020

2. Significant accounting policies *(Continued from previous page)*

Canada Lease

The Canada Lease (see Note 10) is accounted for as an operating lease.

Capital assets

Capital assets are recorded at cost less accumulated amortization. Amortization is provided when the asset is put in use, using the straight-line method at the following annual rates:

	Rate
Leashold improvements	
Building	4 %
Fuel farms	2.5 %
Other	5-33 %
Runway	5-50 years
Parking facilities and roadway system	5 %
Automotive	10 %
Computer hardware and software	33 %
Machinery and other equipment	5-20 %

Long-lived assets

Long-lived assets, such as capital assets, are tested for recoverability whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. An impairment loss is recognized when the carrying value exceeds the total undiscounted cash flows expected from the use and eventual disposition of the item. The amount of the impairment loss is determined as the excess of the carrying value of the asset over its fair value at the date of impairment.

Employee future benefits

The cost of the Authority's defined benefit pension plans is determined periodically by independent actuaries. The Authority uses the most recently completed actuarial valuation prepared for funding purposes for measuring its defined benefit plan obligations. A funding valuation is prepared in accordance with pension legislation and regulations, generally to determine required cash contributions to the plan.

The Authority recognizes:

- a) the defined benefit obligation, net of the fair value of any plan assets, adjusted for any valuation allowance in the balance sheet; and
- b) the cost of the plan for the year.

The Authority also contributes to a defined contribution pension plan for which the Authority pays fixed contributions into a separate pension plan. The Authority has no legal obligation to pay further contributions if the plan is not fully funded.

Derivative financial instruments

Derivative financial instruments are financial contracts whose value changes in response to a change in an underlying variable, such as specified interest rate, financial instrument or commodity price, or foreign exchange rate. The Authority enters into derivative contracts to manage its exposure to interest rate risks associated with its securities and loans. Derivatives financial instruments may be designated as hedges, provided that certain criteria are met. As at December 31, 2020, the Authority has no derivative financial instruments which have been designated as hedges.

Income taxes

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

Notes to the Financial Statements

Year ended December 31, 2020

2. Significant accounting policies (continued from the previous page)

Revenue recognition

The Authority follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Unrestricted interest is recognized as revenue when earned.

Revenues are recorded when services are performed, the facilities are utilized, or the amounts are earned pursuant to the related agreements. Airport Improvement Fee revenue (Note 13) is recognized when passengers originate and depart from the Prince George Airport.

Deferred contributions related to capital assets

Contributions towards capital expenditures are accounted for under the deferral method whereby the contributions are deferred and brought into income on a basis consistent with the amortization of the related capital assets.

Measurement uncertainty (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 amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period.

Key components of the financial statements requiring management to make estimates are potential collectability of accounts receivable, useful life of capital assets, and employee future benefits. Actual results could differ from the estimates.

3. Capital assets

	Cost	Accumulated amortization	2020 Net book value	2019 Net book value
Land	15,693,035	-	15,693,035	15,693,035
Leasehold improvements				
Building	27,362,617	11,629,350	15,733,267	16,836,830
Fuel farms	2,877,953	820,647	2,057,306	2,240,167
Other	2,604,157	915,817	1,688,340	1,727,741
Runway	40,592,664	16,127,552	24,465,112	26,376,626
Parking facilities and roadway	8,657,559	4,215,886	4,441,673	4,783,203
Automotive	241,120	155,071	86,049	104,651
Computer hardware and software	595,732	415,841	179,891	170,083
Machinery and other equipment	7,743,696	4,409,772	3,333,924	3,409,985
Construction in progress/equipment not in use	820,305	-	820,305	895,581
	107,188,838	38,689,936	68,498,902	72,237,902

4. Pension plan

The Authority sponsors a pension plan on behalf of its employees, which has defined benefit and defined contribution components. The defined contribution component of the pension plan currently has 27 (2019 - 29) participating employees. The defined benefit component of the pension plan has 2 participating employees. The Authority pension contributions for the defined contribution component was \$123,947 in 2020 (\$113,325 - 2019) and the defined benefit component was \$28,592 in 2020 (\$28,100 - 2019). The defined benefit component applies to employees employed by the Authority on the date of airport transfer, including former Transport Canada employees who may elect to transfer their pensionable service credits under the Public Service Superannuation Act plan to the Authority plan.

Notes to the Financial Statements

Year ended December 31, 2020

4. Pension plan (Continued from previous page)

Information about the Authority's defined benefit plan contained in the actuarial report prepared as at December 31, 2020 is as follows:

	2020	2019
Market value of plan assets	4,487,000	4,133,000
Accrued defined benefit obligation	(2,847,000)	(2,788,000)
Defined benefit asset	1,640,000	1,345,000

The significant actuarial assumptions adopted in measuring the Authority's accrued benefit obligations are as follows:

Discount rate	4.50%	4.50%
Rate of compensation increase	2.50%	2.50%
Rate of inflation	2.0%	2.0%

Other information about the Authority's defined benefit plan is as follows:

Employer contribution	(51,000)	(50,000)
Employees' contribution	6,000	6,000
Benefits paid	(136,000)	(156,000)
Plan assets consists of:		
Equities securities	63.70%	58.80%
Debt securities	33.20%	38.00%
Other	3.10%	3.20%

5. Bank demand loans

	2020	2019
CIBC Demand instalment loan - repayable in monthly instalments of \$18,333 plus interest at 1.84% per annum and bankers acceptances stamping fee of 1.5%. Secured as described below and maturing in 2041.	4,324,356	4,379,356
CIBC Demand revolving loan - repayable in monthly instalments of \$14,001 plus interest at prime rate (2.45% per annum - December 31, 2020) and bankers acceptances stamping fee of 1.5%. Secured as described below.	1,915,994	2,957,997
	6,240,350	7,337,353

The Authority has a \$500,000 operating line of credit bearing interest at the prime rate (December 31, 2020 - 2.45%), and the demand revolving loan has an authorized limit of \$9,000,000. The line of credit is secured by a demand collateral first mortgage of the Authority's leasehold interest and assignment of rents for an unlimited amount. Under the terms of the agreements, the principle repayments required in each of the next five years are estimated as follows:

2021	388,008
2022	388,008
2023	388,008
2024	388,008
2025	388,008

Notes to the Financial Statements

Year ended December 31, 2020

6. Accounts payable and accrued liabilities

	2020	2019
Trade payables	289,193	714,313
Payroll accruals	476,571	482,367
	765,764	1,196,680

7. Long-term debt

	2020	2019
Northern Development Initiative Trust, unsecured, bearing interest at prime rate (2.45% per annum - December 2020), monthly payments of \$105,101 plus interest, and maturing July 2025.	6,803,621	7,041,749
Less: Current portion	315,302	1,261,209
	6,488,319	5,780,540

Northern Development Initiative Trust has provided certain relief measures to help the Authority cope with the effects of the COVID-19 pandemic including deferral of principal and interest payments for the period April to September 2020 and interest only payments for the period October 2020 to September 2021. Principal repayments on long-term debt in each of the next five years, assuming all term debt is subject to contractual terms of repayment, are estimated as follows:

	Principal
2021	315,302
2022	1,261,209
2023	1,261,209
2024	1,261,209
2025	1,261,209

8. Derivative financial instruments

The Authority is party to an interest rate swap contract which terminates in August 2029. Under the terms of the contract, the Authority pays interest at a fixed rate of 1.84 %, from September 2019 to August 2029, per annum on the notional capital balance of \$4,159,356 and receives interest at a floating rate based on one-month bankers' acceptance Canadian Dollar Offered Rate ("CDOR") rate plus 1.5% per annum on the same notional capital balance.

At December 31, 2020, the fair market value of this derivative contract was \$216,230. This value has been recognized as liability in the financial statements.

Notes to the Financial Statements

Year ended December 31, 2020

9. Deferred contributions related to capital assets

Deferred capital contributions consist of the unamortized amount of contributions received from government and other entities to fund capital projects. Recognition of these amounts as revenue is deferred to periods when the related capital assets are amortized. Changes in deferred capital contributions are as follows:

	2020	2019
Balance, beginning of year	20,182,869	19,365,096
Federal Government - National Trade Corridors	13,684	2,334,717
British Columbia Air Access	348,375	-
Adjustment for disposal of asset	(43,338)	-
Less: Amounts recognized as revenue during the year	(1,594,840)	(1,516,944)
Balance, end of year	18,906,750	20,182,869

10. Commitments

The Authority has a 60 year lease of the Prince George airport facilities with Transport Canada which expires in 2063, with an option to renew for an additional 20 years. At the end of the renewal term, unless otherwise extended, the Authority is obligated to return control of the airport to the landlord. The rent is calculated based on a formula reflecting annual gross revenues less government contributions, with the first \$5,000,000 exempt from the calculation. The formula is applied at a rate of 1% of adjusted gross revenues in excess of \$5,000,000 and 5% of adjusted gross revenues in excess of \$10,000,000, up to \$25,000,000. Rent charged for 2020 was \$2,615 (2019 - \$291,939). As of March 31, 2020, the Government of Canada has waived airport rent for 2020, and all future rent payable for 2021, 2022, and 2023 as part of the Fall Economic Statement announced November 30, 2020.

11. Invested in capital assets

	2020	2019
Opening balance	37,669,722	34,038,286
Capital asset additions, including construction in progress	745,832	9,071,862
(Loss) gain on disposal of assets	(35,191)	(18,400)
Payment of: Long-term debt and deferred contributions related to additions	973,071	(2,824,007)
	1,683,712	6,229,455
Amortization	(4,406,304)	(4,114,963)
Amortization of deferred contributions related to capital assets	1,594,840	1,516,944
	(2,811,464)	(2,598,019)
Closing balance	36,541,970	37,669,722

12. Unrestricted Net Assets

Of the \$3,676,077 (\$3,983,094 - December 31, 2019) of unrestricted net assets, \$1,640,000 (\$1,345,000 - December 31, 2019) is associated with the defined benefit asset as shown on the statement of financial position as at December 31, 2020. In accordance with the terms of the pension plan, the Authority is not able to utilize this asset to pay any regular or other contributions.

Notes to the Financial Statements

Year ended December 31, 2020

13. Airport improvement fee ("AIF")

On January 30, 2003, the Authority entered into an agreement (the "AIF Agreement") with the Air Transport Association of Canada and major air carriers serving the Prince George International Airport. The AIF Agreement provides for a consultation process with the air carriers on airport development as well as the collection of an AIF by air carriers. AIF revenues can only be used to pay for airport passenger service facilities development and related financing costs. Earned AIF is net of a 7% handling fee withheld by the airlines.

14. Government assistance

During the year, the Authority recognized \$1,036,437 in Canada Emergency Wage Subsidy ("CEWS") as other income, of which \$120,042 was accrued in accounts receivable at year-end. CEWS introduced in response to the COVID-19 pandemic, provides eligible employers with a subsidy to cover a portion of wage costs paid to eligible employees during prescribed claim periods. There are no unfilled conditions related to amounts recognized. However, amounts claimed under this program are subject to validation and detailed verification by the Federal Government. Due to the nature of the eligibility requirements and related calculations judgment is applied in assessing compliance, management believes there is reasonable assurance that the Authority has complied with all conditions.

15. Other information

During the year ended December 31, 2020, the fees paid to the Board of the Authority for their services as directors amounted to \$157,992 (2019 - \$145,336).

16. Financial instruments

Interest rate risk

The interest rate risk is the risk to the Authority's earnings from fluctuations in interest rates and the degree of volatility of these rates. The Authority uses the derivative instruments described in Note 8 as part of the management of interest rate risk.

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.

The Authority manages its liquidity risk by constantly monitoring forecasted and actual cash flow and financial liability maturities, and by holding assets that can be readily converted into cash.

Accounts payable and accrued liabilities are generally repaid within 30 days. As at December 31, 2020, the most significant financial liabilities are bank demand loans, accounts payable and accrued liabilities and long-term debt.

Financial assets

The Authority's financial assets consist of cash, accounts receivable and investments. All of these financial assets are measured at amortized cost, with the exception of investments which are measured at cost less any reduction for impairment. The defined benefit asset which is measured at fair value.

Credit concentration

As at December 31, 2020, three customers (2019 - three) accounted for 53% (2019 - 72%) of the accounts receivable. The Authority believes that there is no unusual exposure associated with the collection of these receivables. The Authority performs regular credit assessments of its customers and provides allowances for potentially uncollectible accounts receivable.

Capital Initiatives and Business Plan

During 2020 the Prince George Airport invested in capital projects totalling \$0.745 million; significant projects completed or underway in 2020 included:

	Thousands \$
Runway overlays	142.1
ATB PA system	116.3
ATB heating and ventilation	43.4
Taxiway B	44.0
TP312 mandatory signage – project completion 2021	84.3
Long-term parking equipment – project completion 2021	64.9
Security / IT	85.5

2020 Actual vs. Business Plan

Shown in thousands of dollars.

	Actual	Plan	Difference	Explanation
Revenues	\$7,213.1	\$15,010.8	\$-7,797.7	Revenues significantly impacted due to service and passenger reductions resulting from the COVID-19 pandemic.
Expenses	\$6,483.9	\$8,856.5	\$-2,372.6	Savings due to reduced service levels resulting from the COVID-19 pandemic.
Capital	\$745.8	\$5,840.2	\$- 5,094.4	In response to the COVID-19 impact to airport revenues, all planned capital projects not critical to safe, secure airport operations, or projects already underway at the time the pandemic was declared, have been deferred.

Business Plan Cash Flow Forecast 2021 - 2025

Shown in thousands of dollars.

YEAR	2021	2022	2023	2024	2025
Revenues	\$6,543.9	\$10,387.7	\$11,950.7	\$13,333.8	\$14,155.0
Expenses	\$6,711.1	\$7,761.5	\$8,134.9	\$8,439.0	\$8,697.2
Capital	\$2,685.9	\$5,038.9	\$8,451.5	\$4,132.0	\$3,786.5

Amortization is not included.

The COVID-19 global pandemic has caused catastrophic impact to the global economy, and in particular, the aviation sector. The Prince George Airport continues to monitor closely the evolving situation as it relates to airport operations; the data above reflects the information available at the time of publication. Actual results may vary significantly from the data provided.



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