



Layers of Safety

2021 Annual Report

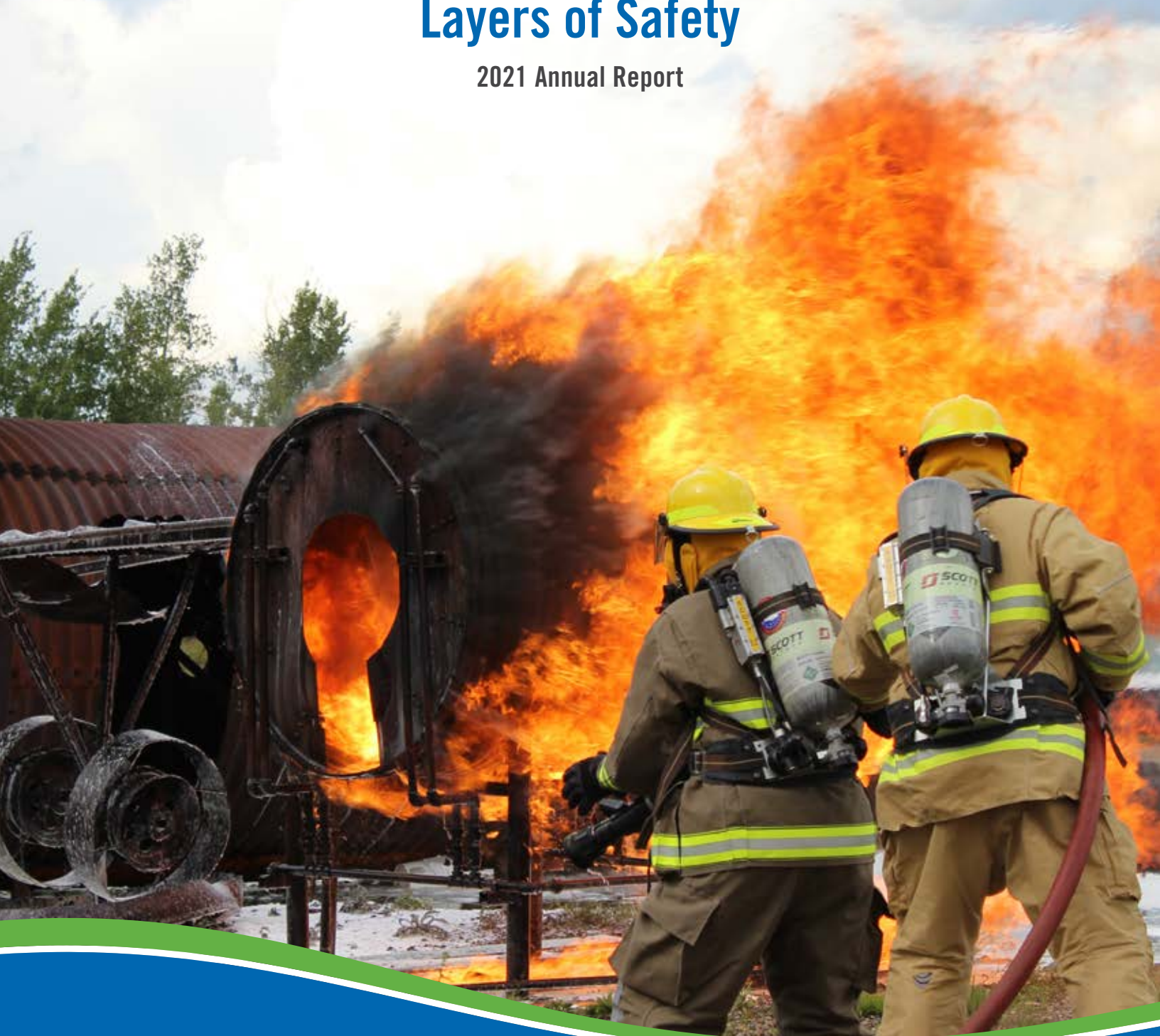


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Vision

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

2021 saw a lot of changes in the aviation industry and these included many new layers of safety. COVID testing, vaccine passports, and masks are only the tip of the iceberg for this safety conscious industry. The Prince George Airport Authority (PGAA) was quick to implement not only regulatory requirements from Transport Canada, but also local initiatives to help protect our passengers, staff, and stakeholders at YXS.

2021 continued to be a year of navigating ups and downs as public health orders changed regularly. This meant that travel restrictions were imposed and lifted several times and travel requirements were changed more than once. Despite the difficulties caused by the COVID-19 pandemic, YXS saw an increase in passenger traffic in 2021 over 2020 numbers and continues to see an increase in the early months of 2022. We are hopeful that the layers of safety implemented for air travel will continue to increase consumer confidence, passenger numbers, and air service options.

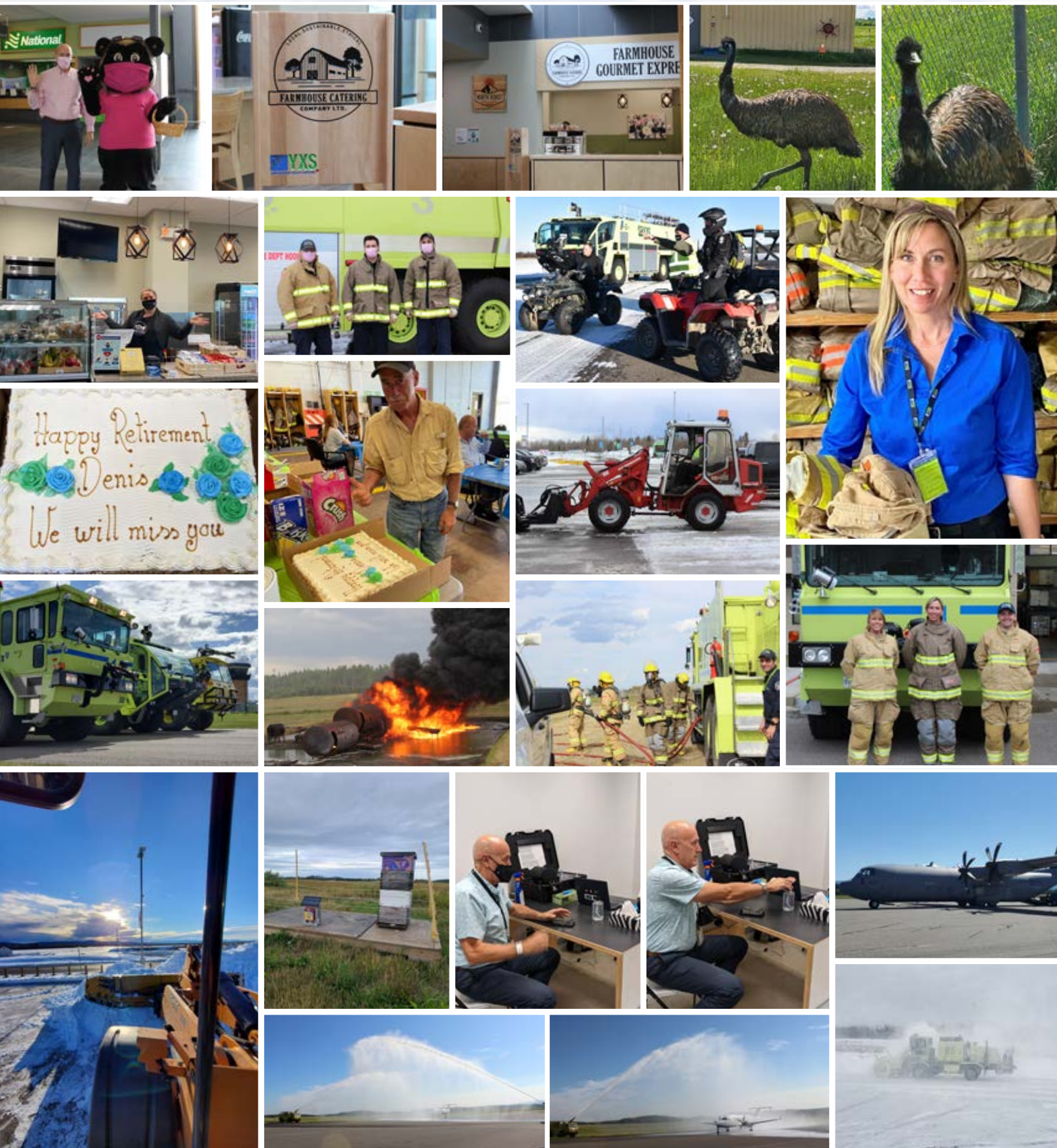
YXS did see air service increase and decline throughout the year and the PGAA is working closely with our airline partners to help minimize these effects on our airport. 2021 saw Farmhouse Catering Company Ltd. start restaurant operations at the airport. The kiosk in the departure lounge was opened right away and they started renovations on the restaurant space pre-security. We are looking forward to having the construction completed and restoring this service to our passengers.

Despite all of the difficult changes and operating conditions, 2021 was punctuated with a few feel good and comical moments thanks to some local animals. Early in the year, we discovered that a moose had gotten into the airfield. This posed a potential safety risk to our aviation operations. In partnership with conservation officers, the University of Northern British Columbia, and Yellowhead Helicopters we were able to successfully drive the moose off the airfield through a wildlife gate. Later in the year, we were visited by an emu that escaped from a local farm. This emu became a bit of a local celebrity and was dubbed “Dora the Explorer” due to the fact that it had been seen all over town before ending up at the airport. This flightless bird remained outside of the airfield and posed no threat to our aviation operations. We were able to safely remove the bird from the airport property thanks to another nearby farm with emu experience.

We look forward to what 2022 will bring and will continue to apply layers of safety to our operations as we move into recovery.



2021 Highlights



Chairman and CEO Report

In 2021, the COVID-19 global pandemic continued to be the main area of focus and impact for the Prince George Airport Authority (PGAA), and more broadly, the entire aviation sector. In response to the pandemic, the PGAA has implemented a wide-range of regulations and initiatives to ensure the Prince George International Airport is able to provide safe and secure operations for all passengers and stakeholders.

In terms of passenger activity, 2021 saw 201,506 travelers use YXS. This was a 13.85% increase over the number from 2020. Although this number is encouraging, it is far behind the 3-year average of 500,000 per year that we saw from 2017-2019. This is still a favourable number when compared to the national average for airports of -1.3% fewer passengers when compared to 2020. The amount of essential and workplace travel is the main driver for the higher than national average number here at YXS. This reflects our resource-based economy and Prince George's central location. The timeline for a full recovery remains a long road for Canadian airports overall and experts advise passenger numbers will not recover to 2019 levels until 2025.

In our initial 2021 forecast, the Prince George Airport Authority's Financial results for 2021 were expected to contain a significant loss; however, we are happy to report an excess of revenue over expenses of \$2.265 million for 2021. This was due to very strong cost management by the PGAA and the injection of \$4.031 million in various government support funds to offset the staggering revenue shortfall brought about by the COVID-19 pandemic. We thank the various levels of government for this critical support and are hopeful of continued efforts in this regard. Overall, to the end of 2021 Canadian airports have lost \$4.6 billion in projected revenue and taken on an additional \$3.2 billion in debt since the pandemic began.

BC was impacted by a series of severe weather events in 2021. The wildfire season was particularly bad and was exacerbated by a heat dome. This caused significant health impacts throughout the province and even resulted in an entire town being destroyed. The tanker base at YXS was an essential resource for wildfire fire fighting efforts. In November, an atmospheric river caused massive flooding and wiped out all roads connecting the Lower Mainland to the rest of BC. YXS was a key element of moving people and goods during these events and the aftermath.

The PGAA was among the first to implement a wide-ranging mask mandate for all airport users and amended work schedules to accommodate remote work where possible. Elements of our Pandemic Response Plan were implemented early in the pandemic to enhance cleaning protocols and

minimize employee contacts during shift changes. These and other initiatives have been key to minimizing the impact of COVID-19 to our operations during what has at times, been very difficult operating conditions.

In adding to our existing layers of safety established in 2020, the PGAA negotiated a partnership with Whitecap Medical to establish a COVID-19 testing facility at YXS in 2021. In addition to providing tests to the public, the PGAA set up a testing program available to staff. This was an important step in mitigating the impact of COVID-19 on not only our staff, but the airport operations as a whole. When the Federal Government brought in a mandatory COVID-19 vaccine policy for all federal and federally regulated workplaces, the PGAA was quick to establish a robust record process for all employees, Board members and airport stakeholders.

Through various partnerships, the PGAA has been able to establish YXS as a technology test site. YXS is the first airport in Canada to host Eduroam, an international Wi-Fi internet access roaming service for users in research, higher education, and further education. It provides researchers, teachers, and students network access when visiting an institution other than their own. Working with Innovation Services Canada for funding, technology companies OARO, and SimbiPhact, PGAA has been able to test some technology to assist with our COVID-19 response. We have installed and implemented a crowd-tracking technology, and thermal-imaging cameras to track body temperature and provide employee access.

These initiatives have been key pieces in keeping YXS fully operational during this unprecedented time. We have been fortunate to have the support and patience of our airline partners, Nav Canada, concession operators, tenants, contractors, and other stakeholders as we navigate these uncertain times.

The PGAA acknowledges that we operate YXS on the traditional lands of the Lheidli T'enneh. We are keenly invested in developing a strong relationship with the Lheidli T'enneh, and to that end meet regularly with representatives to forge cultural and economic ties. We look forward to expanding this relationship in the year ahead.

The PGAA stays connected with our community through social media and presentations to local organizations, boards, the City of Prince George, and regional councils. Throughout 2021 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 2021; however, PGAA continued to support Hope Air with logistics for their 2021 National Tour. PGAA staff continue to work with Meals on Wheels to deliver food to those in need and we are developing a partnership with the United Way. 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 2022, 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 continue to be keys aspects of our recovery plan and building future resilience.

There are 12 Board of Director positions on the Prince George Airport Authority Board. In 2021 we welcomed Alain LeFebvre, Regina Toth, and Simon Yu as new Directors. We thank them for giving their time to the Board. The Board members remained very active in 2021, serving on five Committees: Governance Committee, Finance and Audit Committee, Human Resources Committee, Economic Development and Marketing 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 'Derek Dougherty', written over a horizontal line.

Derek Dougherty
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
On leave.



Trevor Gust
Manager of Operations



Michelle Kenny
Manager of Corporate Services



Veronica Laass
Manager of Accounting



Geoff Stocks
Manager of Regulatory Compliance



Chrisie Berry
Manager of Community Relations



Kaitlyn Joyce
Manager of Marketing and Air
Service Development

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.



Don Zurowski

Chair – Board of Directors
Nominated by The City of Prince George
Attendance 7/7 Board*



Alain LeFebvre

Treasurer - Board of Directors
Chair - Finance and Audit Committee
Nominated by City of Prince George
Attendance 7/7 Board, 9/9 Committee



Derek Dougherty

Vice Chair – Board of Directors
Nominated by Regional District of Fraser-Fort George
Attendance 7/7 Board*



Todd Corrigan

Secretary – Board of Directors
Nominated by Prince George Chamber of Commerce
Attendance 7/7 Board, 11/11 Committee



Shauna Harper

Director
Nominated by The City of Prince George
Attendance 7/7 Board, 8/8 Committee



Terry Kuzma

Director
Nominated by Prince George Airport Authority
Attendance 5/7 Board, 5/12 Committee



Sandra Rossi

Chair – Human Resources Committee
Nominated by Prince George Airport Authority
Attendance 7/7 Board, 11/11 Committee



Frank Robertson

Director
Nominated by Prince George Airport Authority
Attendance 7/7 Board, 10/11 Committee



Emily Cheung

Chair – Major Projects and Environmental Committee
Nominated by Regional District of Fraser-Fort George
Attendance 7/7 Board, 5/5 Committee



Regina Toth

Director
Nominated by Federal Government
Attendance 6/6 Board
Term started April 2021



Simon Yu

Director
Nominated by Federal Government
Attendance 6/6 Board, 2/2 Committee
Term started April 2021

*The Board Chair and Vice-Chair attend 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 2021, 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 2021.

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 2021, the adjusted value was \$121,985 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 2021 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 2021 year was \$940,311.



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Independent Auditor's Report

To the Members 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, 2021, 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, 2021, 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 14, 2022

MNP LLP

Chartered Professional Accountants

MNP
LLP

Statement of Financial Position

As at December 31, 2021

	2021	2020
Assets		
Current		
Cash	3,813,189	1,988,728
Investment	16,170	15,230
Accounts receivable	2,161,484	635,087
Inventory	32,034	17,450
Prepaid expenses	451,875	351,403
	6,474,752	3,007,898
Capital assets (Note 3)	65,252,145	68,498,902
Defined benefit asset (Note 4)	1,980,000	1,640,000
	73,706,897	73,146,800
Liabilities		
Current		
Bank demand loans (Note 5)	5,852,338	6,240,350
Accounts payable and accrued liabilities (Note 6)	1,191,651	756,643
Government remittance payable	30,565	12,327
Deferred revenue	198,701	9,942
Current portion of long-term debt (Note 7)	1,261,209	315,302
Derivative financial instrument (Note 8)	11,264	216,230
	8,545,728	7,550,794
Long-term debt (Note 7)	5,227,110	6,488,319
Deferred contributions related to capital assets (Note 9)	17,467,830	18,906,750
	31,240,668	32,945,863
Commitments (Note 10)		
Net Assets		
Invested in capital assets (Note 11)	35,469,444	36,541,970
Unrestricted	6,996,785	3,658,967
	42,466,229	40,200,937
	73,706,897	73,146,800
Approved on behalf of the Board		
e-Signed by Derek Dougherty 2022-04-07 22:10:55:55 GMT Director	e-Signed by Al Lefebvre 2022-04-08 00:16:28:28 GMT Director	

The accompanying notes are an integral part of these financial statements

Statement of Operations

Year ended December 31, 2021

	2021	2020
Revenue		
Landing fee	1,873,844	1,599,520
Other income	1,279,068	1,222,819
Parking	940,643	905,251
General terminal	845,733	801,337
Rental income	414,530	406,657
Concessions	377,884	435,787
	5,731,702	5,371,371
Expenses		
Salaries and employee benefits	2,998,540	3,087,257
Operations	2,628,820	2,172,320
Utilities	438,268	425,305
Administration	416,269	388,369
Insurance	251,837	219,030
Property taxes	162,450	191,579
	6,896,184	6,483,860
Operating deficit	(1,164,482)	(1,112,489)
Other items		
Government assistance (Note 12)	4,031,482	1,036,437
Airport improvement fee (net) (Note 13)	2,125,160	1,841,670
Amortization of deferred contributions related to capital assets (Note 9)	1,582,697	1,594,840
Remeasurement of pension benefit assets	268,000	234,000
Unrealized gain (loss) on derivative financial instrument	204,966	(216,230)
Loss on disposal of capital assets	(14,777)	(35,191)
Interest on long-term debt	(346,853)	(388,612)
Amortization of capital assets	(4,420,901)	(4,406,304)
	3,429,774	(339,390)
Excess (deficiency) of revenue over expenses	2,265,292	(1,451,879)

The accompanying notes are an integral part of these financial statements

Statement of Changes in Net Assets

Year ended December 31, 2021

	<i>Invested in Capital Assets (Note 11)</i>	<i>Restricted Airport Improvement fee (Note 13)</i>	<i>Unrestricted (Note 12)</i>	2021	2020
				<i>Total</i>	<i>Total</i>
Net assets beginning of year	36,541,970	-	3,658,967	40,200,937	41,652,816
Excess (deficiency) of revenue over expenses	-	1,778,308	486,984	2,265,292	(1,451,879)
Capital asset additions	1,220,918	(1,220,918)	-	-	-
Loss on disposal of capital assets	(14,777)	-	14,777	-	-
Net repayment of bank demand loan and subsidies	559,537	(557,390)	(2,147)	-	-
Amortization of capital assets	(4,420,901)	-	4,420,901	-	-
Amortization of deferred contributions	1,582,697	-	(1,582,697)	-	-
Net assets, end of year	35,469,444	-	6,996,785	42,466,229	40,200,937

The accompanying notes are an integral part of these financial statements

Statement of Cash Flows

Year ended December 31, 2021

	2021	2020
Cash provided by (used for) the following activities		
Operating		
Excess (deficiency) of revenue over expenses	2,265,292	(1,451,879)
Amortization of capital assets	4,420,901	4,406,304
Loss on disposal of capital assets	14,777	35,191
Amortization of deferred contributions related to capital assets	(1,582,697)	(1,594,840)
Defined benefit adjustment	(340,000)	(295,000)
Accrued interest	-	82,977
Unrealized (gain) loss on derivative financial instrument	(204,966)	216,230
	4,573,307	1,398,983
Changes in working capital accounts		
Accounts receivable	(1,526,400)	1,868,630
Inventory	(14,584)	515
Prepaid expenses	(100,472)	83,594
Accounts payable and accrued liabilities	435,008	(427,723)
Government remittance payable	18,238	(36,365)
Deferred revenue	188,759	(3,625)
	3,573,856	2,884,009
Financing		
Cash contributions received for capital assets	143,777	362,059
Repayment of bank demand loans	(388,012)	(1,097,003)
Repayment of long-term debt	(315,302)	(321,105)
	(559,537)	(1,056,049)
Investing		
Capital asset additions	(1,220,918)	(745,832)
Proceeds on disposal of capital assets	32,000	-
Increase in investments	(940)	(3,033)
	(1,189,858)	(748,865)
Increase in cash resources	1,824,461	1,079,095
Cash resources, beginning of year	1,988,728	909,633
Cash resources, end of year	3,813,189	1,988,728

The accompanying notes are an integral part of these financial statements

Notes to the Financial Statements

Year ended December 31, 2021

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 Canadian Business Corporations Act as a 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.

Impact on operations of COVID-19 (coronavirus)

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 and increases in cleaning and other costs resulted in a loss from operations for the year ended December 31, 2021.

The impact of COVID-19 has been partially offset by available Government programs for which the Authority was eligible. The Authority has received wage subsidies from March 2020 to the date of completion of these financial statements. Further details of these programs is described in Note 12 Government assistance. Eligibility requirements under these programs have evolved since first announced and can be subject to changes in legislation or administrative positions, further, there is significant uncertainty of the period of time into the future that the Government will continue these programs.

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 wage subsidies described above.

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 recognizes its financial instruments when the Authority becomes party to the contractual provisions of the financial instrument. All financial instruments are initially recorded at their fair value, including financial assets and liabilities originated and issued in a related party transaction with management. Financial assets and liabilities originated and issued in all other related party transactions are initially measured at their carrying or exchange amount in accordance with Section 3840 *Related Party Transactions*.

At initial recognition, the Authority may irrevocably elect to subsequently measure any financial instrument at fair value. The Authority has not made such an election during the year. Defined benefit asset has been designated to be subsequently measured at its fair value. Fair value is determined by actuarial valuation.

Notes to the Financial Statements

Year ended December 31, 2021

2. Significant accounting policies (Continued from previous page)

Financial instruments (Continued from previous page)

The Authority subsequently measures investments in equity instruments quoted in an active market and all derivative instruments, except those designated in a qualifying hedging relationship or that are linked to, and must be settled by delivery of, unquoted equity instruments of another entity, at fair value. Fair value is determined by published price quotations. Investments in equity instruments not quoted in an active market and derivatives that are linked to, and must be settled by delivery of, unquoted equity instruments of another entity, are subsequently measured at cost less impairment. With the exception of financial liabilities indexed to a measure of the Authority's performance or value of its equity and those instruments designated at fair value, all other financial assets and liabilities are subsequently measured at amortized cost.

Transaction costs and financing fees directly attributable to the origination, acquisition, issuance or assumption of financial instruments subsequently measured at fair value are immediately recognized in the excess of revenues over expenses for the current period. Conversely, transaction costs and financing fees are added to the carrying amount for those financial instruments subsequently measured at cost or amortized cost.

Financial asset impairment

The Authority assesses impairment of all of its financial assets measured at cost or amortized cost. The Authority groups assets for impairment testing when available information is not sufficient to permit identification of each individually impaired financial asset in the group; there are numerous assets affected by the same factors; no asset is individually significant. Management considers whether objective evidence of impairment exists. When there is an indication of impairment, the Authority determines whether it has resulted in a significant adverse change in the expected timing or amount of future cash flows during the year. If so, the Authority reduces the carrying amount of any impaired financial assets to the highest of: the present value of cash flows expected to be generated by holding the assets; the amount that could be realized by selling the assets; and the amount expected to be realized by exercising any rights to collateral held against those assets. Any impairment, which is not considered temporary, is included in current year excess of revenues over expenses.

The Authority reverses impairment losses on financial assets when there is a decrease in impairment and the decrease can be objectively related to an event occurring after the impairment loss was recognized. The amount of the reversal is recognized in excess of revenue in the year the reversal occurs.

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.

Canada Lease

The Canada Lease is accounted for as an operating lease. See Note 10.

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
Leasehold 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 %

Notes to the Financial Statements

Year ended December 31, 2021

2. Significant accounting policies (Continued from previous page)

Long-lived assets

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

The Authority writes down long-lived assets held for use when conditions indicate that the asset no longer contributes to the Authority's ability to provide goods and services. The assets are also written-down when the value of future economic benefits or service potential associated with the asset is less than its net carrying amount. When the Authority determines that a long-lived asset is impaired, its carrying amount is written down to the asset's fair value.

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 loans. Derivative financial instruments may be designated as hedges, provided that certain criteria are met. As at December 31, 2021, the Authority has no derivative financial instruments which have been designated as hedges.

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.

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 14) is recognized when passengers originate and depart from the Prince George Airport.

Government assistance

Government assistance is recognized when there is reasonable assurance that the Authority has complied with and will continue to comply with all conditions of the assistance.

Government assistance toward current expenses is recognized in income for the period as other income.

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, 2021

2. Significant accounting policies (Continued from previous page)

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.

Accounts receivable are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary. Amortization is based on the estimated useful lives of capital assets. Employee future benefit asset is based on the most recent actuarial valuation.

By their nature, these judgments are subject to measurement uncertainty, and the effect on the financial statements of changes in such estimates and assumptions in future years could be material. These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in excess of revenues over expenses in the years in which they become known.

3. Capital assets

	Cost	Accumulated amortization	2021 Net book value	2020 Net book value
Land	15,669,335	-	15,669,335	15,693,035
Leasehold improvements				
Building	27,380,288	12,839,855	14,540,433	15,733,267
Fuel farms	2,925,719	932,716	1,993,003	2,057,306
Other	2,527,557	941,477	1,586,080	1,688,340
Runway	40,858,070	18,189,622	22,668,448	24,465,112
Parking facilities and roadway	9,014,578	4,677,622	4,336,956	4,441,673
Automotive	241,120	170,307	70,813	86,049
Computer hardware and software	614,096	464,729	149,367	179,891
Machinery and other equipment	8,062,554	4,576,688	3,485,866	3,333,924
Construction in progress/equipment not in use	751,844	-	751,844	820,305
	108,045,161	42,793,016	65,252,145	68,498,902

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 30 (2020 - 27) participating employees. The defined benefit component of the pension plan has 2 (2020 - 2) participating employees. The Authority pension contributions for the defined contribution component was \$117,642 in 2021 (2020 - \$123,947) and the defined benefit component was \$28,869 in 2021 (2020 - \$28,592). 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.

Information about the Authority's defined benefit plan contained in the actuarial report prepared as at December 31, 2021 is as follows:

	2021	2020
Market value of plan assets	4,828,000	4,487,000
Accrued defined benefit obligation	(2,848,000)	(2,847,000)
Defined benefit asset	1,980,000	1,640,000

Notes to the Financial Statements

Year ended December 31, 2021

4. Pension plan (Continued from previous page)

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	(43,000)	(51,000)
Employees' contribution	5,000	6,000
Benefits paid	(139,000)	(136,000)
Plan assets consists of:		
Equities securities	63.10%	63.70%
Debt securities	33.10%	33.2%
Other	3.80%	3.10%

5. Bank demand loans

	2021	2020
CIBC Demand instalment loan - repayable in monthly instalments of \$18,333 plus interest at the Authority's option of prime rate per annum (December 31, 2021 - 2.45%) or a Banker's Acceptance at the daily CDOR rate plus a 1.5% stamping fee. Secured as described below and maturing in 2041.	4,104,356	4,324,356
CIBC Demand revolving loan - repayable in monthly instalments of \$14,001 plus interest at the Authority's option of prime rate per annum (December 31, 2021 - 2.45%) or a Banker's Acceptance at the daily CDOR rate plus a 1.5% stamping fee. Secured as described below.	1,747,982	1,915,994
	5,852,338	6,240,350

The Authority has a \$1,000,000 operating line of credit bearing interest at the prime rate (December 31, 2021 - 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

Subsequent to year end, on January 17, 2022, the Authority repaid \$1,000,000 of the CIBC Demand revolving loan.

6. Accounts payable and accrued liabilities

	2021	2020
Trade payables	667,023	289,193
Payroll accruals	524,628	467,450
	1,191,651	756,643

Notes to the Financial Statements

Year ended December 31, 2021

7. Long-term debt

	2021	2020
Northern Development Initiative Trust, unsecured, bearing interest at prime rate (2.45% per annum - December 2021), monthly payments of \$105,101 plus interest, and maturing February 2027.	6,488,319	6,803,621
Less: Current portion	1,261,209	315,302
	5,227,110	6,488,319

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:

	<i>Principal</i>
2022	1,261,209
2023	1,261,209
2024	1,261,209
2025	1,261,209
2026	1,261,209

8. Derivative financial instrument

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 \$3,939,356 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, 2021, the fair market value of this derivative contract was \$11,264 (2020 - \$216,230). This value has been recognized as liability in the financial statements.

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:

	2021	2020
Balance, beginning of year	18,906,750	20,182,869
Federal Government - National Trade Corridors	-	13,684
British Columbia Air Access	143,777	348,375
Adjustment for disposal of asset	-	(43,338)
Less: Amounts recognized as revenue during the year	(1,582,697)	(1,594,840)
Balance, end of year	17,467,830	18,906,750

Notes to the Financial Statements

Year ended December 31, 2021

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 2021 was \$nil; (2020 - \$2,615). 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.

During the year, the Authority entered into commitments to purchase capital assets for a total of \$3,424,438, of which funding from the Airport Capital Assistance Program has been approved in the amount of \$2,946,633.

The Authority also entered into to operating leases for equipment with expected annual payments of \$84,000 over the next five years.

11. Invested in capital assets

	2021	2020
Opening balance	36,541,970	37,669,722
Capital asset additions, including construction in progress	1,220,918	745,832
Loss on disposal of assets	(14,777)	(35,191)
Payment of: Long-term debt and deferred contributions related to additions	559,537	973,071
	1,765,678	1,683,712
Amortization	(4,420,901)	(4,406,304)
Amortization of deferred contributions related to capital assets	1,582,697	1,594,840
	(2,838,204)	(2,811,464)
Closing balance	35,469,444	36,541,970

12. Government assistance

During the year, the Authority recognized \$844,960 (2020 - \$1,036,437) in Canada Emergency Wage Subsidy ("CEWS") and Canada Recovery Hiring Program ("CRHP") as other income, of which \$44,418 (\$120,042) was accrued in accounts receivable at year-end. CEWS and CRHP, 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.

The Authority has recognized \$3,186,522 in COVID-19 relief funding from the Province of British Columbia, Transport Canada and the Regional Air Transportation Initiative, of which \$839,776 was accrued in accounts receivable and \$180,000 of unspent funding is included in deferred revenue.

Notes to the Financial Statements

Year ended December 31, 2021

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. Excess of revenue over expenses reported in AIF equity during the year \$1,778,308 reflects total AIF revenue \$2,125,160 net of interest on long-term debt \$346,853.

14. Other information

During the year ended December 31, 2021, the fees paid to the Board of the Authority for their services as directors amounted to \$159,200 (2020 - \$157,992).

15. 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, 2021, 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 and defined benefit asset which is measured at fair value.

Credit concentration

As at December 31, 2021, three customers (2020 - three) accounted for 66% (2020 - 53%) of trade 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 2021 the Prince George Airport invested in capital projects totalling \$1.2 million; significant projects completed or underway in 2021 included:

	Thousands \$
Runway overlays	160.0
Roadway improvements	47.8
ATB PA system	116.3
ATB heating and ventilation	43.4
Taxiway B	44.0
TP312 mandatory signage – project commenced in 2020	37.3
Long-term parking equipment – project commenced in 2020	151.2
Genset	323.3
NoFoam testing system	51.7
Crafco tar machine	83.3
Security / IT	51.4

2021 Actual vs. Business Plan

Shown in thousands of dollars.

	Actual	Plan	Difference	Explanation
Revenues (net of government assistance)	\$7,856.9	\$7,952.1	\$-95.2	Revenues on plan.
Expenses	\$6,963.9	\$7,010.7	\$-46.8	Expenses on plan.
Capital	\$1,220.9	\$2,685.9	\$-1,465.0	4x4 sweeper replacement deferred to 2022.

Business Plan Cash Flow Forecast 2022 - 2026

Shown in thousands of dollars.

YEAR	2022	2023	2024	2025	2026
Revenues	\$11,570.4	\$14,236.4	\$15,019.6	\$15,371.7	\$15,647.7
Expenses	\$8,584.9	\$9,325.9	\$9,487.9	\$9,735.8	\$9,863.5
Capital	\$2,928.1	\$4,773.4	\$3,419.5	\$2,474.0	\$8,228.0

Amortization not included.

The data above reflects the information available at the time of publication. Results are largely dependent on the rate of recovery from the impacts of COVID-19, therefore actual results may vary from the data provided.



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