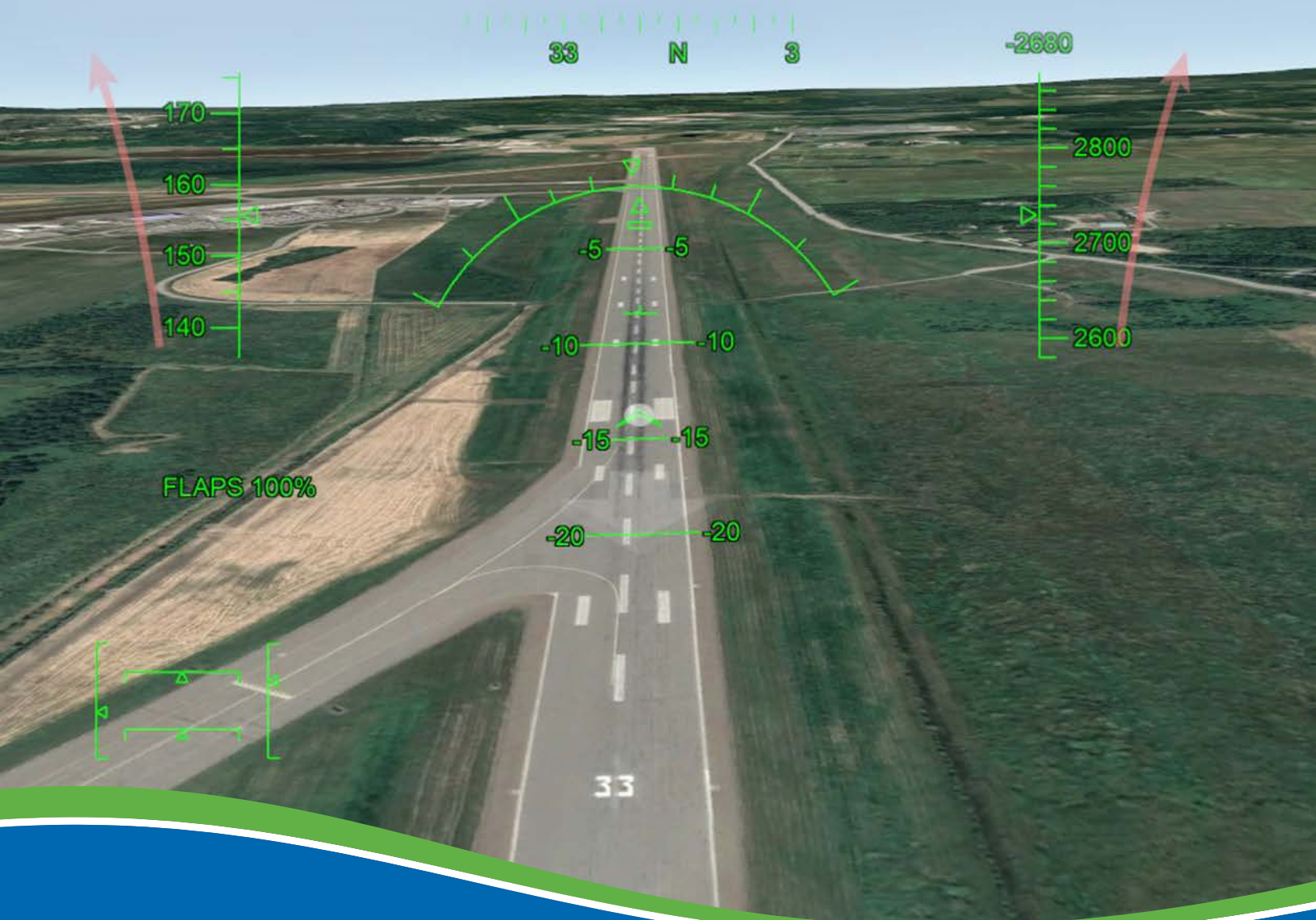




# Approaching Recovery

2022 Annual Report



## 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.

## Land Acknowledgement

The Prince George Airport Authority respectfully acknowledges the unceded ancestral lands of the Lheidli T'enneh, upon which we live, work, and play.

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# Introduction

As the world opened back up and society had to adjust to the new normal, post pandemic life, the Prince George Airport (YXS) started to see passenger numbers steadily climb. The month of April saw a 320% increase in passengers, compared to the same month last year. Year over year, passenger traffic was up 81% when compared to 2021. Our airline partners increased their frequency and a new carrier, Flair Airlines, introduced a seasonal service to Tucson, Arizona.

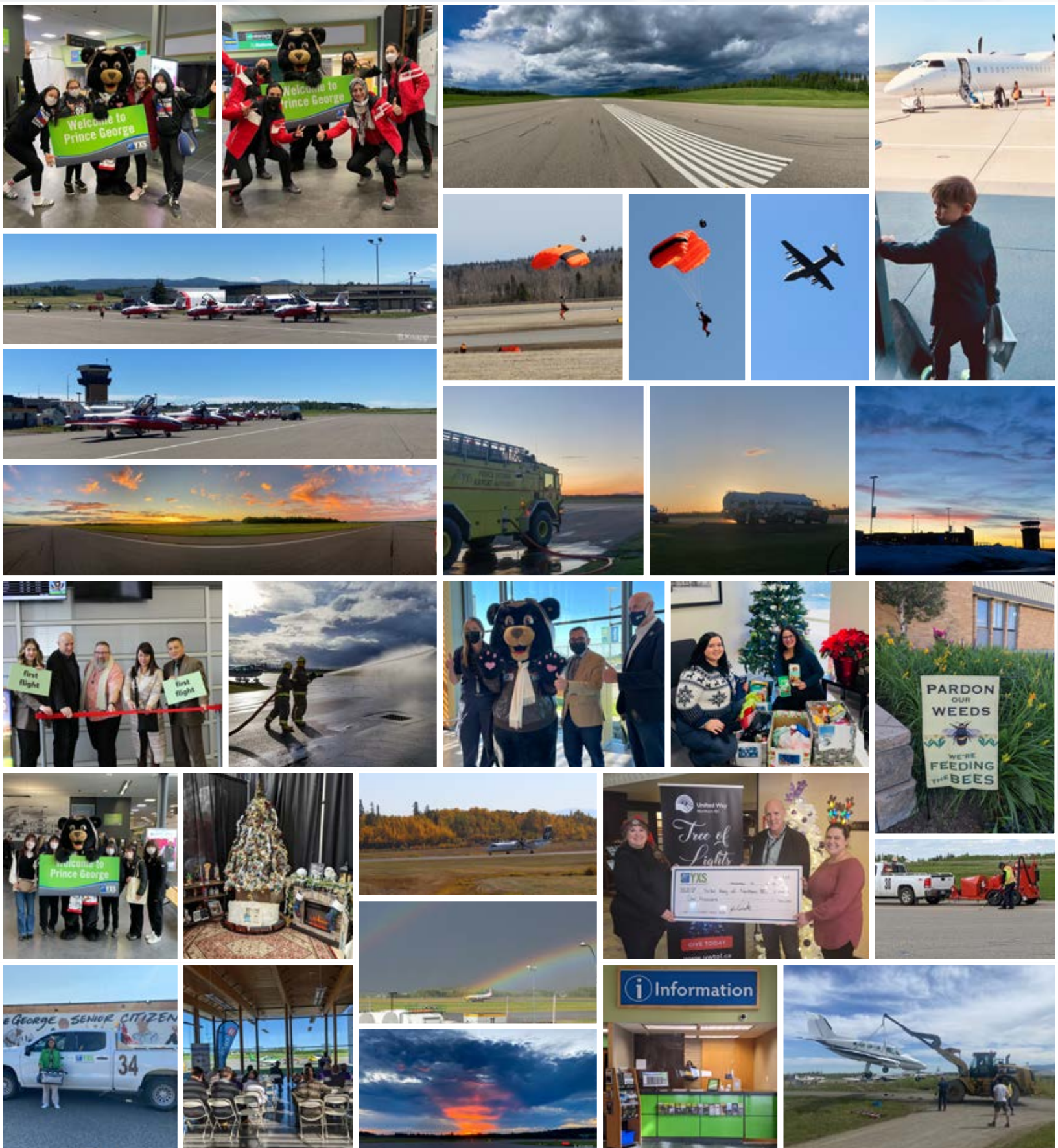
As the pandemic impacted not for profit organizations and society's most vulnerable, the Prince George Airport Authority

(PGAA) stepped up to the plate to assist the Prince George community in a variety of ways. Bringing warm meals to those in need and collecting nonperishable food items for local hamper programs were just some of the ways the PGAA was able to connect and give back to the community.

The PGAA is focused on continuing to expand air service at YXS as well as seek funding opportunities for much needed operational needs as we continue to approach recovery.



# 2022 Highlights



# Chairman and CEO Report

2022 was a busy year for the Prince George Airport Authority (PGAA) and the Canadian aviation sector in general. As the Canadian federal government relaxed and removed restrictions related to the COVID-19 pandemic, the PGAA began implementing our flight plan to recovery. Although the Canadian aviation sector has had some operational struggles to regain previous service levels, PGAA and YXS has rebounded quickly and has maintained high standards of safety and effective operations.

Passenger numbers increased dramatically from the year previous. In 2022, YXS handled 364,663 passengers – an 81% increase year over year. We are forecasting this trend to continue, hopefully to achieve pre-COVID numbers similar to the 2017-19 average of 500,000 passengers by 2024.

Our 2022 financial results are encouraging with an excess of revenues over expenses coming in better than forecast at just over one million dollars. While we are proud of these results, we must acknowledge the next few years will be a challenge to maintain these returns due to many required capital purchases and projects on the horizon. The PGAA aggressively pursues funding opportunities and we were successful in receiving funding for two major initiatives in 2022. We received approval and full funding to purchase a new Aircraft Rescue Fire Fighting truck, and full funding to construct a building to house the new addition to our fleet. This will ensure YXS is well-equipped to handle any aircraft emergency that may occur well into the future. We also received funding to purchase a new runway sweeper for our Airfield Maintenance team to use during ice and snow control operations.

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

The PGAA's focus on supporting local community initiatives continued in 2022. Chief Dolleen Logan with the Lheidli T'enneh First Nation attended a Board Meeting and conversations regarding a future partnership continue to be discussed. Once again, our staff and equipment assisted at Meals on Wheels from April to October to deliver meals to citizens. This partnership has been rewarding for all the staff that participated. PGAA staff and Board members helped out at the BC Summer Games to ensure athletes and officials had a great experience. We were able to provide space in our Warehouse to become the Games' Logistics Centre, and our team proudly held various roles and completed many volunteer hours. The PGAA sponsored an award at the Chamber of Commerce Business Excellence Awards,

and provided support to the True North Business Forum. Staff members also raised funds for the United Way's Tree of Lights campaign, volunteered their time at events such as the Festival of Trees and collected donations for various charities around the Christmas season. In May of 2022, PGAA held our first in-person Annual Public Meeting since 2019, after two years of presenting virtually to our stakeholders due to the pandemic.

In 2021, we conducted a trial of maintaining a beehive on the YXS airfield. The trial was deemed a success and our 'apiary' has expanded to 8 hives this year. The PGAA also installed a pollinator garden in front of the terminal building to support the bees!

Inside the Terminal, we partnered with Farmhouse Catering and the Northern Development Initiative Trust to renovate the existing restaurant and add a bakery, featuring fresh baked treats and many grab'n'go items for travellers. The new restaurant opened in November and has quickly become a favourite for all airport users and the community as a whole.

We continue to expand our Accessibility program and have enhanced our customer service program with the addition of a weekend answering service. The PGAA's Volunteer Ambassador program has been able to re-start with the removal of Covid restrictions and this has been very well-received by all.

We reinvigorated our marketing efforts to attract new routes and increased frequencies. Our vigorous program to present solid marketing pitches to our airline partners has resulted in added capacity on existing routes and a new destination with seasonal non-stop service to Tucson, Arizona.

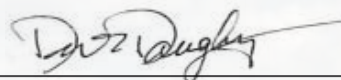
There are 12 Board of Director positions on the Prince George Airport Authority Board. At present there are 11 members. In 2022 we welcomed Katherine Scouten as a new Director and said goodbye to Don Zurowski and Simon Yu and we thank them all for their time to our Board. The Board members remained very active in 2022, serving on five Committees: Governance Committee, Finance and Audit Committee, Human Resources Committee, Economic Development and Marketing Committee, and Major Projects and Environmental Committee.

As we look forward to 2023, we will continue to strengthen our relationship with the Lheidli T'enneh First Nation, enhance our community partnership program and seek funding opportunities to support our Capital requirements and off-set operating costs.

A big thank you goes out to our employees, our Board, and our partners for helping us get through a global pandemic.



**Gordon Duke**  
President and CEO, Prince George Airport Authority



**Derek Dougherty**  
Board Chair, Prince George Airport Authority

# Executive Team



**Gordon Duke**  
President and CEO



**Diane Bertram**  
Director of Finance and Administration



**Lindsay Andreza**  
Manager of Communications and  
Community Relations



**Sabrina Angus**  
Manager of Human Resources



**Trevor Gust**  
Manager of Operations



**Kaitlyn Joyce**  
Manager of Marketing and Air  
Service Development



**Michelle Kenny**  
Manager of Corporate Services



**Veronica Laass**  
Manager of Accounting



**Geoff Stocks**  
Manager of Regulatory Compliance



**Chrisie Berry**  
Executive Assistant and Board Liaison

# 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.



## Derek Dougherty

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



## Emily Cheung

Vice Chair – Board of Directors  
Chair – Major Projects & Environment Committee  
Nominated by Regional District of Fraser-Fort George  
Attendance 7/7 Board\*, 7/7 Committee



## Alain LeFebvre

Treasurer – Board of Directors  
Chair – Finance and Audit Committee  
Nominated by City of Prince George  
Attendance 7/7 Board, 15/15 Committee



## Todd Corrigan

Secretary – Board of Directors  
Chair – Governance Committee  
Nominated by Prince George Chamber of Commerce  
Attendance 5/7 Board, 8/10 Committee



## Sandra Rossi

Chair – Human Resources Committee  
Nominated by Prince George Airport Authority  
Attendance 7/7 Board, 9/9 Committee



## Katherine Scouten

Chair – Economic Development & Marketing Committee  
Nominated by Provincial Government  
Attendance 6/7 Board, 5/10 Committee  
(term started in March)



## Shauna Harper

Director  
Nominated by City of Prince George  
Attendance 6/7 Board, 9/12 Committee



## Terry Kuzma

Director  
Nominated by Prince George Airport Authority  
Attendance 4/7 Board, 11/13 Committee



## Frank Robertson

Director  
Nominated by Prince George Airport Authority  
Attendance 7/7 Board, 9/9 Committee



## Regina Toth

Director  
Nominated by Federal Government  
Attendance 6/7 Board, 1/1 Committee



## Simon Yu

Director  
Nominated by Federal Government  
Attendance 4/7 Board, 3/6 Committee  
(resigned in October)



## Don Zurowski

Director  
Nominated by City of Prince George  
Attendance 6/7 Board, 11/13 Committee

\*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

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 2022, consisting entirely of independent directors. The following committees meet regularly throughout the year:

- Finance and Audit Committee
- Governance Committee
- Human Resources Committee
- Major Projects and Environment Committee
- Economic Development and Marketing 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 2022.

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 2022, the adjusted value was \$126,568 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 2022 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 2022 year was \$1,049,770.





BDO Canada LLP  
200 – 411 Quebec Street  
Prince George, BC V2L 1W5  
Canada

Tel: 250-564-0400  
Toll-free: 1-800-482-4531  
[www.bdo.ca](http://www.bdo.ca)

# Independent Auditor's Report

To the Board of Directors of Prince George Airport Authority Inc.

## Opinion

We have audited the financial statements of Prince George Airport Authority (the Authority), which comprise the statement of financial position as at December 31, 2022, and the statements of changes in net assets, operations, and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Authority as at December 31, 2022, and its results of 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 audit opinion.

## Other Matter

The financial statements for the year ended December 31, 2021 were audited by another auditor who expressed an unqualified opinion on those financial statements on April 14, 2022.

## 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.

*BDO Canada LLP*

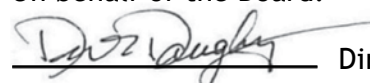
Chartered Professional Accountants


Prince George, British Columbia  
April 12, 2023

# Statement of Financial Position

December 31	2022	2021
<b>Assets</b>		
<b>Current</b>		
Cash	\$ 4,745,691	\$ 3,813,189
Term deposits	18,478	16,170
Accounts receivable	1,836,714	2,161,484
Inventories	29,270	32,034
Prepaid expenses	540,412	451,875
Derivative financial instrument (Note 8)	333,121	-
	<u>7,503,686</u>	<u>6,474,752</u>
Capital assets (Note 3)	62,753,612	65,252,145
Defined benefit asset (Note 4)	1,135,000	1,980,000
	<u>\$71,392,298</u>	<u>\$ 73,706,897</u>
<b>Liabilities and Net Assets</b>		
<b>Current</b>		
Bank demand loans (Note 5)	\$ 3,884,356	\$ 5,852,338
Accounts payable and accrued liabilities (Note 6)	1,682,888	1,222,216
Deferred revenue	17,076	198,701
Current portion of long-term debt (Note 7)	1,261,209	1,261,209
Derivative financial instrument (Note 8)	-	11,264
Current portion of deferred contributions related to capital assets (Note 9)	1,615,245	1,599,954
	<u>8,460,774</u>	<u>10,145,682</u>
Long-term debt (Note 7)	3,965,902	5,227,110
Deferred contributions related to capital assets (Note 9)	15,451,287	15,867,876
	<u>27,877,963</u>	<u>31,240,668</u>
<b>Net Assets</b>		
Invested in capital assets (Note 11)	36,601,400	35,469,444
Unrestricted	6,912,935	6,996,785
	<u>43,514,335</u>	<u>42,466,229</u>
	<u>\$71,392,298</u>	<u>\$ 73,706,897</u>

On behalf of the Board:

 Director

 Director

# Statement of Changes in Net Assets

For the year ended December 31	Invested in Capital Assets (Note 11)	Restricted Airport Improvement fee (Note 13)	Unrestricted (Note 12)	2022 Total	2021 Total
Balance, beginning of the year	\$ 35,469,444	\$ -	\$ 6,996,785	\$42,466,229	\$ 40,200,937
Excess (deficiency) of revenues over expenses	-	3,579,420	(2,531,314)	1,048,106	2,265,292
Capital asset additions	1,954,032	(1,954,032)	-	-	-
Net repayment of bank demand loan and subsidies	2,030,535	(1,625,388)	(405,147)	-	-
Amortization of capital assets	(4,452,565)	-	4,452,565	-	-
Amortization of deferred contributions (Note 9)	1,599,954	-	(1,599,954)	-	-
Balance, end of the year	\$ 36,601,400	\$ -	\$ 6,912,935	\$43,514,335	\$ 42,466,229

# Statement of Operations

For the year ended December 31	2022	2021
<b>Revenue</b>		
Landing fee	\$ 2,558,052	\$ 1,873,844
Other income	1,568,599	1,279,068
Parking	1,910,588	940,643
General terminal	1,327,328	845,733
Rental income	450,238	414,530
Concessions	536,934	377,884
	<u>8,351,739</u>	<u>5,731,702</u>
<b>Expenses</b>		
Administration	886,299	416,269
Insurance	288,437	251,837
Operations	2,955,074	2,628,820
Property taxes	160,505	162,450
Salaries and benefits	3,342,212	2,998,540
Utilities	517,287	438,268
	<u>8,149,814</u>	<u>6,896,184</u>
Operating surplus (deficit)	<u>201,925</u>	<u>(1,164,482)</u>
<b>Other items</b>		
Government assistance (Note 12)	694,986	4,031,482
Airport improvement fee (net) (Note 13)	3,976,191	2,125,160
Amortization of deferred contributions related to capital assets (Note 9)	1,599,954	1,582,697
Remeasurement of pension benefit assets (Note 4)	(920,000)	268,000
Unrealized gain on derivative financial instrument (Note 8)	344,385	204,966
Loss on disposal of capital assets	-	(14,777)
Interest on long-term debt	(396,771)	(346,853)
Amortization of capital assets	(4,452,565)	(4,420,901)
	<u>846,180</u>	<u>3,429,774</u>
<b>Excess of revenues over expenses</b>	<u>\$ 1,048,105</u>	<u>\$ 2,265,292</u>

# Statement of Cash Flows

For the year ended December 31	2022	2021
<b>Cash flows from operating activities</b>		
Cash receipts from customers and government funders	\$15,110,410	\$ 12,621,137
Cash paid to employees and suppliers	(10,191,033)	(9,047,281)
	<u>4,919,377</u>	<u>3,573,856</u>
<b>Cash flows from investing activities</b>		
Purchase of term deposits	(2,308)	(940)
Cash contributions received for capital assets	1,198,656	143,777
Purchase of capital assets	(1,954,032)	(1,220,918)
Proceeds on disposal of capital assets	-	32,000
	<u>(757,684)</u>	<u>(1,046,081)</u>
<b>Cash flows from financing activities</b>		
Repayment of long-term debt	(1,261,209)	(315,302)
Repayment of demand loan	(1,967,982)	(388,012)
	<u>(3,229,191)</u>	<u>(703,314)</u>
<b>Net increase in cash</b>	<b>932,502</b>	<b>1,824,461</b>
<b>Cash, beginning of the year</b>	<b>3,813,189</b>	<b>1,988,728</b>
<b>Cash, end of the year</b>	<b>\$ 4,745,691</b>	<b>\$ 3,813,189</b>

# Notes to the Financial Statements

December 31, 2022

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## 1. Significant Accounting Policies

**Incorporation and Nature of 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.

**Basis of Accounting** The financial statements have been prepared using Canadian accounting standards for not-for-profit organizations (“ASNPO”), using the following significant accounting policies:

# Notes to the Financial Statements

December 31, 2022

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## 1. Significant Accounting Policies (continued)

### 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.

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.

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.



# Notes to the Financial Statements

December 31, 2022

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## 1. Significant Accounting Policies (continued)

### 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, 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.

### 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.

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

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

### 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

December 31, 2022

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## 1. Significant Accounting Policies (continued)

**Canada Lease** The Canada Lease is accounted for as an operating lease as described in 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:

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%

**Impairment of long-lived assets** Long-lived assets consist of capital assets.

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.

# Notes to the Financial Statements

December 31, 2022

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## 1. Significant Accounting Policies (continued)

<b>Derivative financial instruments</b>	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, 2022, the Authority has no derivative financial instruments which have been designated as hedges.
<b>Deferred contributions related to capital assets</b>	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.
<b>Income taxes</b>	The Authority is exempt from federal and provincial income taxes as well as capital tax.
<b>Measurement uncertainty (use of estimates)</b>	<p>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.</p> <p>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.</p> <p>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.</p>

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# Notes to the Financial Statements

December 31, 2022

## 2. Incorporation and Nature of 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.

## 3. Capital assets

	2022		2021	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land	\$15,669,335	\$ -	\$ 15,669,335	\$ -
Leasehold improvements				
Building	28,159,249	14,053,389	27,380,288	12,839,855
Fuel farms	2,934,304	1,043,200	2,925,719	932,716
Other	2,798,317	1,051,340	2,527,557	941,477
Runway	40,968,009	20,259,832	40,858,070	18,189,622
Parking facilities and roadway	9,164,560	5,191,645	9,014,578	4,677,622
Automotive	241,120	185,543	241,120	170,307
Computer hardware and software	736,690	541,197	614,096	464,729
Machinery and other equipment	8,043,691	4,759,221	8,062,554	4,576,688
Construction in progress/equipment not in use	1,123,704	-	751,844	-
	<b>109,838,979</b>	<b>47,085,367</b>	<b>108,045,161</b>	<b>42,793,016</b>
		<b>\$62,753,612</b>		<b>\$ 65,252,145</b>

# Notes to the Financial Statements

December 31, 2022

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## 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 31 (2021 - 30) participating employees. The defined benefit component of the pension plan has 1 (2021 - 2) participating employee(s). The Authority pension contributions for the defined contribution component was \$132,759 in 2022 (2021 - \$117,642) and the defined benefit component was \$13,900 in 2022 (2021 - \$28,869). The defined benefit component applies to employee(s) 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, 2022 is as follows:

	<u>2022</u>	<u>2021</u>
Market value of plan assets	\$ 4,106,000	\$ 4,828,000
Accrued defined benefit obligation	<u>(2,971,000)</u>	<u>(2,848,000)</u>
Defined benefit asset	<u>\$ 1,135,000</u>	<u>\$ 1,980,000</u>

The Authority recognized a remeasurement loss (gain) of it's pension benefit asset as follows:

	<u>2022</u>	<u>2021</u>
Interest less net return on plan assets	\$ 777,000	\$ (248,000)
Actuarial (gains)/losses	138,000	(21,000)
(Gains)/losses on non-investment expense	<u>5,000</u>	<u>1,000</u>
Total remeasurement	<u>\$ 920,000</u>	<u>\$ (268,000)</u>

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

	<u>2022</u>	<u>2021</u>
Discount rate	4.50%	4.50%
Rate of compensation increase	2.50%	2.50%
Rate of inflation	2.0%	2.0%

# Notes to the Financial Statements

December 31, 2022

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## 4. Pension Plan (continued)

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

Employer contribution	(14,000)	(31,000)
Employees' contribution	2,000	5,000
Benefits paid	(156,000)	(139,000)

Plan Assets consists of:

Equities securities	58.50%	63.10%
Debt securities	29.10%	33.10%
Other	12.50%	3.80%

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# Notes to the Financial Statements

December 31, 2022

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## 5. Bank demand loans

	<u>2022</u>	<u>2021</u>
CIBC Demand installment loan - repayable in monthly installments of \$18,333 plus interest at the Authority's option of prime rate per annum (December 31, 2022 - 6.45%; 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.	\$ 3,884,356	\$ 4,104,356
CIBC Demand revolving loan - repaid during the year	-	1,747,982
	<u>\$ 3,884,356</u>	<u>\$ 5,852,338</u>

In 2022, the Authority had a \$1,000,000 operating line of credit bearing interest at the prime rate (December 31, 2021 - 2.45%), and the demand revolving loan had an authorized limit of \$9,000,000. The line of credit was secured by a demand collateral first mortgage of the Authority's leasehold interest and assignment of rents for an unlimited amount. The line of credit had \$1,000,000 available at December 31, 2022.

In addition, the Authority has a credit card facility with an aggregate limit of \$75,000

Future principle repayments on the demand installment loan, assuming the loan conditions are not modified are:

2023	\$ 219,996
2024	219,996
2025	219,996
2026	219,996
2027	219,996
Thereafter	<u>2,784,376</u>
	<u>\$ 3,884,356</u>

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## 6. Accounts payable and accrued liabilities

	<u>2022</u>	<u>2021</u>
Trade payables	\$ 1,069,673	\$ 667,023
Payroll accruals	610,533	524,628
Government remittances payable	2,682	30,565
	<u>\$ 1,682,888</u>	<u>\$ 1,222,216</u>

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# Notes to the Financial Statements

December 31, 2022

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## 7. Long-term debt

	<u>2022</u>	<u>2021</u>
Northern Development Initiative Trust, unsecured, bearing interest at prime rate (December 31, 2022 - 6.45%; December 31, 2021 - 2.45%), monthly payments of \$105,101 plus interest, and maturing February 2027.	\$ 5,227,111	\$ 6,488,319
Less: Current portion	<u>1,261,209</u>	<u>1,261,209</u>
	<u>\$ 3,965,902</u>	<u>\$ 5,227,110</u>

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:

2023	\$ 1,261,209
2024	1,261,209
2025	1,261,209
2026	1,261,209
2027	<u>182,275</u>
	<u>\$ 5,227,111</u>

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## 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 \$3,719,357 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, 2022, the fair market value of this derivative contract was \$333,121; 2021 - \$(11,264). This value has been recognized as an asset (2021 - liability) in the financial statements.

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# Notes to the Financial Statements

December 31, 2022

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## 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 major 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:

	<u>2022</u>	<u>2021</u>
Balance, beginning of year	\$17,467,830	\$ 18,906,750
British Columbia Air Access	898,656	143,777
Northern Development Initiative Trust	300,000	-
Less: Amounts recognized as revenue during the year	<u>(1,599,954)</u>	<u>(1,582,697)</u>
Balance, end of year	17,066,532	17,467,830
Less current portion	<u>(1,615,245)</u>	<u>(1,599,954)</u>
	<u>\$15,451,287</u>	<u>\$ 15,867,876</u>

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# Notes to the Financial Statements

December 31, 2022

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## 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 2022 was \$nil (2021 - \$nil). 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.

The Authority also entered into to operating leases for equipment with expected annual payments of the following:

2023	\$	120,000
2024		120,000
2025		120,000
2026		64,167
		<hr/>
	\$	424,167

During the year, the Authority entered into an economic development promotional agreement with the aim of boosting travel through the airport. There are certain costs associated with the agreement that are dependent on various factors. These costs will be determined at a future date. Management has accrued an allowance for these costs, which is included in accounts payable and accrued liabilities.

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# Notes to the Financial Statements

December 31, 2022

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## 11. Invested in capital assets

	<u>2022</u>	<u>2021</u>
Opening balance	\$35,469,444	\$ 36,541,970
Capital asset additions, including construction in progress	1,954,032	1,220,918
Loss on Disposal of assets	-	(14,777)
Payment of: Long-term debt and deferred contributions related to additions	2,030,535	559,537
	<u>39,454,011</u>	<u>38,307,648</u>
Amortization	(4,452,565)	(4,420,901)
Amortization of deferred contributions related to capital assets	1,599,954	1,582,697
	<u>(2,852,611)</u>	<u>(2,838,204)</u>
	<u>\$36,601,400</u>	<u>\$ 35,469,444</u>

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## 12. Government assistance

During the year, the Authority recognized \$57,762 (2021 - \$844,960) in Canada Emergency Wage Subsidy ("CEWS") and Canada Recovering Hiring Program ("CRHP") as other income, of which \$nil (2021 - \$44,418) 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 the 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 \$637,224 in COVID-19 relief funding from the Province of British Columbia (2021 - \$3,186,522), Transport Canada and the Regional Air Transportation Initiative, of which \$nil (2021 - \$839,776) was accrued in accounts receivable.

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# Notes to the Financial Statements

December 31, 2022

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## 13. Airport improvement fee

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 a net of a 7% handling fee withheld by airlines. Excess of revenue over expenses reported in AIF equity during the year \$3,579,420 reflect total AIF revenue \$3,976,191 net of interest on long-term debt \$396,771.

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# Notes to the Financial Statements

December 31, 2022

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## 14. 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, 2022, 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 Consideration

As at December 31, 2022, three customers (2021 - three) accounted for 57% (2021 - 66%) 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.

These risks remain unchanged from the prior year.

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# Notes to the Financial Statements

December 31, 2022

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## 15. Global Pandemic

During the year, 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, continued to ease and increases to the number of airline passengers have begun to be realized. However, the airline industry has continued to struggle with returning to pre-COVID-19 service levels. With Government programs now expiring, the Authority's full recovery from COVID-19 is dependent on the recovery of the airline industry.

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 through 2023, and received wage subsidies described above.

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# Capital Initiatives and Business Plan

During 2022 the Prince George Airport invested in capital projects totalling \$1.95 million. Significant projects completed or underway in 2022 included:

	Thousands \$
Runway overlays	150.0
Food & beverage expansion / renovation	683.9
Emergency response vehicle shelter – project commenced in 2022; completion 2023	426.1
Storm drainage	287.0
Maintenance quonset	30.0
TP312 mandatory signage upgrade	109.9
Gate access intercom system	30.0
Fire training centre upgrades	18.9
Security / IT	32.5

## 2022 Actual vs. Business Plan

Shown in thousands of dollars.

	Actual	Plan	Difference	Explanation
<b>Revenues</b> (net of gov't funding)	\$12,327.9	\$11,676.4	\$651.5	Aeronautical, parking and concession revenues higher than planned.
<b>Expenses</b>	\$8,149.8	\$8,598.9	\$ (449.1)	Salaries & benefits, and fuel operations costs less than planned.
<b>Capital</b>	\$1,954.0	\$3,683.9	\$ (1,729.9)	Timing due to projects started, but not complete at year end, and projects reallocated to subsequent year(s).

## Business Plan Cash Flow Forecast 2023 – 2027

Shown in thousands of dollars.

YEAR	2023	2024	2025	2026	2027
Revenues	\$14,093.8	\$14,837.3	\$15,450.9	\$15,764.5	\$16,072.1
Expenses	\$9,543.0	\$9,776.0	\$10,117.1	\$10,290.2	\$10,444.5
Capital	\$8,283.5	\$6,166.0	\$3,864.0	\$8,118.0	\$1,147.0

Amortization not included.

The data above reflects the information available at the time of publication. Actual results may vary from the data provided.



[www.pgairport.ca](http://www.pgairport.ca)



4141 Airport Road  
Prince George, British Columbia  
Canada

