

**MINUTES OF THE ANNUAL GENERAL MEETING
OF THE
SUDBURY AIRPORT COMMUNITY DEVELOPMENT CORPORATION**

Tuesday, May 28, 2019
Room C-12, Tom Davies Square

Commencement: 3:03 p.m.
Adjournment: 3:27 p.m.

- IN THE CHAIR:** Diane McFarlane, acting Chair
- SACDC MEMBERSHIP:** Mayor B. Bigger, Councillor M. Jakubo, Councillor R. Kirwan , Councillor R. Lapierre, Councillor B. Leduc (3:25p.m.), Councillor G. McCausland, Councillor D. McIntosh, Councillor A. Sizer, B. Battistelli, G. Séguin, M. Forsyth, D. Paquette, T. Cochrane
- STAFF IN ATTENDANCE:** J.M. Chénier, Director, Marketing & Airport Development
L. Dubois, Executive Assistant to the CEO/ Recording Secretary
P. Ethier, Airport Account Analyst
R. Tyrer, Director of Airport Operations/ Fire Chief
S. Mathieu, Marketing & Communications Coordinator
- OTHERS PRESENT:** O. Poloni (KPMG LLP), E. Archer, CAO
- ABSENT:** Councillor J. Landry-Altmann, Councillor F. Cormier, Councillor G. Montpellier, Councillor M. Signoretti, Councillor M. Vagnini, L. Poratto-Mason, C. Mercer, V. Pollesel, T. Tripp, R. Wood.
- WAIVER OF NOTICE:** A quorum of the members being present and having waived or received due notice of the meeting. The meeting was declared to be properly constituted for the transaction of business.
- ADOPTION OF AGENDA:** The Chair requested a change to the order of items 7-8-9 within the agenda.

The Members of the Corporation carried the following resolution:

RESOLUTION: #2019-680

WHEREAS the Members of the Corporation wish to adopt the Agenda, as amended, for the Annual General Meeting dated May 28, 2019

NOW THEREFORE BE IT RESOLVED AS FOLLOWS:

THAT the Agenda for the Annual General Meeting of the Members of the Sudbury Airport Community Development Corporation dated May 28, 2019, be and the same is hereby adopted. (M. Jakubo/R. Lapierre) **CARRIED.**

DECLARATIONS OF PECUNIARY INTEREST: None declared

ADOPTION OF ANNUAL GENERAL MEETING MINUTES:

The Members of the Corporation carried the following resolution:

RESOLUTION: #2018-681

THAT the Minutes of the Annual General Meeting of the Members of the Sudbury Airport Community Development Corporation dated June 12, 2018, are hereby adopted. (R. Lapierre/A. Sizer) **CARRIED.**

The meeting was turned to Jean-Mathieu Chénier to introduce Oscar Poloni, auditor for KPMG, LLP to present the 2018 SACDC audited financial statements.

APPROVAL OF AUDITED FINANCIAL STATEMENTS:

The Members of the Corporation carried the following resolution:

RESOLUTION: #2019-682

WHEREAS the members wish to receive and approve the audited Financial Statements of the Sudbury Airport Community Development Corporation for the year 2018. (M. Jakubo/R. Kirwan) **CARRIED.**

NOW THEREFORE BE IT RESOLVED AS FOLLOWS:

THAT the financial statements of the Corporation for the year 2018, which were prepared by KPMG LLP, Chartered Accountants, are hereby received and approved.

APPOINTMENT OF AUDITORS:

The Members of the Corporation carried the following resolution:

RESOLUTION: #2019-683

WHEREAS Section 94 of the Corporations Act requires members to appoint auditors at their annual meeting;

AND WHEREAS the Operating Agreement between the City of Greater Sudbury and the Sudbury Airport Community Development Corporation (SACDC) provides for the City of Greater Sudbury (CGS) to supply auditing services to the SACDC as part of its routine corporate audit process;

AND WHEREAS for the year ending December 31, 2018, the City Auditors named in the Treasurer's and Auditor's report are KPMG LLP.

NOW THEREFORE BE IT RESOLVED AS FOLLOWS:

THAT pursuant to the terms of the Operating Agreement between the City of Greater Sudbury and the Sudbury Airport Community Development Corporation, the Auditors supplied by the City of Greater Sudbury are hereby appointed as Auditors of the Sudbury Airport Community Development Corporation. (R. Lapierre/Mayor B. Bigger) **CARRIED.**

CORPORATE UPDATE

REAPPOINTMENT OF MEMBERS TO THE BOARD:

The members of the Corporation carried the following resolution:

RESOLUTION: #2019-684

WHEREAS the Members of the Sudbury Airport Community Development Corporation reappoint Chris Mercer , Greg Séguin and Lise Poratto-Mason to serve on the Board of Directors for a three (3) year term ending June 2022.

NOW THEREFORE BE IT RESOLVED AS FOLLOWS:

THAT the Members of the Corporation accept the reappointment for membership of the following persons:

Chris Mercer
Greg Séguin
Lise Poratto-Mason

(R.Kirwan/R.Lapierre) **CARRIED.**

APPOINTMENT OF CHAIR:

Chris Mercer was appointed Chair and President of the SACDC by the Membership for a **one (1)** year term.

The Members of the Corporation carried the following resolution:

RESOLUTION: #2019-685

WHEREAS Section 290 of the Corporations Act requires that, the Chair of the Board be confirmed by a two-thirds vote of the membership of the Corporation;

NOW THEREFORE BE IT RESOLVED AS FOLLOWS:

THAT the Members of the Corporation hereby confirm **Chris Mercer** as Chair and President of the Board of Directors of the Corporation for the term of **one (1) year** or until his successor is appointed, effective **May 28, 2019;**

AND the Chair of the Board is hereby assigned the duties described in Section 2.1 of the Governance Policies of the Corporation and any and all duties of the President of a Board of Directors coincident to that office.
(M. Jakubo/A. Sizer) **CARRIED.**

APPOINTMENT OF VICE-CHAIR, TREASURER AND SECRETARY OF THE EXECUTIVE COMMITTEE:

RESOLUTION: #2019-686

THAT the Members of the Corporation hereby confirm M. Forsyth as Vice-Chair, L. Poratto-Mason as Secretary and Greg Séguin as Treasurer of the Board of Directors for the term of (1) one year or until their respective successor is appointed, effective May 28, 2019.

NOW THEREFORE BE IT RESOLVED AS FOLLOWS:

:

THAT the Vice-Chair, Secretary and Treasurer of the Board are hereby assigned the duties described in the Governance Policies of the Corporation.
(G. McCausland/R. Lapierre) **CARRIED.**

RECOGNITION OF DEPARTING BOARD MEMBER: D. MCFARLANE

M. Forsyth commended D. McFarlane for her valuable contribution to the SACDC Board of Directors as she tendered her resignation effective May 29, 2019 from the Sudbury Airport Community Corporation's Board of Directors.

OTHER BUSINESS: None declared

There being no further business, the meeting was adjourned at 3:27 p.m.

Mayor B.Bigger MOTIONED to adjourn the meeting. The motion was adopted.

Diane McFarlane, Acting Chair

Linda Dubois - Recording Secretary

Financial Statements of

**SUDBURY AIRPORT COMMUNITY
DEVELOPMENT CORPORATION**

And Independent Auditors' Report thereon

Year ended December 31, 2019



KPMG LLP
Claridge Executive Centre
144 Pine Street
Sudbury Ontario P3C 1X3
Canada
Telephone (705) 675-8500
Fax (705) 675-7586

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Sudbury Airport Community Development Corporation

Opinion

We have audited the financial statements of the Sudbury Airport Development Corporation (the Entity), which comprise:

- the statement of financial position as at December 31, 2019
- the statement of income and comprehensive income for the year then ended
- the statement of changes in equity for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

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 "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' report.

We are independent of the Entity 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 International Financial Reporting Standards (IFRS), 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 Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 the 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 Entity'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 Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.



- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Chartered Professional Accountants, Licensed Public Accountants
Sudbury, Canada

DATE

SUDBURY AIRPORT COMMUNITY DEVELOPMENT CORPORATION

Statement of Financial Position

December 31, 2019, with comparative information for 2018

	2019	2018
Assets		
Current assets:		
Cash	\$ 33,278	\$ 11,805
Trade and other receivables (note 5)	903,441	2,293,848
Prepaid expenses	39,445	65,420
Supplies	111,147	116,662
	1,087,311	2,487,735
Property, plant and equipment (note 7)	29,029,668	28,955,787
	\$ 30,116,979	\$ 31,443,522
Liabilities and Shareholders' Equity		
Current liabilities:		
Trade and other payables	\$ 299,112	414,315
Payable to the City of Greater Sudbury (note 6)	3,296,574	4,991,692
	3,595,686	5,406,007
Non-current liabilities:		
Employee benefit obligations (note 8)	372,949	365,305
Deferred capital contributions (note 9)	10,008,888	10,911,028
	13,977,523	16,682,340
Shareholders' equity:		
Retained earnings	16,127,855	14,748,000
Accumulated other comprehensive income	11,601	13,182
	16,139,456	14,761,182
Commitments (note 10)		
Contingent liability (note 12)		
Subsequent event (note 16)		
	\$ 30,116,979	\$ 31,443,522

See accompanying notes to financial statements.

Approved on behalf of the board:

_____ Director _____ Director

SUDBURY AIRPORT COMMUNITY DEVELOPMENT CORPORATION

Statement of Income and Comprehensive Income

Year ended December 31, 2019, with comparative information for 2018

	2019	2018
Revenue:		
Passenger facility fee	\$ 3,215,716	\$ 3,152,546
Rentals and concessions	2,805,423	2,979,173
National landing fees	954,254	907,453
Capital contributions (note 9)	924,395	885,855
Services	866,440	775,315
Terminal fees	763,189	683,839
Miscellaneous revenue	133,504	171,462
	<u>9,662,921</u>	<u>9,555,643</u>
Expenses:		
Salaries, wages and benefits (note 14)	2,728,489	2,698,053
Other	313,511	832,458
Utilities	561,658	563,420
Maintenance	508,016	495,738
Materials	420,863	469,317
Policing and security	517,873	419,562
Consulting and other professional services	352,773	337,052
Property taxes	239,747	242,735
Administrative charges	244,805	241,118
Insurance	86,922	148,676
Depreciation of property and equipment (note 7)	2,193,680	1,952,977
	<u>8,168,337</u>	<u>8,401,106</u>
Excess of revenues over expenses before undernoted	1,494,584	1,154,537
Interest expense	(114,729)	(57,216)
	<u>1,379,855</u>	<u>1,097,321</u>
Other comprehensive loss:		
Item that will not be subsequently reclassified to net income - remeasurement of the employee benefit obligation (note 8)	(1,581)	(1,837)
Total comprehensive income for the year	<u>\$ 1,378,274</u>	<u>\$ 1,095,484</u>

See accompanying notes to financial statements.

SUDBURY AIRPORT COMMUNITY DEVELOPMENT CORPORATION

Statement of Changes in Equity

Year ended December 31, 2019, with comparative information for 2018

	Accumulated Other Comprehensive Income	Retained Earnings	Total
Balance, January 1, 2018	\$ 15,019	13,650,679	\$ 13,665,698
Income for the year	-	1,097,321	1,097,321
Remeasurement of employee benefit obligation	(1,837)	-	(1,837)
Balance, December 31, 2018	13,182	14,748,000	14,761,182
Income for the year	-	1,379,855	1,379,855
Remeasurement of employee benefit obligation	(1,581)	-	(1,581)
Balance, December 31, 2019	\$ 11,601	16,127,855	\$ 16,139,456

See accompanying notes to financial statements.

SUDBURY AIRPORT COMMUNITY DEVELOPMENT CORPORATION

Statement of Cash Flows

Year ended December 31, 2019, with comparative information for 2018

	2019	2018
Cash provided by (used in):		
Operating activities:		
Comprehensive income for the year	\$ 1,378,274	\$ 1,095,484
Items not involving cash:		
Depreciation of property and equipment	2,193,680	1,952,977
Amortization of deferred capital contributions	(924,395)	(885,855)
Non-cash employee future benefit obligation expense	1,581	1,837
	2,649,140	2,164,443
Changes in non-cash working capital:		
Trade and other receivables	1,390,407	(1,514,242)
Payable to the City of Greater Sudbury	(1,695,118)	4,144,312
Prepaid expenses	25,975	304,591
Supplies	5,515	(18,769)
Trade and other payables	(115,203)	(639,712)
Employee obligations benefit	6,063	266
	2,266,779	4,440,889
Investing activities:		
Purchase of property and equipment	(2,267,561)	(6,263,315)
	(2,267,561)	(6,263,315)
Financing activities:		
Capital contributions received	22,255	1,788,530
	22,255	1,788,530
Increase (decrease) in cash during the year	21,473	(33,896)
Cash, beginning of year	11,805	45,701
Cash, end of year	\$ 33,278	\$ 11,805

See accompanying notes to financial statements.

SUDBURY AIRPORT COMMUNITY DEVELOPMENT CORPORATION

Notes to Financial Statements

Year ended December 31, 2019

The Sudbury Airport Community Development Corporation (the "Corporation") is incorporated without share capital under the laws of Ontario. Its principal business activity is to manage, operate and maintain the Sudbury Airport. The address of its registered office is 5000 Air Terminal Drive, Suite T202, Garson, Ontario P3L 1V4.

The objective of the Corporation is to promote community economic development in the City of Greater Sudbury (the "City") with the co-operation and participation of the community by encouraging, facilitating and supporting community strategic planning and increasing self-reliance, investment and job creation within the community through the development and enhancement of the Sudbury Airport.

The Corporation is a municipal corporation pursuant to paragraph 149(1)(d.5) of the Income Tax Act (Canada) and is therefore exempt from income taxes having met certain requirements of the Income Tax Act (Canada).

1. Basis of presentation:

(a) Statement of compliance:

These financial statements of the Corporation have been prepared by management in accordance with International Financial Reporting Standards (IFRS).

The financial statements were approved and authorized for issue at the Annual General Meeting on DATE.

(b) Basis of measurement:

The financial statements have been prepared using the historical cost basis, unless otherwise stated.

(c) Functional and presentation currency:

These financial statements are presented in Canadian dollars, which is the functional currency of the Corporation. All financial information presented has been rounded to the nearest Canadian dollar.

(d) Use of estimates and judgments:

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses and disclosure of contingent assets and liabilities. Actual results may differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future years affected.

SUDBURY AIRPORT COMMUNITY DEVELOPMENT CORPORATION

Notes to Financial Statements

Year ended December 31, 2019

1. Basis of presentation (continued):

(d) Use of estimates and judgments (continued):

Significant Judgment in Applying Accounting Policies:

The areas which require management to make significant judgments in applying the Corporation's accounting policies in determining carrying values include, but are not limited to:

Valuation of property, plant and equipment

The Corporation is required to use judgment in determining if indicators of impairment exist at each reporting date. For all assets this determination impacts whether or not the Corporation performs a detailed impairment assessment which could result in impairment charges. In making this judgment, the Corporation considers external information on the industry and market trends including the impact on costs to construct and maintain the assets. The Corporation also considers decisions by management to change the extent and manner in which the asset is used or is expected to be used.

Valuation of lease obligations

The Corporation is required to use judgment in determining whether or not an arrangement contains a lease, as well when determining the lease term. When determining such, the Corporation must consider factors in the agreement, the economic environment, and credit risk.

Significant Accounting Estimates and Assumptions:

The areas which require management to make significant estimates and assumptions in determining carrying values include, but are not limited to:

Discount rate of lease obligations

If the discount rate is not implicit in the capital lease agreement, the Corporation is required to use their own incremental borrowing rate. The Corporation is required to use estimation in determining their own incremental borrowing rate. This rate factors in credit risk, term of lease, the economic environment, as well as the nature of any security. This rate impacts both the value of the capital lease and the monthly principal repayments.

Amortization of property, plant and equipment and deferred capital contributions

Significant estimation is involved in the determination of useful life and residual values for the computation of amortization of property, plant and equipment and deferred capital contributions and no assurance can be given that the actual useful lives and residual values will not differ from current assumptions.

SUDBURY AIRPORT COMMUNITY DEVELOPMENT CORPORATION

Notes to Financial Statements

Year ended December 31, 2019

1. Basis of presentation (continued):

(d) Use of estimates and judgments (continued):

Provision for impairment of trade and other receivables

Significant estimation is involved in the determination of the provision for impairment over trade and other receivables. IFRS 9 allows for the use of a provision matrix where the expected credit loss is determined as a fixed percentage based historical data. However, significant estimation is involved when assessing both current and prospective information and applying to such provision.

Computation of employee benefit obligation

Significant estimation is involved in the determination of the discount rate, inflation rate, rate of compensation increase, medical cost increase rate, and other various inputs that factor into the value of the employee benefit obligation. The Corporation uses a third party actuary to assist in computing such rates which factors in both current and prospective company and economic environment data.

2. Summary of significant accounting policies:

(a) Revenue recognition:

National landing fees, terminal fees, passenger facility fees, rentals and concessions and services are recognized as revenue in the year when the respective service is performed.

Contributions restricted for property and equipment purchases (capital contributions) are deferred and amortized to revenue on the same basis as the related property, plant and equipment is depreciated. Unrestricted contributions are recognized as revenue when received.

(b) Property, plant and equipment:

Property, plant and equipment is stated at cost less accumulated amortization. Cost includes expenditures that are directly attributable to the acquisition of the asset, including the costs of borrowing on qualifying assets and any other costs directly attributable to bringing the assets to a working condition for their intended use.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Subsequent expenditures are capitalized only when it is probable that the future economic benefits associated with the expenditure will flow to the Corporation. Ongoing repairs and maintenance is expensed as incurred.

Amortization is calculated over the amortizable amount and is recognized in income on a straight-line basis over the estimated useful life of each part of component of an item of property, plant and equipment. The amortizable amount is cost.

SUDBURY AIRPORT COMMUNITY DEVELOPMENT CORPORATION

Notes to Financial Statements

Year ended December 31, 2019

2. Summary of significant accounting policies (continued):

(b) Property, plant and equipment (continued):

Amortization is provided using the following methods and annual rates:

Buildings	10 – 30 years
Equipment	2 – 80 years
Runway	15 years
Parking lot	20 years
Land development	20 - 80 years

Assets under construction are not depreciated until they are placed into use in the manner intended by management.

(c) Impairment of non-financial assets:

Property, plant and equipment are tested for impairment when events or changes in circumstances indicate the carrying amount may not be recoverable. The recoverable amount is the higher of an asset's fair value less costs to sell, and value in use (which is the present value of the expected future cash flows of the relevant asset or cash generating unit). An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount.

The Corporation evaluates impairment by examining long-lived assets for impairment indicators and examines any prior years' impairment losses for potential reversals when events or circumstances warrant such consideration.

(d) Employee benefit obligations:

Vacation entitlements are accrued for as entitlements are earned.

Sick leave benefits are accrued where they are vested and subject to payout when an employee leaves the Corporation.

Other post-employment benefits are accrued in accordance with the projected benefit method pro-rated on service and management's best estimate of salary escalation and retirement ages of employees. The related liability recognized in the statement of financial position is the present value of the obligation at the statement of financial position date. The present value of the obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that have terms to maturity approximating the term of the related liability.

Actuarial valuations for the sick leave and other post-employment benefit plans are carried out at each statement of financial position date.

Actuarial gains and losses are recognized in full immediately in other comprehensive income and are reported in accumulated and other comprehensive income.

Current service cost, the recognized element of any past service cost, and the interest arising on the liability are included in salaries and benefits on the statement of income and comprehensive income.

SUDBURY AIRPORT COMMUNITY DEVELOPMENT CORPORATION

Notes to Financial Statements

Year ended December 31, 2019

2. Summary of significant accounting policies (continued):

(d) Employee benefit obligations (continued):

Past-service costs are recognized immediately to the extent the benefits are vested, and otherwise are amortized on a straight-line basis over the average period until the benefits become vested.

i) Pension plan:

The Corporation provides a pension plan for all its full-time employees through the Ontario Municipal Employees Retirement System (OMERS). OMERS is a multi-employer pension plan which operates as the Ontario Municipal Employees Retirement Fund (the Fund), and provides pensions for employees of Ontario municipalities, local boards and public utilities. The Fund is a contributory defined benefits pension plan, which is financed by equal contributions from participating employers and employees, and by the investment earnings of the Fund. To the extent that the Fund finds itself in an under-funded position, additional contribution rates may be assessed to participating employers and members.

OMERS is a defined benefit plan. However, as OMERS does not segregate its pension asset and liability information by individual employers, there is insufficient information available to enable the Corporation to directly account for the plan. Consequently, the plan has been accounted for as a defined contribution plan. Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in net income when they are due.

(e) Financial instruments:

Financial assets and liabilities are recognized when the Corporation becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Corporation has transferred substantially all risks and rewards of ownership.

At initial recognition, the Corporation classifies its financial instruments in the following categories, depending on the purpose for which the instruments were acquired:

- a) Loans and receivables: Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. The Corporation's loans and receivables comprise trade and other receivables, and cash which are included in current assets due to their short-term nature. Loans and receivables are initially recognized at the amount expected to be received less, when material, a discount to reduce the loans and receivables to fair value. Subsequently, loans and receivables are measured at amortized cost using the effective interest method less a provision for impairment.
- b) Financial liabilities at amortized cost: Financial liabilities at amortized cost comprise trade and other payables and payable to the City of Greater Sudbury. These items are initially recognized at the amount required to be paid less, when material, a discount to reduce the payables to fair value. Subsequently, these items are measured at amortized cost. Financial liabilities are classified as current liabilities if payments are due within 12 months. Otherwise, they are presented as non-current liabilities on the statement of financial position.

SUDBURY AIRPORT COMMUNITY DEVELOPMENT CORPORATION

Notes to Financial Statements

Year ended December 31, 2019

2. Summary of significant accounting policies (continued):

(f) Provisions:

Provisions are recognized when the Corporation has a present obligation (legal or constructive) as a result of a past event, when it is more likely than not that the Corporation will be required to settle the obligation and when a reliable estimate can be made of the amount of the obligation. The amount recognized as a provision is management's best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When the effect of the time value of money is material, provisions are measured at the present value of the expenditure expected to settle the Corporation's present obligation.

(g) Leases:

The Corporation has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4. IFRS 16 requires lessees to recognize a right-of-use asset and lease liability for all assets with commitments greater than one year.

Policy Applicable from 1 January 2019

At interpretation of a contract, the Corporation assesses whether a contract is, or contains a lease. A contract is, or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Corporation uses the definition in IFRS 16.

This policy is applied to contracts entered into, on or after 1 January 2019.

At inception or on modification of a contract that contains a lease component, the Corporation allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

When the Corporation acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Corporation makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Corporation considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

If an arrangement contains a lease and non-lease component, then the Corporation applies IFRS 15 to allocate the consideration in the contract.

Generally, the accounting policies applicable to the Corporation as a lessor in the comparative period were not different from IFRS 16 except for the classification of subleases. The Corporation does not currently hold and sub-lease contracts.

SUDBURY AIRPORT COMMUNITY DEVELOPMENT CORPORATION

Notes to Financial Statements

Year ended December 31, 2019

2. Summary of significant accounting policies (continued):

(g) Leases (continued):

Policy applicable before 1 January 2019

For contracts entered into before 1 January 2019, the Corporation determined whether the arrangement was or contained a lease based on the assessment of whether:

- Fulfilment of the arrangement was dependent on the use of a specific asset or assets; and
- The arrangement had conveyed a right to use the asset. An arrangement conveyed the right to use the asset if one of the following was met:
 - o The purchaser had the ability or right to operate the asset while obtaining or controlling more than an insignificant amount of the output;
 - o The purchaser had the ability to control physical access to the asset while obtaining or controlling more than an insignificant amount of the output; or
 - o Facts and circumstances indicated that it was remote that other parties would take more than an insignificant amount of the output, and the price per unit was neither fixed per unit of output nor equal to the current market price per unit of output.

When the Corporation acted as a lessor, it determined at lease inception whether each lease was a finance lease or an operating lease.

To classify each lease, the Corporation made an overall assessment of whether the lease transferred substantially all of the risks and rewards incidental to ownership of the underlying asset. If this was the case, then the lease was a finance lease; if not, then it was an operating lease. As part of this assessment, the Corporation considered certain indicators such as whether the lease was for the major part of the economic life of the asset.

3. Changes in accounting policies:

IFRS 16 Leases:

The Corporation has initially applied IFRS 16 Leases from January 1, 2019. The Corporation applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognized in retained earnings at 1 January 2019. Accordingly, the comparative information presented for 2018 is not restated – i.e. it is presented, as previously reported under IAS 17 and related interpretations. The details of changes in accounting policies are disclosed below. Additionally, the disclosure requirements in IFRS 16 have not generally been applied to comparative information.

SUDBURY AIRPORT COMMUNITY DEVELOPMENT CORPORATION

Notes to Financial Statements

Year ended December 31, 2019

3. Changes in accounting policies (continued):

IFRS 16 introduces a single, on-balance sheet accounting model for lessees. A lessee recognized a right-of-use asset representing its right of use the underlying asset and a lease liability representing its obligations to make lease payments. There are optional exemptions for short-term leases and leases of low value items. Lessor accounting remains substantially unchanged, such that lessors continue to classify leases as finance or operating leases. IFRS 16 replaces the following: IAS 17, *Leases*; IFRIC 4, *Determining Whether an Arrangement Contains a lease*; SIC-15, *Operating Leases – Incentives*; and SIC-27, *Evaluating the Substance of Transactions involving the Legal Form of a Lease*.

As a Lessor

The Corporation leases out space within the Greater Sudbury Airport Terminal Building and elsewhere to accommodate ticket sales, administrative services, baggage handling, equipment storage and other purposes. The corporation has classified these leases as operating leases.

The Corporation is not required to make any adjustments on transition to IFRS 16 for leases in which it acts as a lessor, except for a sub-lease. The Corporation has not identified any contracts which would qualify as a sub-lease arrangement.

Impact on Transition

On transition to IFRS 16, the Corporation did not recognize additional right-of-use assets or associated lease liabilities. Similarly, the Corporation did not recognize or re-classify any of its leases for which it acts as the lessor.

4. Upcoming IFRS pronouncements:

IFRS 17 Insurance Contracts

On May 18, 2017, the IASB issued IFRS 17 Insurance Contracts. IFRS 17 will replace IFRS 4 Insurance Contracts. The new standard is effective for annual periods beginning on or after January 1, 2021 (however, the IASB has proposed deferring the effective date to January 1, 2023).

This Standard introduces consistent accounting for all insurance contracts. The standard requires a company to measure insurance contracts using updated estimates and assumptions that reflect the timing of cash flows and any uncertainty relating to insurance contracts. Additionally, IFRS 17 requires an entity to recognize profits as it delivers insurance services, rather than when it receives premiums. This is expected to have no significant impact for the Corporation's financial statements.

Classification of Liabilities as Current or Non-current (Amendments to IAS 1)

On January 23, 2020, the IASB issued amendments to IAS 1 Presentation of Financial Statements, to clarify the classification of liabilities as current or non-current. The amendments are effective for annual periods beginning on or after January 1, 2022. Early adoption is permitted.

SUDBURY AIRPORT COMMUNITY DEVELOPMENT CORPORATION

Notes to Financial Statements

Year ended December 31, 2019

4. Upcoming IFRS pronouncements (continued):

For the purposes of non-current classification, the amendments removed the requirement for a right to defer settlement or roll over of a liability for at least twelve months to be unconditional. Instead, such a right must have substance and exist at the end of the reporting period. The amendments also clarify how a company classifies a liability that includes a counterparty conversion option. The amendments state that a settlement of a liability includes transferring a company's own equity instruments to the counterparty, and when classifying liabilities as current or non-current a company can ignore only those conversion options that are recognized as equity. This is expected to have no significant impact for the Corporation's financial statements.

Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture

On September 11, 2014 the IASB issued Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28). The amendments were to be applied prospectively for annual periods beginning on or after January 1, 2016, however, on December 17, 2015 the IASB decided to defer the effective date for these amendments indefinitely. Adoption is still permitted.

The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28 (2011), in dealing with the sale or contribution of assets between an investor and its associate or joint venture (JV). Specifically, under the existing consolidation standard the parent recognizes the full gain on the loss of control, whereas under the existing guidance on associates and JVs the parent recognizes the gain only to the extent of unrelated investors' interests in the associate or JV.

The main consequence of the amendments is that a full gain/loss is recognized when the assets transferred meet the definition of a 'business' under IFRS 3. A partial gain/loss is recognized when the assets transferred do not meet the definition of a business, even if these assets are housed in a subsidiary. This is expected to have no significant impact for the Corporation's financial statements.

5. Trade and other receivables:

	2019	2018
Trade receivables	\$ 824,459	663,309
Less: provision for impairment	(12,092)	(12,092)
Trade receivables - net	812,367	651,217
Other receivables	91,074	1,642,631
Trade and other receivables	\$ 903,441	2,293,848

The fair values of trade and other receivables approximate their book values due to their short-term nature.

SUDBURY AIRPORT COMMUNITY DEVELOPMENT CORPORATION

Notes to Financial Statements

Year ended December 31, 2019

5. Trade and other receivables (continued):

As at December 31, 2019, trade receivables of \$53,282 (2018 - \$31,830) were past due but not impaired. These receivables relate to a number of customers for whom there is no recent history of default. The aging of these trade receivables is as follows:

	2019	2018
31 days to 3 months	\$ 52,742	31,517
3 to 6 months	540	313
Over 6 months	—	—
	<u>\$ 53,282</u>	<u>31,830</u>

The provision for impaired trade receivables is recognized in the statement of income and comprehensive income within operating expenses. When a balance is considered uncollectible, it is written off against the provision. Subsequent recoveries of amounts previously written off are credited to operating expenses in the statement of income and comprehensive income when they occur.

Other receivables within trade receivables and other receivables do not contain impaired amounts.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of trade and other receivables mentioned above. The Corporation does not hold any collateral as security.

6. Payable to the City of Greater Sudbury:

The Corporation is owned by the City and run in accordance with an operating agreement between the City and the Corporation (the operating agreement). Under the terms of the operating agreement, employees of the corporation remain employed by the City; however, the Corporation is responsible for reimbursing the City for all employee related costs.

All cash receipts and disbursements of the Corporation are received and paid by the City. Therefore, cash flows of the Corporation flow through the City. The resulting payable as at December 31, 2019 in the amount of \$3,296,574 (2018 - \$4,991,692) is unsecured and the Corporation accrues interest at the City's average monthly rate of return on investments, plus a margin of 1% and has no specified terms of repayment. In the event the account is in a receivable balance, it earns interest at the City's average monthly rate of return on investments.

Included in operating expenses is \$210,486 (2018 - \$205,096) charged by the City for the provision of administrative services. In addition, interest in the amount of \$116,400 (2018 - \$58,890) was paid during the year.

SUDBURY AIRPORT COMMUNITY DEVELOPMENT CORPORATION

Notes to Financial Statements

Year ended December 31, 2019

7. Property, plant and equipment:

Cost:

	Buildings	Equipment	Runway	Transferred Assets	Assets under construction	Parking Lot	Land Development	Total
Balance, January 1, 2018	\$ 16,222,683	8,287,894	10,087,336	2	302,946	464,940	3,555,125	38,920,926
Transfers	3,623,860	380,875	-	-	(4,004,735)	-	-	-
Additions	180,824	2,111,217	-	-	3,971,274	-	-	6,263,315
Balance, December 31, 2018	20,027,367	10,779,986	10,087,336	2	269,485	464,940	3,555,125	45,184,241
Transfers	275,998	-	-	-	(373,498)	-	97,500	-
Additions	509,872	686,997	-	-	166,435	69,048	835,209	2,267,561
Balance, December 31, 2019	\$ 20,813,237	11,466,983	10,087,336	2	62,422	533,988	4,487,834	47,451,802

Accumulated depreciation:

	Buildings	Equipment	Runway	Transferred Assets	Assets under construction	Parking Lot	Land Development	Total
Balance, January 1, 2018	\$ 3,948,883	4,173,769	5,282,830	-	-	178,066	691,929	14,275,477
Depreciation expense	575,850	561,081	672,491	-	-	23,247	120,308	1,952,977
Balance, December 31, 2018	4,524,733	4,734,850	5,955,321	-	-	201,313	812,237	16,228,454
Depreciation expense	688,844	682,169	672,491	-	-	24,686	125,490	2,193,680
Balance, December 31, 2019	\$ 5,213,577	5,417,019	6,627,812	-	-	225,999	937,727	18,422,134

Carrying amounts:

	Buildings	Equipment	Runway	Transferred Assets	Assets under construction	Parking Lot	Land Development	Total
At December 31, 2018	\$ 15,502,634	6,045,136	4,132,015	2	269,485	263,627	2,742,888	28,955,787
At December 31, 2019	15,599,660	6,049,964	3,459,524	2	62,422	307,989	3,550,107	29,029,668

Transferred assets represent assets acquired pursuant to an agreement with Transport Canada that transferred the Sudbury Airport on March 31, 2000 to the newly incorporated Sudbury Airport Community Development Corporation. This transfer included the transfer of all chattels by way of bill of sale and property by way of instruments of grant to the Corporation for consideration of \$2. The Corporation has recorded both the asset and the grant at the exchange amount of \$2 pursuant to the guidance under IAS 20, Accounting for Government Grants and Disclosure of Government Assistance.

SUDBURY AIRPORT COMMUNITY DEVELOPMENT CORPORATION

Notes to Financial Statements

Year ended December 31, 2019

8. Employment benefit obligations:

	2019	2018
Other post-employment and sick leave benefits	\$ 143,243	139,316
Vacation pay	229,706	225,989
	\$ 372,949	365,305

Other post-employment benefits represent the Corporation's share of the cost to provide certain employees with extended benefits on early retirement.

Accumulated sick leave benefits accrue to certain employees of the Corporation and are paid out either on approved retirement, or on termination or death.

The most recent actuarial valuation pertaining to other post-employment and sick leave benefits was as at December 31, 2018.

The movement in the employee benefit obligation and fair value of assets for other post-employment and sick leave benefits during the year is as follows:

	2019	2018
Other post-employment benefits:		
Balance, beginning of year	\$ 139,316	143,161
Current service cost	9,905	6,783
Interest cost	4,989	4,842
Actuarial loss – demographic	–	36
Actuarial loss – economic	1,581	1,801
Benefits paid	(12,548)	(17,307)
Balance, end of year	\$ 143,243	139,316
Assets:		
Fair value, beginning of year	\$ –	–
Employer contributions	12,548	17,307
Benefits paid	(12,548)	(17,307)
Fair value, end of year	\$ –	–

SUDBURY AIRPORT COMMUNITY DEVELOPMENT CORPORATION

Notes to Financial Statements

Year ended December 31, 2019

8. Employment benefit obligations (continued):

The amounts recognized in the statement of income and comprehensive income are as follows:

	2019	2018
Current service cost	\$ 9,905	6,783
Interest cost	4,989	4,842
Employee benefit expense recognized in net income	\$ 14,894	11,625
Actuarial loss recognized in OCI	\$ (1,581)	(1,837)

The significant actuarial assumptions used in measuring the Corporation's employee benefit obligation for other post-employment and sick leave benefits are as follows:

	2019	2018
Discount rate	3.60%	3.75%
Rate of compensation increase	3.10%	3.10%
Medical cost increase	4.00%	4.50%

Assumptions regarding future mortality are set based on actuarial advice in accordance with published statistics and experience.

9. Deferred capital contributions:

Deferred capital contributions represent the unamortized balance of grants received for the purchase of property, plant and equipment:

Details of the change in deferred capital contributions are as follows:

	2019	2018
Balance, beginning of year	\$ 10,911,028	10,008,353
Add: contributions received in the year	22,255	1,788,530
Less: amount recognized as revenue in the year	(924,395)	(885,855)
Balance, end of year	\$ 10,008,888	10,911,028

SUDBURY AIRPORT COMMUNITY DEVELOPMENT CORPORATION

Notes to Financial Statements

Year ended December 31, 2019

10. Commitments:

The Corporation has entered into an Assignment, Assumption and Indemnity Agreement, which relates to the Corporation taking on all the rights related to the leasing of land to the Province of Ontario for air ambulance and for the forest fire facility at the airport.

Navcan operates a flight service station at the airport. There is an agreement with Navcan to perform these functions and a lease has been entered into for the land under its tower and space in the administration building.

The Corporation has entered into an agreement with a company for the provision of security services which ends August 31, 2021. The agreement is not a set amount but rather billed on an hourly basis every month. Rates are expected to increase on average by 4% from 2019-2020 and by 1.5% from 2020-2021.

11. Leases:

See accounting policy in note 2(g).

The Corporation leases out space within the Greater Sudbury Airport Terminal Building and elsewhere. The Corporation has classified these leases as operating leases, because they do not transfer substantially all of the risks and rewards incidental to the ownership of the assets.

Rental income recognized by the Corporation during 2019 was \$2,804,353 (2018 – \$2,976,209).

The following table sets out a maturity analysis of lease payments showing the undiscounted lease payments to be received after the reporting date.

2019 – Operating Leases under IFRS 16

Less than one year	2020	\$	881,334
One to two years	2021		817,475
Two to three years	2022		430,645
Three to four years	2023		189,018
Four to five years	2024		18,005
More than 5 years	2025 - 2048		429,120
Total		\$	2,765,597

2018 – Operating Leases under IAS 17

Less than one year	2019	\$	751,515
Between one and five years	2020 - 2023		1,593,606
More than 5 years	2024 - 2048		447,125
Total		\$	2,792,246

SUDBURY AIRPORT COMMUNITY DEVELOPMENT CORPORATION

Notes to Financial Statements

Year ended December 31, 2019

12. Contingent liability:

Pursuant to funding agreements with Transport Canada, the Corporation may in certain circumstances be considered in default of the agreement. Should the Corporation be considered in default of the agreement, action may be taken, which could result in repayment of funding or cancellation of the agreement.

13. Pension agreement:

The Corporation provides a pension plan for its employees through OMERS. The plan is a multi-employer, contributory defined pension plan with equal contributions by the employer and its employees. In 2019, the Corporation made employer contributions of \$173,918 to OMERS (2018 - \$177,552) which is included within salaries, wages and benefits on the statement of operations.

The Corporation estimates a contribution of \$198,695 to OMERS during the next fiscal year.

14. Related party transactions:

Related parties:

The Corporation enters into transactions with the City in the normal course of operations relating to charges and reimbursements for salaries, management fees and other operating expenses (note 6).

Compensation of key management:

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Corporation, directly or indirectly. Key management personnel include the Corporation's Chief Executive Officer.

Compensation paid/payable to key management personnel are as follows:

	2019	2018
Total included in salaries, wages and benefits	\$ 190,949	185,740

15. Financial instruments and risk management:

Financial instruments are classified into one of the following categories: cash, trade and other receivables and other financial liabilities (comprises trade and other payables and payable to the City). The carrying values of the Corporation's financial instruments are as follows:

	2019	2018
Cash, trade and other receivables	\$ 936,719	2,305,653
Other financial liabilities	3,595,686	5,406,007

SUDBURY AIRPORT COMMUNITY DEVELOPMENT CORPORATION

Notes to Financial Statements

Year ended December 31, 2019

15. Financial instruments and risk management (continued):

Cash, trade and other receivables and trade and other payables carrying values approximate their fair values due to the relatively short periods to maturity of these items or because they are receivable or payable on demand.

It is not practicable to determine the fair value of the amount payable to the City as there are no fixed repayment terms.

i) Risk management

The Corporation's operating activities result in financial risks that may arise from changes in market risk, credit risk and liquidity risk.

ii) Market risk

The Corporation conducts the majority of its business in Canadian dollars. Accordingly, the Corporation's exposure to foreign currency risk is minimal. The Corporation does not have any external variable rate or term debt. Accordingly, the Corporation has no significant interest rate risk.

iii) Credit risk

The Corporation is subject to credit risk through its financial assets. The Corporation performs ongoing credit valuations of these balances and maintains impairment provisions for potential credit loss. The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about the customer.

The Corporation derives a substantial portion of its operating revenues from air carriers through landing fees and terminal charges. There is a concentration of service with three air carriers, which represents approximately 92% (2018 - 92%) of terminal fees and national landing fees and 66% (2018 - 15%) of the trade and other receivable balance as at December 31, 2019.

SUDBURY AIRPORT COMMUNITY DEVELOPMENT CORPORATION

Notes to Financial Statements

Year ended December 31, 2019

15. Financial instruments and risk management (continued):

iv) Liquidity risk

The Corporation manages liquidity risk by maintaining adequate cash balances. The table below analyzes the Corporation's financial liabilities based on the remaining period at the statement of financial position date to the contractual maturity date. The following table has been prepared based on the contractual undiscounted cash flows.

				2019
		Less than 1 month	1 month to 12 months	1 year to 5 years
Trade and other payables	\$	158,699	130,639	9,774

				2018
		Less than 1 month	1 month to 12 months	1 year to 5 years
Trade and other payables	\$	158,485	247,783	8,047

The amount payable to the City has not been included in the above table as there are no fixed repayment terms.

v) Capital risk management

The Corporation defines capital that it manages as its equity. The Corporation's objective when managing capital is to maintain financial flexibility in order to preserve its ability to meet financial obligations as they come due. As at December 31, 2019, the Corporation's retained earnings and accumulated other comprehensive income amounted to \$16,139,456 (2018 - \$14,761,182).

16. Subsequent event:

Subsequent to December 31, 2019 the COVID-19 outbreak was declared a pandemic by the World Health Organization. This has resulted in governments worldwide, including the Canadian and Ontario governments, enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally and in Ontario resulting in an economic slowdown. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions however the success of these interventions is not currently determinable. The current challenging economic climate may lead to adverse changes in cash flows, working capital levels and/or debt balances, which may also have a direct impact on the Corporation's operating results and financial position in the future. The situation is dynamic and the ultimate duration and magnitude of the impact on the economy and the financial effect on business is not known at this time.

17. Comparative information:

Certain 2018 comparative information has been reclassified to ensure consistency with the presentation adopted in the current year.