

Financial Statements of

**SUDBURY AIRPORT COMMUNITY
DEVELOPMENT CORPORATION**

Year ended December 31, 2017

DRAFT



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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Sudbury Airport Community Development Corporation

We have audited the accompanying financial statements of Sudbury Airport Community Development Corporation which comprise the statement of financial position as at December 31, 2017, the statements of income and comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, 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.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosure in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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



Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of Sudbury Airport Community Development Corporation as at December 31, 2017 and its results of operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Chartered Professional Accountants, Licensed Public Accountants

Sudbury, Canada

June 12, 2018

SUDBURY AIRPORT COMMUNITY DEVELOPMENT CORPORATION

Statement of Financial Position

December 31, 2017, with comparative information for 2016

	2017	2016
Assets		
Current assets:		
Cash	\$ 45,701	\$ 21,244
Trade and other receivables (note 4)	779,606	516,804
Prepaid expenses	370,011	42,446
Supplies	97,893	86,863
	1,293,211	667,357
Property, plant and equipment (note 6)	24,645,449	25,872,793
	\$ 25,938,660	\$ 26,540,150
Liabilities and Shareholders' Equity		
Current liabilities:		
Trade and other payables	\$ 1,054,027	726,584
Payable to the City of Greater Sudbury (note 5)	847,380	1,498,570
	1,901,407	2,225,154
Non-current liabilities:		
Employee benefit obligations (note 7)	363,202	328,025
Deferred capital contributions (note 8)	10,008,353	10,836,611
	12,272,962	13,389,790
Shareholders' equity:		
Retained earnings	13,650,679	13,135,341
Accumulated other comprehensive income	15,019	15,019
	13,665,698	13,150,360
Commitments (note 9)		
Contingent liability (note 10)		
	\$ 25,938,660	\$ 26,540,150

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, 2017, with comparative information for 2016

	2017	2016
Revenue:		
Passenger facility fee	\$ 2,936,884	\$ 2,727,830
Capital contributions	877,784	877,784
Rentals and concessions	2,550,142	2,101,940
National landing fees	760,759	658,142
Terminal fees	677,426	581,607
Services	765,547	597,811
	8,568,542	7,545,114
Expenses:		
Salaries, wages and benefits (note 5)	2,535,885	2,173,307
Materials	695,658	618,567
Utilities	514,685	512,218
Policing and security	374,728	373,014
Consulting and other professional services	248,401	280,803
Other	1,006,396	264,328
Property taxes	218,914	247,935
Administrative charges (note 5)	240,503	225,171
Maintenance	216,534	204,398
Insurance	85,006	88,011
Depreciation of property and equipment	1,877,186	1,848,431
	8,013,896	6,836,183
Excess of revenues over expenses before undernoted	554,646	708,931
Interest expense	(39,308)	(61,476)
	515,338	647,455
Other comprehensive income (loss)		
Item that will not be subsequently reclassified to net income - remeasurement of the employee benefit obligation (note 7)	-	(1,719)
Total comprehensive income for the year	\$ 515,338	\$ 645,736

See accompanying notes to financial statements.

SUDBURY AIRPORT COMMUNITY DEVELOPMENT CORPORATION

Statement of Changes in Equity

Year ended December 31, 2017, with comparative information for 2016

	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total
Balance, January 1, 2016	\$ 16,738	12,487,886	12,504,624
Income for the year	-	647,455	647,455
Remeasurement of employee benefit obligation	(1,719)	-	(1,719)
Balance, December 31, 2016	15,019	13,135,341	13,150,360
Income for the year	-	515,338	515,338
Balance, December 31, 2017	\$ 15,019	13,650,679	13,665,698

See accompanying notes to financial statements.

SUDBURY AIRPORT COMMUNITY DEVELOPMENT CORPORATION

Statement of Cash Flows

Year ended December 31, 2017, with comparative information for 2016

	2017	2016
Cash provided by (used in):		
Operating activities:		
Comprehensive income for the year	\$ 515,338	\$ 645,736
Items not involving cash:		
Depreciation of property and equipment	1,877,186	1,848,431
Amortization of deferred capital contributions	(877,784)	(877,784)
Non-cash employee future benefit obligation expense	-	1,719
	1,514,740	1,618,102
Changes in non-cash working capital:		
Trade and other receivables	(262,802)	801,969
Payable to the City of Greater Sudbury	(651,190)	(1,485,494)
Prepaid expenses	(327,565)	36,279
Inventory	(11,030)	25,832
Trade and other payables	327,443	(677,703)
Employee future benefits	35,177	3,365
	624,773	322,350
Investing activities:		
Purchase of property and equipment	(649,842)	(323,610)
	(649,842)	(323,610)
Financing activities:		
Capital contributions received	49,526	-
	49,526	-
Increase (decrease) in cash during the year	24,457	(1,260)
Cash, beginning of year	21,244	22,504
Cash, end of year	\$ 45,701	\$ 21,244

See accompanying notes to financial statements.

SUDBURY AIRPORT COMMUNITY DEVELOPMENT CORPORATION

Notes to Financial Statements

Year ended December 31, 2017

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:

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 June 12, 2018.

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 and equipment is depreciated. Unrestricted contributions are recognized as revenue when received.

SUDBURY AIRPORT COMMUNITY DEVELOPMENT CORPORATION

Notes to Financial Statements

Year ended December 31, 2017

2. Summary of significant accounting policies (continued):

(b) Property, plant and equipment:

Property, plant and equipment are recorded at cost less accumulated depreciation. Depreciation is provided over the estimated useful lives of the assets on a straight-line basis at the following rates:

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

The Corporation allocates the amount initially recognized in respect of an item of property and equipment to its significant components and depreciates separately each such component. Residual values, method of depreciation and useful lives of the assets are reviewed annually and adjusted if appropriate.

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 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.

SUDBURY AIRPORT COMMUNITY DEVELOPMENT CORPORATION

Notes to Financial Statements

Year ended December 31, 2017

2. Summary of significant accounting policies (continued):

(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 in the year in which they occur, in 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.

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.

SUDBURY AIRPORT COMMUNITY DEVELOPMENT CORPORATION

Notes to Financial Statements

Year ended December 31, 2017

2. Summary of significant accounting policies (continued):

(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 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. 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.

(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) Accounting standards issued but not yet adopted:

The Corporation is evaluating the adoption of the following new and revised standards along with any subsequent amendments.

SUDBURY AIRPORT COMMUNITY DEVELOPMENT CORPORATION

Notes to Financial Statements

Year ended December 31, 2017

2. Summary of significant accounting policies (continued):

(g) Accounting standards issued but not yet adopted (continued):

Revenue Recognition

The IASB has issued IFRS 15 Revenue from Contracts with Customers ("IFRS 15"). IFRS 15 replaces IAS 11 Construction Contracts, IAS 18 Revenue and various interpretations and establishes principles regarding the nature, amount, timing and uncertainty of revenue arising from contracts with customers. The standard requires entities to recognize revenue for the transfer of goods or services to customers measured at the amounts an entity expects to be entitled to in exchange for those goods or services. IFRS 15 is effective for annual periods beginning on or after January 1, 2018. The Corporation is assessing the impact of IFRS 15 on its results of operations, financial position and disclosures.

Financial Instruments

In July 2015, the IASB issued a new standard, IFRS 9 Financial Instruments, which will replace IAS 39 Financial Instruments: Recognition and Measurement. The replacement of IAS 39 is a multi-phase project with the objective of improving and simplifying the reporting for financial instruments. The issuance of IFRS 9 is part of the first phase of this project. IFRS 9 is effective for periods beginning on or after January 1, 2018 and must be applied retrospectively. The Corporation is assessing the impact of IFRS 9 on its results of operations, financial position, and disclosures.

Leases

On January 13, 2016, the IASB issued IFRS 16 Leases. The new standard is effective for annual periods beginning on or after January 1, 2019 and will replace the existing standard IAS 17. This standard introduces a single lessee accounting model and requires lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. The Corporation intends to adopt IFRS 16 in its financial statements for the annual period beginning on January 1, 2019. The extent of the impact of adoption of the standard has not yet been determined.

SUDBURY AIRPORT COMMUNITY DEVELOPMENT CORPORATION

Notes to Financial Statements

Year ended December 31, 2017

3. Critical accounting estimates and judgments:

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and the disclosure of contingent assets and liabilities in the financial statements. The Corporation bases its estimates and assumptions on past experience and various other assumptions that are believed to be reasonable in the circumstances. This involves varying degrees of judgment and uncertainty, which may result in a difference in actual results from these estimates. The more significant estimates and judgments are as follows:

(a) Employee benefit obligations:

The present value of the employee benefit obligations depends on a number of estimates that are determined on an actuarial basis using a number of assumptions. The primary assumption used in determining the net expense for this obligation includes the discount rate.

The Corporation determines the appropriate discount rate at the end of each year. In determining the appropriate discount rate, the Corporation considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related employee benefit obligation.

Other key assumptions for the employee benefit obligations are based in part on current market conditions and are disclosed in note 7. Any changes in these assumptions will impact the carrying amount of the employee benefit obligations.

SUDBURY AIRPORT COMMUNITY DEVELOPMENT CORPORATION

Notes to Financial Statements

Year ended December 31, 2017

4. Trade and other receivables:

	2017	2016
Trade receivables	\$ 781,301	510,487
Less: provision for impairment	(12,092)	(12,435)
Trade receivables - net	769,209	498,052
Other receivables	10,397	18,752
Trade and other receivables	\$ 779,606	516,804

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

As at December 31, 2017, trade receivables of \$54,207 (2016 - \$68,842) 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:

	2017	2016
31 days to 3 months	\$ 41,603	68,274
3 to 6 months	—	544
Over 6 months	12,604	24
	\$ 54,207	68,842

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.

Movements in the provision for impairment of trade receivables are as follows:

	2017	2016
Balance, beginning of year	\$ 12,435	17,282
Additional provision during the year	103	7,377
Amounts written-off during the year	(446)	(12,224)
Balance, end of year	\$ 12,092	12,435

SUDBURY AIRPORT COMMUNITY DEVELOPMENT CORPORATION

Notes to Financial Statements

Year ended December 31, 2017

4. Trade and other receivables (continued):

Other receivables within trade 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.

5. 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 agreement, employees 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, 2017 in the amount of \$847,380 (2016 - \$1,498,570) 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 \$200,866 (2016 - \$196,295) charged by the City for the provision of administrative services. In addition, interest in the amount of \$39,308 (2016 - \$61,476) was paid during the year.

SUDBURY AIRPORT COMMUNITY DEVELOPMENT CORPORATION

Notes to Financial Statements

Year ended December 31, 2017

6. Property, plant and equipment:

Cost:

	Buildings	Equipment	Runway	Transferred Assets	Assets under construction	Parking Lot	Land Development	Total
Balance, January 1, 2016	\$ 15,693,611	8,112,110	10,087,336	2	34,350	464,940	3,555,125	37,947,474
Transfers	-	-	-	-	-	-	-	-
Additions	21,243	78,534	-	-	223,833	-	-	323,610
Disposals	-	-	-	-	-	-	-	-
Balance, December 31, 2016	15,714,854	8,190,644	10,087,336	2	258,183	464,940	3,555,125	38,271,084
Transfers	472,208	-	-	-	(472,208)	-	-	-
Additions	35,621	97,250	-	-	516,971	-	-	649,842
Disposals	-	-	-	-	-	-	-	-
Balance, December 31, 2017	\$ 16,222,683	8,287,894	10,087,336	2	302,946	464,940	3,555,125	38,920,926

Accumulated depreciation:

	Buildings	Equipment	Runway	Transferred Assets	Assets under construction	Parking Lot	Land Development	Total
Balance, January 1, 2016	\$ 2,882,207	3,146,920	3,937,849	-	-	131,571	451,313	10,549,860
Depreciation expense	523,325	509,060	672,490	-	-	23,248	120,308	1,848,431
Balance, December 31, 2016	3,405,532	3,655,980	4,610,339	-	-	154,819	571,621	12,398,291
Depreciation expense	543,351	517,789	672,491	-	-	23,247	120,308	1,877,186
Balance, December 31, 2017	\$ 3,948,883	4,173,769	5,282,830	-	-	178,066	691,929	14,275,477

Carrying amounts:

	Buildings	Equipment	Runway	Transferred Assets	Assets under construction	Parking Lot	Land Development	Total
At December 31, 2016	\$ 12,309,322	4,534,664	5,476,997	2	258,183	310,121	2,983,504	25,872,793
At December 31, 2017	12,273,800	4,114,125	4,804,506	2	302,946	286,874	2,863,196	24,645,449

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, 2017

7. Employment benefit obligations:

	2017	2016
Other post-employment and sick leave benefits	\$ 143,161	145,583
Vacation pay	220,041	182,442
	\$ 363,202	328,025

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, 2017.

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:

	2017	2016
Other post-employment benefits:		
Balance, beginning of year	\$ 145,583	143,798
Current service cost	6,548	5,995
Interest cost	4,990	5,184
Actuarial gain – demographic	–	–
Actuarial gain – economic	–	1,719
Benefits paid	(13,960)	(11,113)
Balance, end of year	\$ 143,161	145,583
Assets:		
Fair value, beginning of year	\$ –	–
Employer contributions	13,960	11,113
Benefits paid	(13,960)	(11,113)
Fair value, end of year	\$ –	–

SUDBURY AIRPORT COMMUNITY DEVELOPMENT CORPORATION

Notes to Financial Statements

Year ended December 31, 2017

7. Employment benefit obligations (continued):

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

	2017	2016
Current service cost	\$ 6,548	5,995
Interest cost	4,990	5,184
Employee benefit expense recognized in net income	\$ 11,538	11,179
Actuarial gain (loss) recognized in OCI	\$ -	(1,719)

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

	2017	2016
Discount rate	3.60%	3.60%
Rate of compensation increase	3.10%	3.10%
Medical cost increase	4.50%	4.50%

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

The effect of changes in assumed health-care cost trend rates is as follows:

	2017	2016
Effect on aggregate of current service costs and interest for the year ended December 31		
One percentage point increase	\$ 900	1,227
One percentage point decrease	(1,500)	(1,082)
Effect on employee benefit obligation as at December 31		
One percentage point increase	\$ 12,000	10,613
One percentage point decrease	(11,000)	(9,650)

SUDBURY AIRPORT COMMUNITY DEVELOPMENT CORPORATION

Notes to Financial Statements

Year ended December 31, 2017

8. Deferred capital contributions:

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

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

	2017	2016
Balance, beginning of year	\$ 10,836,611	11,714,395
Add: contributions received in the year	49,526	—
Less: amount recognized as revenue in the year	(877,784)	(877,784)
Balance, end of year	\$ 10,008,353	10,836,611

9. 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 with 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 cleaning services. The approximate annual payment is \$112,353.

10. 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.

11. 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 2017, the Corporation made employer contributions of \$159,515 to OMERS (2016 - \$151,290).

The Corporation estimates a contribution of \$187,564 to OMERS during the next fiscal year.

SUDBURY AIRPORT COMMUNITY DEVELOPMENT CORPORATION

Notes to Financial Statements

Year ended December 31, 2017

12. 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 5).

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:

	2017	2016
Total included in salaries, wages and benefits	\$ 159,040	189,613

13. 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:

	2017	2016
Cash, trade and other receivables	\$ 825,307	538,048
Other financial liabilities	1,901,407	2,225,154

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.

SUDBURY AIRPORT COMMUNITY DEVELOPMENT CORPORATION

Notes to Financial Statements

Year ended December 31, 2017

13. Financial instruments and risk management (continued):

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 94% (2016 - 93%) of terminal fees and national landing fees and 73% (2016 - 71%) of the trade and other receivable balance as at December 31, 2017.

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.

	2017		
	Less than 1 month	1 month to 12 months	1 year to 5 years
Trade and other payables	\$ 346,920	432,012	275,095

	2016		
	Less than 1 month	1 month to 12 months	1 year to 5 years
Trade and other payables	\$ 122,540	322,874	281,170

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

SUDBURY AIRPORT COMMUNITY DEVELOPMENT CORPORATION

Notes to Financial Statements

Year ended December 31, 2017

13. Financial instruments and risk management (continued):

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, 2017, the Corporation's retained earnings and accumulated other comprehensive loss amounted to \$13,665,697 (2016 - \$13,150,360).

14. Comparative information:

Certain of the 2016 comparative information have been restated to conform with the 2017 presentation.

DRAFT