



Strengthening Connections

2023 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.

Table of Contents

Introduction	3
2023 Highlights	4
Chairman and CEO Report	5
Executive Team	7
Corporate Governance	8
Auditor's Report	10
Financial Statements	12
Capital Initiatives and Business Plan	30



Introduction

2023 has been a testament to resilience, growth, and the strengthening of connections within our community. Despite global challenges, including the shortage of aviation personnel, particularly flight crew, the Prince George Airport Authority (PGAA) remained steadfast in its commitment to safety and operational excellence.

We are pleased to report a continued increase in passenger numbers at YXS, with 417,848 passengers passing through our airport—a remarkable 14.58% increase over the previous year. With continued growth anticipated, we aim to surpass pre-COVID levels by the end of 2024.

Financially, PGAA saw success, with revenues exceeding expenses by \$3.3 million. However, we acknowledge the challenges ahead, particularly with impending capital projects. Strategic planning and robust funding initiatives will be essential to sustaining these returns.

Our efforts to engage airline partners resulted in added capacity on existing routes and the introduction of a seasonal non-stop service to Puerto Vallarta, which has been well received by the community.

Furthermore, PGAA remained committed to supporting local community initiatives and strengthening connections, exemplified by the historic Collaboration Agreement with the Lheidli T'enneh First Nation. Through initiatives like integrating Indigenous elements into airport infrastructure and active participation in community events, we continue to deepen our ties with the region.

Looking ahead to 2024, PGAA is poised for continued growth and community engagement. We extend our gratitude to our dedicated employees, esteemed Board members, and invaluable partners for their unwavering support. Together, we are committed to building a thriving airport that serves as a hub for connectivity and prosperity in Prince George.



2023 Highlights



Chairman and CEO Report

2023 marked a chapter of resilience, growth, and strengthening connections. We navigated through challenges, reached new heights, and forged meaningful relationships within our community. Despite the global shortage of aviation personnel, particularly flight crew, PGAA remained optimistic and adapted while maintaining our unwavering commitment to high safety standards and operational excellence throughout 2023.

We are delighted to report passenger numbers at YXS continue to increase from the previous year. In 2023, YXS handled 417,848 passengers – marking a 14.58% increase. We are forecasting this trend to continue, ideally achieving pre-COVID numbers like the 2017-19 average of 500,000 passengers by the end of 2024.

Amidst financial achievements, with revenue exceeding expenses by \$3.3 million, we recognize the challenges ahead. With impending capital projects on the horizon, sustaining these returns will be challenging and require strategic planning and robust funding initiatives.

Our strategy to present solid marketing pitches to airline partners resulted in added capacity on existing routes and a new destination with seasonal non-stop service to Puerto Vallarta. This non-stop service has been very well received by the community and is experiencing good load factors.

The PGAA's focus on supporting local community initiatives and strengthening connections remained steadfast throughout 2023. In a landmark moment, PGAA and the Lheidli T'enneh First Nation (LTFN) forged a historic Collaboration Agreement in February, symbolizing a shared journey towards economic and cultural reconciliation. To integrate Indigenous elements into the YXS infrastructure and business practices, the team from PGAA toured the LTFN display at Exploration Place under the tutelage of a historical expert and under the guidance of the LTFN Elders' Society we were able to produce tangible results. We are privileged to display the LTFN Elders' Society panels inside the Terminal Building. These panels outline the history and contributions of the LTFN and educate the traveling public about the rich Indigenous history of our region. New flag poles have also been installed and proudly display the LTFN flag for all airport users to see. The PGAA is grateful for the support of Tourism Prince George on these initiatives, and we are looking forward to continued collaboration on this evolving project.

Beyond business endeavors, PGAA staff actively participated in a multitude of community initiatives, exemplifying our ethos of corporate social responsibility. Whether it was delivering meals through Meals on Wheels, sponsoring an award at the Chamber of Commerce Business Excellence Awards, offering support for the True North Business Forum, raising funds for the United Way's Tree of Lights campaign, volunteering at events like the Festival of Trees, or spearheading donation drives for various charities during the Christmas season, PGAA remained deeply embedded in the heart of our community.

The PGAA held its Annual Public Meeting in May at the House of Ancestors. This event was well-attended and provided a platform for the public to ask questions and raise any concerns.

In early June, PGAA hosted the BC Aviation Council's Annual Conference which underscored our commitment to showcasing Prince George's potential on a broader stage. Highlights included a craft brewery tour, an organized walk at Cottonwood Island Park with a Conference Banquet held at Northern Estate Winery. At the Conference, PGAA was pleased to co-sponsor a \$3000 scholarship in the name of Lheidli T'enneh Chief Dolleen Logan to be awarded to a Canadian Indigenous student entering, or in, aviation and aerospace.

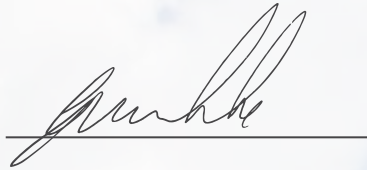
The PGAA's Volunteer Ambassador program continues to be a valuable resource for visitors looking for information and resources. In December, PGAA adopted the Hidden Disabilities Sunflower Program to help support travelers discretely share that they may need extra help, understanding, or just more time. Since its launch in 2016 over 240 airports in over 30 countries, and 17 airlines worldwide have joined the Sunflower network.

There are 12 Board of Director positions on the Prince George Airport Authority Board. At present there are 11 members. In 2023 we said goodbye to Emily Cheung and Shauna Harper and we welcomed Kimberly Pavao as a new Director. We thank them all for their time on our Board. Board members remained very active in 2023, serving on five Committees: Governance Committee, Finance and Audit Committee, Human Resources Committee, Economic Development and Marketing Committee, and Major Projects and Environmental Committee.

Looking ahead to 2024, PGAA is poised to deepen our connections, elevate community partnerships, and pursue avenues for sustainable growth. As we embark on this journey, we extend our heartfelt gratitude to our dedicated employees, esteemed Board members, and invaluable partners for their unwavering support and contributions to our success. We look forward to continuing our relationship with the Lheidli T'enneh First Nation and are committed to seek

funding opportunities that support our Capital requirements and off-set operating costs.

All projects requiring a Canadian Environmental Assessment Act review have had the review conducted. Assessment reviews are available upon request [email].



Gordon Duke
President and CEO,
Prince George Airport Authority



Derek Dougherty
Board Chair,
Prince George Airport Authority



Executive Team



Gordon Duke
President and CEO



Lindsay Andrezza
Manager of Communications and
Community Relations



Sabrina Angus
Manager of Human Resources



Chistine Blok
Manager of Marketing and Air
Service Development
(Arrived Jan 2024)



Trevor Gust
Manager of Operations



Michelle Kenny
Manager of Corporate Services



Robyn Leichner
Manager of Accounting



Kristy MacLean
Executive Assistant & Board Liaison



Geoff Stocks
Manager of Safety and Regulatory
Compliance



Chrisie Berry
Executive Assistant and Board Liaison
(On Leave)



Diane Bertram
Director of Finance and Administration
(Departed Nov 2023)



Veronica Laass
Manager of Accounting
(Departed Mar 2023)

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 6/6 Board*, 21/30 Committee



Emily Cheung

Vice Chair – Board of Directors
Chair – Major Projects & Environment Committee
Nominated by Regional District of Fraser-Fort George
Attendance 5/6 Board*, 17/30 Committee



Alain LeFebvre

Treasurer – Board of Directors
Chair – Finance and Audit Committee
Nominated by City of Prince George
Attendance 6/6 Board, 11/12 Committee



Todd Corrigan

Secretary – Board of Directors
Nominated by Prince George Chamber of Commerce
Attendance 6/6 Board, 2/12 Committee



Shauna Harper

Director
Nominated by City of Prince George
Attendance 5/6 Board, 10/11 Committee



Terry Kuzma

Director
Nominated by Prince George Airport Authority
Attendance 5/6 Board, 4/11 Committee



Kimberly Pavao

Director
Nominated by Prince George Airport Authority
Attendance 2/6 Board, 1/1 Committee



Frank Robertson

Director
Nominated by Prince George Airport Authority
Attendance 4/6 Board, 7/7 Committee



Sandra Rossi

Chair – Human Resources Committee
Nominated by Prince George Airport Authority
Attendance 5/6 Board, 7/7 Committee



Katherine Scouten

Chair – Economic Development & Marketing Committee
Nominated by Provincial Government
Attendance 5/6 Board, 6/6 Committee



Regina Toth

Director
Nominated by Federal Government
Attendance 4/6 Board

*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 2023, consisting entirely of independent directors. The following committees meet regularly throughout the year:

- Finance and Audit Committee
- Governance and Nominating 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 2023.

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 2023, the adjusted value was \$138,204 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 2023 the officers of the corporation and directors received the following annual retainers:

Chair	\$ 13,000
Vice Chair and Chair Major Projects & Environment Committee	\$ 6,500
Secretary and Chair Governance Committee	\$ 7,500
Treasurer and Chair Finance & Audit Committee	\$ 6,500
Chair Human Resources Committee	\$ 7,500
Chair Economic Development & Marketing Committee	\$ 5,500
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 and excluded staff for the 2023 year was \$1,154,336.



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

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, 2023, 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, 2023, 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.

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

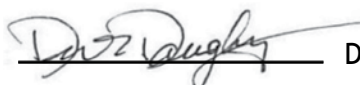
Chartered Professional Accountants


Prince George, British Columbia
June 17, 2024

Statement of Financial Position

December 31	2023	2022
Assets		
Current		
Cash	\$ 6,196,980	\$ 4,745,691
Term deposits	21,025	18,478
Accounts receivable	1,612,207	1,836,714
Inventories	57,944	29,270
Prepaid expenses	598,748	540,412
Derivative financial instrument (Note 8)	242,479	333,121
	<u>8,729,383</u>	<u>7,503,686</u>
Capital assets (Note 3)	65,301,630	62,753,612
Defined benefit asset (Note 4)	1,182,000	1,135,000
	<u>\$75,213,013</u>	<u>\$ 71,392,298</u>
Liabilities and Net Assets		
Current		
Bank demand loans (Note 5)	\$ 3,664,356	\$ 3,884,356
Accounts payable and accrued liabilities (Note 6)	2,486,395	1,682,888
Deferred revenue	9,227	17,076
Current portion of long-term debt (Note 7)	1,261,209	1,261,209
Current portion of deferred contributions related to capital assets (Note 9)	1,755,647	1,615,245
	<u>9,176,834</u>	<u>8,460,774</u>
Long-term debt (Note 7)	2,704,693	3,965,902
Deferred contributions related to capital assets (Note 9)	16,477,968	15,451,287
	<u>28,359,495</u>	<u>27,877,963</u>
Net Assets		
Invested in capital assets (Note 11)	39,463,545	36,601,400
Unrestricted	7,389,973	6,912,935
	<u>46,853,518</u>	<u>43,514,335</u>
	<u>\$75,213,013</u>	<u>\$ 71,392,298</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)	2023 Total	2022 Total
Balance, beginning of the year	\$ 36,601,400	\$ -	\$ 6,912,935	\$43,514,335	\$ 42,466,229
Excess (deficiency) of revenues over expenses	(5,750,709)	4,593,207	4,496,685	3,339,183	1,048,106
Capital asset additions	7,131,645	(3,331,998)	(3,799,647)	-	-
Repayment of cargo warehouse loan	220,000	-	(220,000)	-	-
Repayment of NDIT loan	1,261,209	(1,261,209)	-	-	-
Balance, end of the year	\$ 39,463,545	\$ -	\$ 7,389,973	\$46,853,518	\$ 43,514,335

Statement of Operations

For the year ended December 31	2023	2022
Revenue		
Landing fee	\$ 3,175,810	\$ 2,558,052
Other income	2,453,681	1,568,599
Parking	2,525,769	1,910,588
General terminal	1,431,685	1,327,328
Rental income	527,529	450,238
Concessions	845,266	536,934
	<u>10,959,740</u>	<u>8,351,739</u>
Expenses		
Administration	1,207,397	886,299
Insurance	336,368	288,437
Operations	3,328,299	2,955,074
Property taxes	152,418	160,505
Salaries and benefits	3,579,535	3,342,212
Utilities	542,278	517,287
	<u>9,146,295</u>	<u>8,149,814</u>
Operating surplus	<u>1,813,445</u>	<u>201,925</u>
Other items		
Government assistance (Note 12)	-	694,987
Airport improvement fee (net) (Note 13)	4,924,866	3,976,191
Amortization of deferred contributions related to capital assets (Note 9)	1,668,592	1,599,954
Remeasurement of pension benefit assets (Note 4)	30,000	(920,000)
Unrealized gain(loss) on derivative financial instrument (Note 8)	(90,642)	344,385
Gain on foreign exchange	33,135	-
Gain on disposal of capital assets	5,714	-
Interest on long-term debt	(462,302)	(396,771)
Amortization of capital assets	(4,583,625)	(4,452,565)
	<u>1,525,738</u>	<u>846,181</u>
Excess of revenues over expenses	<u>\$ 3,339,183</u>	<u>\$ 1,048,106</u>

Statement of Cash Flows

For the year ended December 31	2023	2022
Cash flows from operating activities		
Cash receipts from customers and government funders	\$17,712,349	\$ 15,110,410
Cash paid to employees and suppliers	(10,487,050)	(10,191,033)
	<u>7,225,299</u>	<u>4,919,377</u>
Cash flows from investing activities		
Purchase of term deposits	(2,547)	(2,308)
Cash contributions received for capital assets	2,835,676	1,198,656
Purchase of capital assets	(7,131,645)	(1,954,032)
Proceeds on disposal of capital assets	5,714	-
	<u>(4,292,802)</u>	<u>(757,684)</u>
Cash flows from financing activities		
Repayment of long-term debt	(1,261,208)	(1,261,209)
Repayment of demand loan	(220,000)	(1,967,982)
	<u>(1,481,208)</u>	<u>(3,229,191)</u>
Net increase in cash	1,451,289	932,502
Cash, beginning of the year	4,745,691	3,813,189
Cash, end of the year	\$ 6,196,980	\$ 4,745,691

Notes to the Financial Statements

December 31, 2023

1. Significant Accounting Policies

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:

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, 2023

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, 2023

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, 2023

1. Significant Accounting Policies (continued)

Derivative financial instruments	Derivative financial instruments are financial contracts whose value changes in response to a change in an underlying variable, such as specified interest rate, financial instrument or commodity price, or foreign exchange rate. The Authority enters into derivative contracts to manage its exposure to interest rate risks associated with its loans. Derivative financial instruments may be designated as hedges, provided that certain criteria are met. As at December 31, 2023, the Authority has no derivative financial instruments which have been designated as hedges.
Deferred contributions related to capital assets	Contributions towards capital expenditures are accounted for under the deferral method whereby the contributions are deferred and brought into income on a basis consistent with the amortization of the related capital assets.
Income taxes	The Authority is exempt from federal and provincial income taxes as well as capital tax.
Measurement uncertainty (use of estimates)	<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>

Notes to the Financial Statements

December 31, 2023

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

	2023		2022	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land	\$15,669,335	\$ -	\$ 15,669,335	\$ -
Leasehold improvements				
Building	29,748,194	15,224,359	28,159,249	14,053,389
Fuel farms	2,934,304	1,153,584	2,934,304	1,043,200
Other	3,377,390	1,465,620	3,008,874	1,214,316
Runway	40,968,009	22,335,068	40,968,009	20,259,832
Parking facilities and roadway	9,159,387	5,552,905	8,954,003	5,028,669
Automotive	208,281	167,940	241,120	185,543
Computer hardware and software	773,201	612,154	736,690	541,197
Machinery and other equipment	9,437,379	5,006,951	8,043,691	4,759,221
Construction in progress/equipment not in use	4,544,731	-	1,123,704	-
	116,820,211	51,518,581	109,838,979	47,085,367
		\$65,301,630		\$ 62,753,612

During the year, there was \$150,712 in assets that were fully amortized that were disposed of.

Notes to the Financial Statements

December 31, 2023

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 26 (2022 - 31) participating employees. The defined benefit component of the pension plan has 1 (2022 - 1) participating employee(s). The Authority pension contributions for the defined contribution component was \$140,444 in 2023 (2022 - \$132,759) and the defined benefit component was \$nil in 2023 (2022 - \$13,900). 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, 2023 is as follows:

	<u>2023</u>	<u>2022</u>
Market value of plan assets	\$ 4,358,000	\$ 4,106,000
Accrued defined benefit obligation	<u>(3,176,000)</u>	<u>(2,971,000)</u>
Defined benefit asset	<u>\$ 1,182,000</u>	<u>\$ 1,135,000</u>

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

	<u>2023</u>	<u>2022</u>
Interest less net return on plan assets	\$ (256,000)	\$ 777,000
Actuarial (gains)/losses	223,000	138,000
(Gains)/losses on non-investment expense	<u>3,000</u>	<u>5,000</u>
Total remeasurement	<u>\$ (30,000)</u>	<u>\$ 920,000</u>

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

	<u>2023</u>	<u>2022</u>
Discount rate	4.50%	4.50%
Rate of compensation increase	3.50%	2.50%
Rate of inflation	3.00%	2.00%

Notes to the Financial Statements

December 31, 2023

4. Pension Plan (continued)

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

Employer contribution	-	(13,900)
Employees' contribution	3,000	2,000
Benefits paid	(166,000)	(156,000)

Plan Assets consists of:

Equities securities	0.00%	58.50%
Debt securities	100.00%	29.10%
Other	0.00%	12.50%

Notes to the Financial Statements

December 31, 2023

5. Bank demand loans

	<u>2023</u>	<u>2022</u>
CIBC Demand loan - repayable in monthly installments of \$18,333 plus interest at the Authority's option of prime rate per annum (December 31, 2023 -7.24%; December 31, 2022 - 6.45%) or a Banker's Acceptance at the daily CDOR rate plus a 1.5% stamping fee. Secured as described below and maturing in 2041.	<u>\$ 3,664,356</u>	<u>\$ 3,884,356</u>

In 2023, the Authority had a \$1,000,000 operating line of credit bearing interest at the prime rate, and the demand 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, 2023.

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

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

2024	\$ 219,996
2025	219,996
2026	219,996
2027	219,996
Thereafter	<u>2,784,372</u>
	<u>\$ 3,664,356</u>

6. Accounts payable and accrued liabilities

	<u>2023</u>	<u>2022</u>
Trade payables	\$ 1,954,286	\$ 1,069,673
Payroll accruals	578,670	610,533
Government remittances (recoverable) payable	<u>(46,560)</u>	<u>2,682</u>
	<u>\$ 2,486,396</u>	<u>\$ 1,682,888</u>

Notes to the Financial Statements

December 31, 2023

7. Long-term debt

	<u>2023</u>	<u>2022</u>
Northern Development Initiative Trust, unsecured, bearing interest at prime rate (December 31, 2023 - 7.24%; December 31, 2022 - 6.45%), monthly payments of \$105,101 plus interest, and maturing February 2027.	\$ 3,965,902	\$ 5,227,111
Less: Current portion	<u>1,261,209</u>	<u>1,261,209</u>
	<u>\$ 2,704,693</u>	<u>\$ 3,965,902</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:

2024	\$ 1,261,209
2025	1,261,209
2026	1,261,209
2027	<u>182,275</u>
	<u>\$ 3,965,902</u>

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, 2023, the fair market value of this derivative contract was \$242,479; 2022 - \$333,121. This value has been recognized as an asset in the financial statements.

Notes to the Financial Statements

December 31, 2023

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>2023</u>	<u>2022</u>
Balance, beginning of year	\$17,066,532	\$ 17,467,830
British Columbia Air Access	-	898,656
ARFF Shelter	1,039,039	300,000
BCAP Reline Storm Sewer	122,560	-
ARFF Vehicle	1,360,156	-
FN Projects - Tourism BC	13,920	-
NDIT Equipment Storage Expansion	300,000	-
Less: Amounts recognized as revenue during the year	<u>(1,668,592)</u>	<u>(1,599,954)</u>
Balance, end of year	18,233,615	17,066,532
Less current portion	<u>(1,755,647)</u>	<u>(1,615,245)</u>
	<u>\$16,477,968</u>	<u>\$ 15,451,287</u>

Notes to the Financial Statements

December 31, 2023

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 2023 was \$nil (2022 - \$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:

2024	\$	120,000
2025		120,000
2026		<u>107,500</u>
	\$	<u>347,500</u>

11. Invested in capital assets

	<u>2023</u>	<u>2022</u>
Opening balance	\$36,601,400	\$ 35,469,444
Capital asset additions, including construction in progress	7,131,645	1,954,032
Payment of long term debt	<u>1,481,209</u>	<u>3,229,191</u>
	<u>45,214,254</u>	<u>40,652,667</u>
Amortization	(4,583,625)	(4,452,565)
Amortization of deferred contributions related to capital assets	1,668,592	1,599,954
Deferred contributions received	<u>(2,835,676)</u>	<u>(1,198,656)</u>
	<u>(5,750,709)</u>	<u>(4,051,267)</u>
	<u>\$39,463,545</u>	<u>\$ 36,601,400</u>

Notes to the Financial Statements

December 31, 2023

12. Government assistance

During the year, the Authority recognized \$nil (2022 - \$57,762) in Canada Emergency Wage Subsidy ("CEWS") and Canada Recovering Hiring Program ("CRHP") as other income.

The Authority has recognized \$nil in COVID-19 relief funding from the Province of British Columbia (2022 - \$637,225).

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 \$4,593,207 reflect total AIF revenue \$4,924,866 net of interest on long-term debt \$331,659.

Notes to the Financial Statements

December 31, 2023

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, 2023, 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, 2023, four customers (2022 - three) accounted for 76% (2022 - 57%) 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.

Notes to the Financial Statements

December 31, 2023

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.

Capital Initiatives and Business Plan

During 2023 the Prince George Airport invested in capital projects totalling \$7.13 million. Significant projects completed or underway in 2023 included:

	Thousands \$
Purchase of 4x4 Sweeper	1,322.5
Purchase of Fire Truck	1,303.0
Emergency response vehicle shelter – project commenced in 2022; completion 2023	1,116.7
CSB Equipment Storage Building – project commenced in 2023; completion 2024	2,271.4
Service Animal Relief Area	117.4
Terminal Building HVAC system	158.9
SUV Replacement	73.0
Reline Storm drain	153.8
Irrigation System	29.1
Loader Wing Blade Attachments	134.2
Fire training centre upgrades	15.5
Security / IT	41.1

2023 Actual vs. Business Plan

Shown in thousands of dollars.

	Actual	Plan	Difference	Explanation
Revenues <small>(net of gov't funding)</small>	\$15,884.6	\$13,926.7	\$1,957.9	Aeronautical, parking and interest revenues higher than planned.
Expenses	\$9,146.3	\$9,176.8	\$ (30.5)	Salaries & benefits, and fuel operations costs less than planned.
Capital	\$3,904.3	\$6,961.0	\$ (3,506.7)	Timing due to projects started, but not complete at year end.
Capital prior Year Carryover	\$3,690.2	\$3,403.5	\$ 286.7	Extra spend due to funding received for ARFF shelter project.

Business Plan Cash Flow Forecast 2024

Shown in thousands of dollars.

	2024
Revenues	\$16,927.1
Expenses	\$10,056.5
Capital	\$6,166.0

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



4141 Airport Road
Prince George, British Columbia
Canada

