Financial Statements Year ended March 31, 2015

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INDEPENDENT AUDITORS' REPORT

To the Members of Comox Valley Airport Commission

We have audited the accompanying financial statements of Comox Valley Airport Commission, which comprise the statement of financial position as at March 31, 2015 and the statements of financial performance, changes in net assets and cash flows for the year then ended, and 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 Canadian generally accepted 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.

Auditor's 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 disclosures in the financial statements. The procedures selected depend on the auditor's 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, the auditors 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 Comox Valley Airport Commission as at March 31, 2015 and of its financial performance and its cash flows for the year then ended in accordance with Canadian generally accepted accounting standards for not-for-profit organizations.

Chartered Accountants

Courtenay, B.C. June 17, 2015

STATEMENT OF FINANCIAL POSITION

MARCH 31, 2015

	AS	SETS				
		Operating Fund	(Capital Asset Fund	2015 Total	2014 Total
CURRENT ASSETS Cash Accounts receivable Prepaid expenses	\$	246,270 318,051 22,363	\$	3,145,089 67,164 10,000	\$ 3,391,359 385,215 32,363	\$ 2,065,603 316,223 37,682
		586,684		3,222,253	3,808,937	2,419,508
PROPERTY AND EQUIPMENT (Note 3)		=		12,542,122	12,542,122	 13,399,406
	\$	586,684	\$	15.764.375	\$ 16.351.059	\$ 15,818,914

LIABILITIES AND FUND BALANCES

	Operating Fund	Capital Asset Fund	2015 Total	2014 Total
CURRENT LIABILITIES				
Accounts payable and accrued liabilities \$	129,520	\$ -	\$ 129,520	\$ 133,749
Government remittances payable	52,320	= 1	52,320	55,558
Wages payable	54,406	-	54,406	42,447
Deferred revenue	20,418	_	20,418	3,583
Refundable tenant deposit	30,530	-	30,530	30,000
Demand loan payable (Note 4)	_	417,115	417,115	723,752
	287,194	417,115	704,309	989,089
FUND BALANCES				
Invested in property and equipment	=	15,347,260	15,347,260	13,780,464
Unrestricted	299,490	-	299,490	1,049,361
	299,490	15,347,260	15,646,750	14,829,825
	586,684	\$ 15,764,375	\$ 16,351,059	\$_15,818,914

COMMITMENTS (Note 5)

pproved by the Directors

_ Director

Director

Presley & Partners CHARTERED ACCOUNTANTS

STATEMENT OF CHANGES IN NET ASSETS YEAR ENDED MARCH 31, 2015

	•	perating Fund	Capital Asset Fund	2015 Total	2014 Total
NET ASSETS AT BEGINNING OF YEAR	\$ 1	,049,361	\$ 13,780,464	\$ 14,829,825	\$ 14,173,560
NET SURPLUS (EXPENDITURE) FOR THE YEAR		990,726	(173,801)	816,925	656,265
INTERFUND TRANSFERS	(1	,740,597)	1,740,597		
NET ASSETS AT END OF YEAR	\$	299,490	\$ 15,347,260	\$ 15,646,750	\$ 14,829,825

STATEMENT OF FINANCIAL PERFORMANCE YEAR ENDED MARCH 31, 2015

REVENUE		rating ınd		ital Asset Fund		2015 Total		2014 Total
Advertising	\$ 3	34,395	\$	_	\$	34,395	\$	41,405
Airport improvement fees (Note 6)	Ψ	-	0.00	791,809	Ψ	791,809	Ψ	766,175
Concessions - car	40	2,924		-		402,924		353,659
Concessions - car Concessions - other		32,115		22		82,115		82,446
Concessions - other Concessions - parking		34,534		_		734,534		714,608
Fuel commissions		18,070				148,070		142,922
Miscellaneous		2,197		21,260		33,457		33,626
Office rentals		35,254		-		185,254		184,414
Terminal fees		02,073		1 5 1		1,602,073		1,568,025
Terminal fees	1,00	02,073			_	1,002,073		1,300,023
	3,20	1,562		813,069		4,014,631		3,887,280
EXPENSES								
Airport improvement fee expense		194		57,225		57,225		55,702
Amortization		-		914,209		914,209		929,841
Bad debts		60		-		60		605
Bank charges and interest on callable debt		3,279		15,436		18,715		56,466
Board expenses	4	12,173		-		42,173		23,089
Customs (recovery) (Note 7)		15,200)		32 4		(45,200)		54,831
Fuel facility expenses		18,880		_		18,880		14,234
Insurance		51,862		5. -		51,862		46,662
Marketing, public relations and	5	71,002				01,002		.0,002
business development	21	13,817		<u> </u>		213,817		182,786
Office and miscellaneous		16,843		_		116,843		92,720
Parking administration		74,222				74,222		76,587
Professional fees		32,800		_		82,800		89,955
Property taxes		90,018		_		90,018		87,994
Rent		39,277		<u> </u>		39,277		39,277
Repairs and maintenance		58,651		_		158,651		193,059
Utilities		23,567		_		123,567		125,436
Volunteer expense		10,653		=		10,653		8,733
		29,934		<u>-</u>		1,229,934		1,153,038
Wages and benefits	1,22	29,934				1,229,934	-	1,133,036
	2,2	10,836		986,870		3,197,706		3,231,015
NET SURPLUS (EXPENDITURE) FOR THE YEAR	\$ 99	90,726	\$ (173,801)	\$	816,925	\$	656,265

STATEMENT OF CASH FLOWS YEAR ENDED MARCH 31, 2015

	Operating Fund	Capital Asset Fund	2015 Total	2014 Total
CASH FLOWS FROM				
OPERATING ACTIVITIES				
Cash receipts	\$ 3,157,021	\$ 805,452	\$ 3,962,473	\$ 3,921,443
Cash paid to suppliers	(982,519)	(57,288)	(1,039,807)	(1,130,614)
Cash paid to and on behalf of employees	(1,217,975)	=	(1,217,975)	(1,155,285)
Interest paid	-	(15,371)	(15,371)	(62,784)
	956,527	732,793	1,689,320	1,572,760
INVESTING ACTIVITY Purchase of property and equipment	-	(56,927)	(56,927)	(28,041)
FINANCING ACTIVITIES Interfund transfers Repayment of callable debt	(1,740,597)	1,740,597 (306,637)	(306,637)	(3,180,040)
repayment of canable debt	(1,740,597)	1,433,960	(306,637)	(3,180,040)
INCREASE (DECREASE) IN CASH	(784,070)	2,109,826	1,325,756	(1,635,321)
CASH AT BEGINNING OF YEAR	1,030,340	1,035,263	2,065,603	3,700,924
CASH AT END OF YEAR	\$ 246,270	\$ 3,145,089	\$ 3,391,359	\$ 2,065,603

NOTES TO FINANCIAL STATEMENTS YEAR ENDED MARCH 31, 2015

1. INCORPORATION AND OPERATIONS

The Comox Valley Airport Commission ("the Commission") was granted letters patent under the Canada Corporations Act on February 12, 1996. The Commission has operated the civilian air terminal located on leased land from the Crown on CFB Comox grounds since June 1, 1996. Further, it owns and is developing an adjacent parcel of land on Knight Road to meet further air service demands.

All earnings of the Commission are retained and reinvested in civilian airport operations and development.

The Commission is exempt from federal and provincial income taxes.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements were prepared in accordance with Canadian generally accepted accounting standards for not-for-profit organizations and include the following significant accounting policies:

a) Fund Accounting

The Commission follows the restricted fund method of accounting for contributions.

The Operating Fund accounts for the Commission's operating activities.

The Capital Fund reports the assets, liabilities, revenues and expenses related to the Commission's property and equipment purchases, expansion projects and debt repayment.

b) Use of Estimates

The preparation of the financial statements in conformity with Canadian generally accepted accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the current period. These estimates are reviewed periodically and adjustments are made to income as appropriate in the year they become known.

c) Property and Equipment

Property and equipment are initially recorded at cost. Amortization is provided using the straight-line method at rates intended to amortize the cost of assets over their estimated useful lives. In the year of acquisition, amortization is taken at one-half of the rates indicated in Note 3.

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NOTES TO FINANCIAL STATEMENTS YEAR ENDED MARCH 31, 2015

2. SIGNIFICANT ACCOUNTING POLICIES, continued

d) Financial Instruments

Measurement

The Commission initially measures its financial assets and liabilities at fair value, except for certain non-arm's length transactions.

The Commission subsequently measures all its financial assets and financial liabilities at amortized cost unless otherwise disclosed.

Impairment

Financial assets measured at cost are tested for impairment when there are indicators of impairment. The amount of the write-down is recognized in net income. The previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in net income.

e) Revenue Recognition

Restricted contributions are recognized as revenue of the Capital Fund in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Unrestricted contributions are recognized as revenue of the Operating Fund in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Revenues are receivable when services are performed, the facilities are utilized or the amounts are earned pursuant to the related agreements.

Terminal fees are recognized as each passenger enplanes and deplanes.

Airport improvement fee revenue is recognized as each passenger enplanes.

Car concession revenue is recognized monthly based on a percentage of gross monthly revenue from car rental agencies.

Parking concession revenue is recognized as the lot is used.

Office and property rental revenue is recognized monthly per rental agreements.

Other concession revenue is recognized monthly based on a percentage of gross revenue from other concessions.

Advertising revenue is recognized monthly as it is earned.

Fuel commissions revenue is recognized daily based on a percentage of volume used at the fuel facility.

NOTES TO FINANCIAL STATEMENTS YEAR ENDED MARCH 31, 2015

3. PROPERTY AND EQUIPMENT

		2015						2014	
	Straight-line	?		A	ccumulated				
	Basis		Cost	Amortization		Amortization Ne			Net
Land	_	\$	651,489	\$	-	\$	651,489	\$	648,721
Airside	life of lease	70	8,818,168		3,764,923		5,053,245		5,429,640
Building	life of lease		296,696		85,862		210,834		219,088
Equipment	10 years		385,278		288,879		96,399		105,055
Air terminal building	life of lease		7,755,430		3,473,123		4,282,307		4,604,544
Furniture and fixtures	10 years		303,086		253,940		49,146		57,414
Conveyance equipment	20 years		1,190,327		584,955		605,372		664,889
Fuel facility	life of lease		143,732		38,092		105,640		99,883
Groundside	life of lease		1,945,953		836,231		1,109,722		1,192,790
Computer equipment	3 years		89,604		82,314		7,290		6,704
Expansion Development Costs									
International terminal			209,522		-		209,522		209,522
Operations building			161,156		-		161,156		161,156
		\$	21,950,441	\$	9,408,319	\$	12,542,122	\$	13,399,406

Airside, air terminal building, fuel facility and groundside assets are amortized over the life remaining on the land lease with the Department of National Defence. As at March 31, 2015, 13 years remain on this lease.

Expansion development costs include plans and designs for future development. No amortization will be recorded until the development is complete.

4. DEMAND LOAN PAYABLE

DEMINID BOM TAXABBE	2015	2014
Demand loan payable to a financial institution, repayable at \$4,220 per month including principal and interest at a variable business prime rate currently at 2.85%, secured by a general security agreement on all property of the Commission, a mortgage of lease in the amount of \$7,000,000 between the Minister of National Defence and the Commission and a certificate of all-risk insurance covering the airport terminal building, matures October 31, 2015	\$ 417,115	\$ 723,752

NOTES TO FINANCIAL STATEMENTS YEAR ENDED MARCH 31, 2015

5. COMMITMENTS

a) Effective June 30, 2003 the Commission entered into a 25 year lease with the Department of National Defence for the land where the airport is situated.

The Commission is committed under a lease agreement for land with total future lease payments of \$520,426, assuming there is no change in the payment amount over the term of the lease.

Lease payments in each of the next five years are estimated as follows:

2016	\$ 39,277
2017	39,277
2018	39,277
2019	39,277
2020	39,277

b) The Commission has entered into a contract to purchase a parcel of land adjacent to their current location for \$2,200,000. This parcel is currently part of a larger parcel which is to be subdivided. The completion date is 30 days following the registration of the Subdivision Plan with the Victoria Land Title Office. A \$10,000 non-refundable deposit has already been paid and \$490,000 is due to be paid upon the completion date. The balance of the purchase price is to be paid, without interest, in 60 monthly instalments of \$28,333.

6. AIRPORT IMPROVEMENT FEES

The Commission collects an airport improvement fee (AIF) of \$5 per outgoing passenger to fund the cost of major capital expenditures. These fees are collected by the air carriers under an agreement between the Commission, the Air Transport Association of Canada (ATAC) and the air carriers serving the airport, entitling the air carriers to withhold a 7% administration fee. By agreement with ATAC, AIF revenues are restricted to pay for the capital and related financing costs of major airport infrastructure development.

To March 31, 2015, the cumulative capital related expenditures exceed the cumulative AIF revenues and capital grant funding as follows:

	2015	2014
Capital Grant Funding:		
Comox Valley Regional District	\$ 4,000,000	\$ 4,000,000
Province of B.C.	2,000,000	2,000,000
Transport Canada	1,900,000	1,900,000
Canadian Airport Authority	535,562	535,562
AIF revenue collected	8,441,304	7,649,495
AIF interest earned	122,928	 101,668
	16,999,794	16,186,725
AIF administration fees	(611,120)	(553,895)
AIF capital expenditures	(20,864,077)	(20,841,640)
Financing costs	 (2,192,666)	 (2,177,295)
	(23,667,863)	(23,572,830)
capital expenditures funded by debt and operating fund transfers	\$ (6,668,069)	\$ (7,386,105)

Net

NOTES TO FINANCIAL STATEMENTS YEAR ENDED MARCH 31, 2015

7. CUSTOMS (RECOVERY)

During the current year, payment was waived for customs charges occurring between November 1, 2013 and March 31, 2014. As a result, the current year reflects a recovery of expenses accrued in the previous year.

8. MANAGEMENT AND DIRECTOR COMPENSATION

Included in wages and salaries expense for the current year are gross wages paid to the Chief Executive Officer, Operations Manager, Deputy Operations Manager, Facilities Manager, Marketing Manager, and Administration Manager totalling \$451,681 (2014 - \$423,839).

Included in board expense for the current year are fees paid to the Board of the Commission for their services as directors totalling \$37,180 (2014 - \$1,000)

9. FINANCIAL INSTRUMENTS

The Commission is exposed to various risks through its financial instruments. It is management's opinion that the Commission is not exposed to significant concentrations at the financial statement date except as otherwise disclosed.

Liquidity risk

Liquidity risk is the risk that the Commission will encounter difficulty in meeting obligations associated with financial liabilities. The Commission is exposed to this risk mainly in respect of its accounts payable, demand loan payable and the leases.

Credit risk

Credit risk is the risk that the Commission will incur losses based on credit that it has granted to other parties. The total amount of this exposure is the balance in accounts receivable of \$385,215 (2014 - \$316,223). One customer accounts for 47% of this balance (2014 - one customer accounted for 48%), but management feels that the risk of collection of these amounts is minimal due to the past payment history of this customer.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. The Commission is mainly exposed to interest rate risk.

10. ENVIRONMENTAL MATTERS

The Commission is subject to various laws, regulations and government policies relating to health and safety, to the generation, storage, transportation, disposal and environment emissions of various substances, and to the protection of the environment in general. A risk of environmental liability is inherent in the operations; real estate ownership, operation or control; and other commercial activities of the Commission with respect to both current and past operations. Although the effect on operating results and liquidity cannot be reasonably estimated, management believes, based on current information, that environmental matters will not have a material adverse effect on the Commission's financial condition or competitive position.