

**SAINT JOHN AIRPORT INC.**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2022**

# SAINT JOHN AIRPORT INC.

DECEMBER 31, 2022

## CONTENTS

	<b>Page</b>
<b>INDEPENDENT AUDITORS' REPORT</b>	1 - 2
<b>FINANCIAL STATEMENTS</b>	
Statement of Financial Position	3
Statement of Changes in Net Assets	4
Statement of Operations	5
Statement of Cash Flows	6
Notes to Financial Statements	7 - 17

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Saint John Airport Inc.

### *Opinion*

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

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2022, and the results of its 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Corporation 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 those requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### *Responsibilities of Management and Those Charged with Governance for the Financial Statements*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with 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 Corporation's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Corporation or to cease operations, or has no realistic alternative but to do so.

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

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*Auditors' Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of 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 Corporation'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 Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Corporation 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.

Saint John, New Brunswick  
February 28, 2023




CHARTERED PROFESSIONAL ACCOUNTANTS

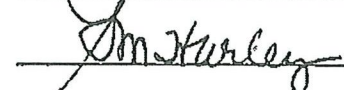
**SAINT JOHN AIRPORT INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT DECEMBER 31, 2022**

	<u>2022</u>	<u>2021</u>
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash and cash equivalents	\$ 4,121,884	\$ 4,850,277
Accounts receivable (Note 6)	624,251	360,806
Government funding receivable	722,011	1,593,162
Harmonized sales tax recoverable	215,878	28,587
Parts inventory (Note 6)	123,868	103,851
Prepaid expenses	<u>216,707</u>	<u>96,533</u>
	6,024,599	7,033,216
<b>ACCRUED DEFINED BENEFIT PENSION ASSET (Note 8)</b>	1,144,000	1,356,000
<b>INTERNALLY RESTRICTED INVESTMENTS FOR CAPITAL ASSET REPLACEMENT (Note 2)</b>	1,601,887	1,562,147
<b>CAPITAL ASSETS (Notes 4, 6)</b>	<u>24,839,926</u>	<u>24,426,364</u>
	<u>\$ 33,610,412</u>	<u>\$ 34,377,727</u>
<b>LIABILITIES</b>		
<b>CURRENT</b>		
Accounts payable and accrued liabilities	\$ 1,706,036	\$ 940,088
Deferred revenue	29,437	26,041
Current portion of long term debt (Note 6)	<u>461,074</u>	<u>449,074</u>
	2,196,547	1,415,203
<b>PROVISION FOR RETIREMENT ALLOWANCE (Note 8)</b>	<u>67,516</u>	<u>59,016</u>
<b>DEFERRED CONTRIBUTIONS FOR AIRPORT CAPITAL IMPROVEMENTS (Note 5)</b>	<u>12,089,246</u>	<u>11,579,110</u>
<b>LONG TERM DEBT (Note 6)</b>	<u>8,385,789</u>	<u>8,841,106</u>
<b>NET ASSETS</b>		
<b>UNRESTRICTED</b>	9,269,427	10,921,145
<b>INTERNALLY RESTRICTED - REPLACEMENT RESERVE FUND (Note 2)</b>	<u>1,601,887</u>	<u>1,562,147</u>
	<u>10,871,314</u>	<u>12,483,292</u>
	<u>\$ 33,610,412</u>	<u>\$ 34,377,727</u>

**COMMITMENTS AND CONTINGENCIES (Note 9)**

**APPROVED ON BEHALF OF THE BOARD:**

  
 \_\_\_\_\_ Director

  
 \_\_\_\_\_ Director

**SAINT JOHN AIRPORT INC.**

**STATEMENT OF CHANGES IN NET ASSETS**

**FOR THE YEAR ENDED DECEMBER 31, 2022**

	<u>Unrestricted</u>	<u>Replacement Reserve Fund</u>	<u>Total 2022</u>	<u>Total 2021</u>
<b>BALANCE AT BEGINNING OF YEAR</b>	\$ 10,921,145	\$ 1,562,147	\$ 12,483,292	\$ 10,979,439
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURE</b>	(1,387,718)	39,740	(1,347,978)	1,558,853
<b>EMPLOYEE FUTURE BENEFITS OTHER REMEASUREMENT ITEMS (Note 8)</b>	<u>(264,000)</u>	<u>-</u>	<u>(264,000)</u>	<u>(55,000)</u>
<b>BALANCE AT END OF YEAR</b>	<u>\$ 9,269,427</u>	<u>\$ 1,601,887</u>	<u>\$ 10,871,314</u>	<u>\$ 12,483,292</u>

# SAINT JOHN AIRPORT INC.

## STATEMENT OF OPERATIONS

FOR THE YEAR ENDED DECEMBER 31, 2022

	<u>2022</u>	<u>2021</u>	<u>2019</u> <i>(Note 13)</i>
<b>REVENUE</b> <i>(Note 12)</i>			
Aircraft landing and terminal fees	\$ 979,932	\$ 488,841	\$ 1,666,832
Land and office rentals	314,184	297,291	319,069
Vehicle parking	539,889	107,894	955,516
Concessions	381,914	119,177	651,023
Interest income	107,053	20,486	21,801
Airport services	61,190	23,298	78,799
Other	<u>5,500</u>	<u>8,000</u>	<u>4,300</u>
	2,389,662	1,064,987	3,697,340
Passenger facility fee <i>(Note 10)</i>	<u>2,117,092</u>	<u>758,809</u>	<u>3,279,944</u>
	<u>4,506,754</u>	<u>1,823,796</u>	<u>6,977,284</u>
<b>EXPENDITURE</b>			
Wages and benefits	2,273,792	1,770,527	2,632,872
General and administrative <i>(Note 9)</i>	704,746	613,136	863,704
Building and grounds	994,276	633,991	959,021
Marketing	93,442	151,991	763,602
Emergency response services	580,498	294,792	471,055
Consulting	<u>72,316</u>	<u>41,877</u>	<u>63,653</u>
	<u>4,719,070</u>	<u>3,506,314</u>	<u>5,753,907</u>
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURE FROM OPERATIONS</b>	(212,316)	(1,682,518)	1,223,377
<b>DEFINED BENEFIT PENSION INCOME</b> <i>(Note 8)</i>	52,000	60,000	81,000
<b>INTEREST ON LONG TERM DEBT</b>	(311,877)	(310,309)	-
<b>NET AMORTIZATION EXPENSE</b> <i>(Note 11)</i>	<u>(1,570,724)</u>	<u>(1,622,758)</u>	<u>(1,081,249)</u>
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURE BEFORE COVID-19 PANDEMIC RELIEF CONTRIBUTIONS</b>	<u>(2,042,917)</u>	<u>(3,555,585)</u>	<u>223,128</u>
<b>COVID-19 PANDEMIC RELIEF CONTRIBUTIONS</b> <i>(Note 13)</i>	<u>655,199</u>	<u>5,102,414</u>	<u>-</u>
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURE</b>	<u><u>\$(1,387,718)</u></u>	<u><u>\$ 1,546,829</u></u>	<u><u>\$ 223,128</u></u>

# SAINT JOHN AIRPORT INC.

## STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2022

	<u>2022</u>	<u>2021</u>
<b>CASH PROVIDED BY (USED IN)</b>		
Operating activities		
Excess (deficiency) of revenue over expenditure	\$(1,387,718)	\$ 1,546,829
Items not involving cash		
Amortization of capital assets	2,540,188	2,677,836
Defined benefit pension income	(52,000)	(60,000)
Decrease in provision for retirement allowance	8,500	5,690
Amortization of deferred contributions	(975,222)	(1,066,596)
Amortization of deferred financing fees	<u>5,758</u>	<u>11,518</u>
	139,506	3,115,277
Changes in non-cash working capital balances		
Accounts receivable	(263,445)	(285,533)
Government funding receivable	871,151	(1,174,830)
Harmonized sales tax recoverable	(187,291)	(10,796)
Parts inventory	(20,017)	9,354
Prepaid expenses	(120,174)	6,154
Accounts payable and accrued liabilities	765,947	438,053
Deferred revenue	<u>3,396</u>	<u>(3,641)</u>
	<u>1,189,073</u>	<u>2,094,038</u>
Investing activities		
Purchase of capital assets	(2,953,750)	(659,454)
Contributions for airport capital improvements	<u>1,485,358</u>	<u>391,649</u>
	<u>(1,468,392)</u>	<u>(267,805)</u>
Financing activities		
Repayment of long term debt	<u>(449,074)</u>	<u>(438,074)</u>
<b>INCREASE (DECREASE) IN CASH</b>	(728,393)	1,388,159
<b>CASH AT BEGINNING OF YEAR</b>	<u>4,850,277</u>	<u>3,462,118</u>
<b>CASH AT END OF YEAR</b>	<u>\$ 4,121,884</u>	<u>\$ 4,850,277</u>
<b>SUPPLEMENTARY CASH FLOW INFORMATION</b>		
Interest received	<u>\$ 146,793</u>	<u>\$ 32,510</u>
Interest paid	<u>\$ 311,877</u>	<u>\$ 310,309</u>



# SAINT JOHN AIRPORT INC.

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022

### 1. INCORPORATION AND ACTIVITIES

Saint John Airport Inc. (the "Corporation") was incorporated on February 19, 1997 under the Companies Act of New Brunswick as a non-share capital, not-for-profit corporation.

On June 1, 1999, the Corporation signed an agreement with the Government of Canada to transfer managerial, operational and developmental control of the Saint John Airport to the Corporation. Effective that date, the Corporation signed a ground lease agreement (the "ground lease") with the Government of Canada which provides that the Corporation will lease the airport facilities for an initial term of sixty years. During the year, the twenty year extension was exercised and the lease term now ends in 2079 at which time the Corporation is obligated to return control of the Saint John Airport to the Government of Canada. Regulation of Safety Standards for the airport continues to be the responsibility of the Government of Canada, but the Corporation is responsible for operating the airport safely.

Income arising from the operation of the Saint John Airport is exempt from federal and provincial income taxes. The Corporation is subject to HST and real property tax.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Basis of Presentation

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations ("ASNFP").

#### Cash and Cash Equivalents

The corporation considers cash on hand, short term deposits, balances with banks as cash and cash equivalents. The cash balance at year end consists of funds held in bank accounts and a guaranteed investment certificate. The guaranteed investment certificate is held in the custody of Royal Bank of Canada earning interest at a rate of 4% per annum and matures on January 16, 2023.

#### Lease with Government of Canada

The ground lease is accounted for as an operating lease.

#### Parts Inventory

Parts inventory is valued at the lower of cost or replacement value. Cost is determined on a first in, first out basis.

#### Restricted Investments for Capital Asset Replacement and Replacement Reserve Fund

The Board of Directors has established a Replacement Reserve Fund for the purpose of replacing capital assets. Transfers to and from the fund require approval from the Board of Directors. Income earned on the fund is recorded as a direct increase in net assets of the Replacement Reserve Fund.

*(continues)*

# SAINT JOHN AIRPORT INC.

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

The Replacement Reserve Fund is comprised of guaranteed investment certificates, mutual funds and cash and is stated at cost plus accrued interest which approximates market value. At December 31, 2022, the market value was \$1,601,887 (2021 - \$1,562,147). During the year, there was no amount (2021 - nil) transferred from the Replacement Reserve Fund to fund capital assets.

#### Capital Assets

Capital assets are stated at cost less accumulated amortization. During construction of capital assets, directly attributable carrying costs including interest are capitalized as part of the cost of the asset. As assets are put in use, amortization is provided for on a straight-line basis at the following annual rates:

Leasehold improvements	
Buildings	5.0 - 20.0 %
Runways, roads and grounds	5.0 - 30.0 %
Vehicles	5.5 - 25.0 %
Machinery and equipment	6.7 - 30.0 %
Systems and software	20.0 - 33.3 %
Furniture and fixtures	10.0 - 20.0 %

The Corporation regularly reviews its capital assets to eliminate obsolete items.

#### Employee Future Benefits

The Corporation reports its defined benefit pension plan based on the going concern funding valuation basis. Remeasurements and other items include gain/(loss) on pension liabilities, gain/(loss) on pension assets and the change in impact of the valuation allowance. These are recognized directly in net assets.

The Corporation recognizes its defined contribution pension plan benefits as an expenditure when the employer's contributions are incurred.

The Corporation is a participating employer of the Colleges of Applied Arts and Technology Pension Plan, which is a multi-employer, defined contribution pension plan. The expenditure of this pension plan are the employer's contributions incurred in the period.

#### Government Assistance

The Corporation recognizes government assistance toward current expenses in the Statement of Operations. When government assistance is specified to relate to future expenses, the Corporation defers the assistance and recognizes it in the Statement of Operations as the related expenses are incurred. When government assistance relates to the acquisition of capital assets, the Corporation defers the assistance and amortizes it to income on the same basis as the related capital asset acquired with the funds.

In accordance with the terms of the ground lease, the Corporation received a capital based grant of \$6.3 million during the period ended December 31, 1999 from the Government of Canada. These funds, and all interest accrued thereon, have been spent on airport safety and security infrastructure capital projects. The deferred grant is amortized to income on the same basis as the related capital assets acquired with the funds.

# SAINT JOHN AIRPORT INC.

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

The Corporation received contributions from Transport Canada and Regional Development Corporation to fund runway infrastructure improvements and maintenance equipment. These funds were recorded when the related eligible expenditures were incurred. The deferred contributions are being amortized to income on the same basis as the related capital assets acquired with the funds.

#### Revenue Recognition

Aircraft landing and terminal fees and parking revenues are recognized as the airport facilities are utilized. Concession revenues are recognized on the accrual basis and calculated using agreed percentages of reported concessionaire sales, with specified minimum rent guarantees. Rental revenues are recognized over the lives of respective leases. Passenger facility fees are recognized upon the enplanement of passengers. Other income is recognized on an accrual basis when earned.

The Corporation follows the deferral method of accounting for contributions. Contributions related for the purchase of capital assets are deferred and amortized into revenue on the same basis as the related amortization of capital assets.

#### Financial Instruments Policy

Financial instruments are recorded at fair value adjusted for financing fees and transaction costs when acquired or issued. In subsequent periods, financial assets with actively traded markets are reported at fair value, with any unrealized gains and losses reported in excess (deficiency) of revenue over expenditure. All other financial instruments are reported at amortized cost, and tested for impairment at each reporting date. Transaction costs on the acquisition, sale, or issue of financial instruments subsequently measured at fair value are expensed when incurred.

#### Derivative Financial Instruments and Hedge Accounting

The Corporation uses a derivative financial instrument, an interest rate swap, to reduce its exposure to interest rate risk relating to its variable interest rate bank financing. The Corporation has applied cash flow hedge accounting in accordance with the recommendations of CPA Handbook Section 3856. The Corporation's objectives of entering into the hedging relationship is to manage future cash flows relating to long term debt with a floating interest rate.

At the inception of the hedging transaction, the Corporation documented the relationship between the hedging instrument (interest rate swap) and the hedged item (long term debt), its risk management objective and its strategy for undertaking the hedge.

The Corporation is not required to record the fair value of the interest rate swap derivative. The interest rate swap agreements involve the periodic exchange of payments without the exchange of the notional principal amount upon which the payments are based and are recorded as an adjustment to interest expense on the hedge debt instrument. The related amount payable to or receivable from counter parties is included as an adjustment to accrued interest.

#### Measurement Uncertainty

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenditures during the reporting period.

# SAINT JOHN AIRPORT INC.

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

These estimates are reviewed periodically, and as adjustments become necessary, they are reported in earnings in the period in which they become known.

Examples of significant estimates contained in these financial statements include:

- the allowance for doubtful accounts;
- the allowance for inventory obsolescence;
- the recoverability of investments;
- the estimated useful lives of assets;
- the recoverability of tangible assets; and
- certain actuarial and economic assumptions used in determining defined benefit pension costs, accrued pension obligations and pension plan assets.

### 3. FINANCIAL INSTRUMENTS

The Corporation is exposed to various risks through its financial instruments and has a comprehensive risk management framework to monitor, evaluate and manage these risks. The following analysis provides information about the Corporation's risk exposure and concentration as of December 31, 2022.

#### Credit Risk

The Corporation is exposed to credit risk on the accounts receivable from its customers. The Corporation reviews a new customers' credit history before extending credit and conducts regular reviews of existing customers' credit performance. At December 31, 2022, accounts receivable consisted primarily of aviation fees and passenger facility fees arising from normal operations. A significant portion of the accounts receivable is from one customer and its subsidiary.

#### Liquidity Risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Corporation is exposed to this risk mainly in respect of its receipt of funds from its customers, contributions to the pension plan, long term debt, accounts payable and other obligations.

#### Currency Risk

Currency risk is the risk to the Corporation's earnings that arise from fluctuations of foreign exchange rates and the degree of volatility of these rates. The Corporation is not exposed to this type of risk as it does not hold foreign currency.

#### Interest Rate Risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. The Corporation is exposed to interest rate risk on floating interest rate bearing long term debt and investments that are held in the Restricted Investments for Capital Asset Replacement. The Corporation has entered into an interest rate swap to manage the variable interest rate risk on long term debt.

# SAINT JOHN AIRPORT INC.

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022

### 4. CAPITAL ASSETS

	2022			2021
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net</u>	<u>Net</u>
Leasehold improvements				
Buildings	\$ 10,638,796	\$ 6,803,318	\$ 3,835,478	\$ 1,987,469
Runways, roads and grounds	30,974,664	11,924,584	19,050,080	20,089,019
Vehicles	4,578,041	3,219,114	1,358,927	1,589,494
Machinery and equipment	2,114,737	1,569,545	545,192	675,990
Systems and software	317,655	278,173	39,482	68,820
Furniture and fixtures	<u>109,515</u>	<u>98,748</u>	<u>10,767</u>	<u>15,572</u>
	<u>\$ 48,733,408</u>	<u>\$ 23,893,482</u>	<u>\$ 24,839,926</u>	<u>\$ 24,426,364</u>

### 5. DEFERRED CONTRIBUTIONS FOR AIRPORT CAPITAL IMPROVEMENTS

	2022	2021
Balance at beginning of year	\$ 11,579,110	\$ 12,254,057
Contributions during the year	1,485,358	391,649
Amortized during the year	<u>(975,222)</u>	<u>(1,066,596)</u>
Balance at end of year	<u>\$ 12,089,246</u>	<u>\$ 11,579,110</u>

### 6. LONG TERM DEBT

	2022	2021
Bank of Montreal loan, repayable in accordance with scheduled amortization of the notional amount of the interest rate swap agreement over twenty years, maturing December 31, 2039. The Corporation has utilized a term loan facility with a fixed interest rate by way of an interest rate swap and issued a banker's acceptance, resulting in a net rate of 3.47% per annum.	\$ 8,042,000	\$ 8,381,000
Bank of Montreal loan bearing interest at prime less 1% per annum, repayable in monthly payments of \$9,173 plus interest, maturing on May 31, 2030.	<u>816,381</u>	<u>926,456</u>
	8,858,381	9,307,456
Less financing fees and transaction costs	<u>11,518</u>	<u>17,276</u>
	8,846,863	9,290,180
Less instalments included in current liabilities	<u>461,074</u>	<u>449,074</u>
	<u>\$ 8,385,789</u>	<u>\$ 8,841,106</u>

**SAINT JOHN AIRPORT INC.**  
**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2022**

**6. LONG TERM DEBT** *(continued)*

Principal due within each of the next five years is as follows:

2023	\$ 461,074
2024	474,074
2025	486,074
2026	500,074
2027	513,074

The Corporation has the following available unused credit facilities as of December 31, 2022:

- A \$4,183,618 capital expenditure facility demand loan bearing interest at prime less 1% or term loan bearing interest at a fixed rate.
- A \$1,000,000 operating facility demand loan bearing interest at prime less 1%.
- A \$2,500,000 treasury risk facility to facilitate hedging of interest rate risk or foreign exchange risk subject to specific agreements and availability.

The long term debt and credit facilities are secured by a registered general security agreement providing a security interest over all present and after-acquired property of the borrower with a first ranking charge for machinery and equipment, accounts receivable and inventory. There is a specific first ranking charge over an aircraft rescue and fire fighting vehicle with a carrying value of \$833,665 (2021 - \$948,653).

**7. DERIVATIVE FINANCIAL INSTRUMENTS**

The interest rate swap has an amortizing notional amount of \$8,042,000 (2021 - \$8,381,000) with a termination date of December 31, 2039. Under the terms of the swap, the Corporation pays fixed interest monthly of 3.47% and receives banker's acceptance rates at the one month Canadian Dealers Offer Rate (CDOR). At December 31, 2022 the interest rate swap was valued at \$557,980 (2021 - \$675,868).

**8. EMPLOYEE FUTURE BENEFITS**

	<u>2022</u>	<u>2021</u>
Accrued Defined Benefit Pension Asset	\$ <u>1,144,000</u>	\$ <u>1,356,000</u>
Provision for Retirement Allowance	\$ <u>67,516</u>	\$ <u>59,016</u>

*(continues)*

# SAINT JOHN AIRPORT INC.

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022

### 8. EMPLOYEE FUTURE BENEFITS *(continued)*

#### Defined Benefit Pension Plan

On June 1, 1999, the Corporation joined the Canadian Airport Authorities and Canadian Port Authorities Pension Plan, a multi-employer pension plan. This plan covers employees of the Corporation who, immediately prior to joining the Corporation, were employees of the Federal Public Service and were accruing pension benefits under the Public Service Superannuation Act. The federal government remains responsible for all pension benefits accrued in respect of those individuals up to that time.

Pension assets consist primarily of Canadian and foreign equity and fixed income funds. The fair value of the plan assets is based on the market value of the funds in which the plan assets are invested. Pension benefit obligations are determined based on management's best estimate of long term salary escalation rates and are discounted based on management's best estimate of long term interest rates. The significant actuarial assumptions used in measuring the Corporation's accrued benefit obligation and the fair value of the plan assets are as follows:

	<u>2022</u>	<u>2021</u>
Compensation escalation rate	2.50 %	2.50 %
YMPE escalation rate	2.50 %	2.50 %
Indexation rate	2.00 %	2.00 %
Discount rate	4.50 %	4.50 %

Variances between such estimates and actual experience, which may be material, are recognized immediately as a direct increase or decrease to net assets.

The Corporation bears the risk of experience loss against the above assumptions. The maximum risk of loss is equal to the difference between the fair value of the pension benefit obligation and the amount of the pension benefit obligation accrued in the financial statements. Should actual experience differ from the assumptions, future contributions will be adjusted to make up for any variances. Risk is managed by placing the pension plan assets in trust and through the pension investment policy, which defines the plan's allowable investments.

Actuarial reports prepared are based on projections of employees' compensation levels to the time of retirement and estimates of long term interest rates which are determined based on stochastic projections of the various asset classes the plan assets are invested in, and agreed to by the plan administrator. The most recent actuarial valuation was performed as at January 1, 2022. The valuation was performed using the projected unit credit method to determine the minimum employer contribution under the Pension Benefits Standards Act and the maximum deductible contribution according to the Income Tax Act of Canada. Based on the recommendations of the Plan's actuary, there was no percentage of employee's earnings required to be contributed by the employer and no additional special monthly contributions. Therefore, the total contribution is the provision for non-investment expenses of \$15,700 (2021 - \$15,700). These contribution requirements will remain in effect until the next actuarial valuation scheduled for January 1, 2023.

*(continues)*

# SAINT JOHN AIRPORT INC.

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022

### 8. EMPLOYEE FUTURE BENEFITS *(continued)*

Information about the defined benefit portion of the plan as at December 31 is as follows:

	<u>2022</u>	<u>2021</u>
Fair market value of plan assets	\$ 4,979,000	\$ 5,902,000
Accrued benefit obligation	<u>3,503,000</u>	<u>3,535,000</u>
	1,476,000	2,367,000
Valuation allowance	<u>(332,000)</u>	<u>(1,011,000)</u>
Accrued benefit asset	<u>\$ 1,144,000</u>	<u>\$ 1,356,000</u>
	<u>2022</u>	<u>2021</u>
Accrued benefit asset - beginning of year	\$ 1,356,000	\$ 1,351,000
Net pension recovery for the year	45,000	43,000
Employer contributions	7,000	17,000
Other remeasurement items	<u>(264,000)</u>	<u>(55,000)</u>
Accrued benefit asset - end of year	<u>\$ 1,144,000</u>	<u>\$ 1,356,000</u>
Employee contributions	\$ -	\$ -
Pension and termination benefits paid	\$ 218,000	\$ 217,000

The actuarial present value of accumulated benefits for the 2022 fiscal year is based on an extrapolation provided by the actuaries. The actuaries believe that the financial results would not differ materially from the extrapolation if a formal valuation was performed at year end.

#### Defined Contribution Pension Plan

The Corporation's defined contribution pension plan covers new employees who have joined the Corporation since June 1, 1999. Employees covered by this plan are required to contribute 6% of their earnings which are matched by the Corporation. All employer contributions vest with the employee immediately. During the year, the Corporation contributed \$39,114 (2021 - \$30,706) towards this plan.

#### DBplus Pension Plan

On July 1, 2020, the Corporation transitioned from the defined contribution pension plan to a DBplus pension plan with The Board of Trustees of the College of Applied Arts and Technology Pension Plan Trust Fund for unionized employees. The unionized employees of the Corporation who participate in the plan are members of the Colleges of Applied Arts and Technology Pension Plan, a multi-employer jointly-sponsored defined benefit plan for employers across Canada. Under the terms of the plan, employees are required to contribute a fixed 6% of their earnings which are matched by the Corporation.

*(continues)*



# SAINT JOHN AIRPORT INC.

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022

### 8. EMPLOYEE FUTURE BENEFITS *(continued)*

The Corporation is only responsible for the matching contribution and does not have any obligation to pay or remit additional contributions, including in respect of solvency deficiency, going-concern unfunded liability or wind-up deficit. During the year, the Corporation contributed \$65,730 (2021 - \$48,381) towards this plan.

#### Retiring Allowance

Following the guidelines set forth by the Saint John Airport Collective Agreement, employees who have ten or more years of service are entitled to a retirement allowance of one week's pay per year of service since June 1, 1999. This is limited to a maximum of thirty weeks of pay. There were no retiring allowances paid during the year (2021 - \$nil).

### 9. COMMITMENTS AND CONTINGENCIES

As described in Note 1 to the financial statements, the Corporation signed a ground lease agreement with the Government of Canada which provides that the Corporation will lease the airport for an initial term of sixty years. During the year, the twenty year extension was exercised and the lease term now ends in 2079 at which time the Corporation is obligated to return control of the Saint John Airport to the Government of Canada.

- a) Under the terms of the amended ground lease, the occupation of the airport by the Corporation was rent free until 2016. During that year and onwards, the rent formula is as follows: no rent charged on the first \$5,000,000 of airport revenue; 1% of the portion of airport revenue in excess of \$5,000,000 but equal to or less than \$10,000,000; 5% of the portion of airport revenue in excess of \$10,000,000 but equal to or less than \$25,000,000; 8% of the portion of airport revenue in excess of \$25,000,000 but equal to or less than \$100,000,000; 10% of the portion of airport revenue in excess of \$100,000,000 but equal to or less than \$250,000,000; and 12% of the portion of airport revenue in excess of \$250,000,000. During the year, no expense was recorded as the Government of Canada waived rent payments after the outbreak of COVID-19 (2021 - recovery of \$2,746).
- b) An environmental site assessment on the Saint John Airport property was carried out in December 1998 by the Government of Canada and the report that was issued is referred to as the Environmental Baseline Study Report. This report was to identify the extent of the hazardous substances that existed as of December 1998 and extended to the June 1, 1999 transfer date. Article 37 of the Ground Lease for the airport will govern responsibility for any remedial work, if necessary.

The responsibility for any liability that may arise in the future relating to the existence of a hazardous substance originating before the transfer on June 1, 1999 to the Corporation rests with the Government of Canada. The Corporation has responsibility for any environmental liabilities that arise from hazardous substances that occur subsequent to the transfer date. At December 31, 2022, there are no known environmental liabilities.

# SAINT JOHN AIRPORT INC.

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022

### 10. PASSENGER FACILITY FEE

	<u>2022</u>	<u>2021</u>
Passenger facility fees collected	\$ 2,245,743	\$ 806,693
Handling fees	<u>(128,651)</u>	<u>(47,884)</u>
Passenger facility fee	<u>\$ 2,117,092</u>	<u>\$ 758,809</u>

### 11. NET AMORTIZATION EXPENSE

	<u>2022</u>	<u>2021</u>
Amortization of capital assets	\$ 2,540,188	\$ 2,677,836
Amortization of deferred contributions (Note 5)	(975,222)	(1,066,596)
Amortization of deferred financing	<u>5,758</u>	<u>11,518</u>
	<u>\$ 1,570,724</u>	<u>\$ 1,622,758</u>

### 12. ECONOMIC DEPENDENCE

The Corporation derives a significant amount of revenue from Air Canada and its subsidiaries and consequently, is economically dependent on this customer.

### 13. IMPACT OF COVID-19

On March 11, 2020, the World Health Organization characterized the outbreak of a strain of the novel coronavirus ("COVID-19") as a pandemic which resulted in a series of public health and emergency measures being put in place by the Federal and Provincial governments to combat the spread of the virus. These measures included pervasive travel restrictions resulting in a significant reduction in flights and passenger volume since the beginning of the pandemic.

The impact on the financial results, operations and cash flows of the Corporation has been significant and has resulted in decreases in aircraft landing and terminal fees and other operating revenues. The duration and impact of the restrictions from COVID-19, recovery of flight service levels and passenger numbers is not certain at this time. The 2019 comparative figures have been disclosed on the Statement of Operations to present the results of a full year of operations prior to the COVID-19 pandemic. Management of the Corporation has prepared a long term financial forecast and has determined that the actions taken to date, and planned for the future, are sufficient to mitigate the financial impact of the pandemic.

Specifically, the Corporation has taken the following actions:

- Maintained cash of \$5,723,771 and net assets of \$10,871,314 to fund future, potential operating losses;
- Maintained the availability of unused credit facilities up to a maximum authorized amount of \$4,183,618 with lenders;

(continues)

# SAINT JOHN AIRPORT INC.

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022

### 13. IMPACT OF COVID-19 *(continued)*

- Eliminated operating expenditures and capital projects that are non-essential to the safe operation of the airport;
- Accessed a number of measures announced by the Federal and Provincial Governments to support organizations through Canada's COVID-19 Economic Response Plan, including:

	<u>2022</u>	<u>2021</u>
Canada Emergency Wage Subsidy	\$ 205,199	\$ 620,414
Airport Relief Fund (Transport Canada)	-	1,132,000
Regional Air Transportation Initiative (ACOA)	<u>450,000</u>	<u>3,350,000</u>
	<u>\$ 655,199</u>	<u>\$ 5,102,414</u>

In the prior year, the corporation was approved for total funding of \$3.8 million under an agreement with ACOA regarding the Regional Air Transportation Initiative. The program is designed to provide assistance with operating costs in order to mitigate financial hardship resulting from COVID-19. The program ended on March 31, 2022, and the corporation received the remaining \$450,000 of funding for qualifying expenses incurred.