

Charlottetown Airport Authority Inc.

Financial Statements
December 31, 2024

March 11, 2025

Independent Auditor's Report

To the Board of Directors of Charlottetown Airport Authority Inc.

Opinion

We have audited the accompanying financial statements of Charlottetown Airport Authority Inc., which comprise the statement of financial position as at December 31, 2024, and the statements of operations, changes in net assets 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 Charlottetown Airport Authority Inc. as at December 31, 2024, 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 *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of Charlottetown Airport Authority Inc. in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

The Annual Report is expected to be made available to us after the date of the auditor's report. If, based on the work we will perform on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact to those charged with governance.

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 Charlottetown Airport Authority Inc.'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 Charlottetown Airport Authority Inc. or to cease operations, or has no realistic alternative but to do so.



Those charged with governance are responsible for overseeing Charlottetown Airport Authority Inc.'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 Charlottetown Airport Authority Inc.'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 Charlottetown Airport Authority Inc.'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 Charlottetown Airport Authority Inc. 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.

ArsenaultBestCameronEllis

Chartered Professional Accountants

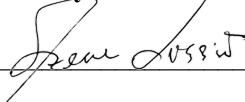
Charlottetown Airport Authority Inc.

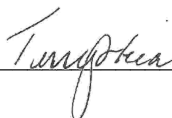
Statement of Financial Position

As at December 31, 2024

	2024 \$	2023 \$
Assets		
Current assets		
Cash	20,214,424	18,661,882
Accounts receivable (note 3)	325,453	1,478,707
Inventory	216,397	210,814
Prepaid expenses	227,757	199,171
	20,984,031	20,550,574
Capital assets (note 4)	38,699,504	35,313,751
Pension surplus (note 12)	536,000	619,000
	60,219,535	56,483,325
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 6)	1,592,637	573,769
Security deposits	78,750	78,650
Deferred revenue (note 7)	567,072	866,792
	2,238,459	1,519,211
Severance pay obligation (note 11)	278,652	254,182
Deferred capital contributions (note 5)	11,698,205	12,448,694
	14,215,316	14,222,087
Contingencies (note 8)		
Net Assets		
Invested in capital assets	27,001,298	22,865,058
Internally restricted for future requirements (note 9)	18,002,921	18,396,180
Unrestricted	1,000,000	1,000,000
	46,004,219	42,261,238
	60,219,535	56,483,325

Approved by the Board of Directors

 Director

 Director

Charlottetown Airport Authority Inc.

Statement of Changes in Net Assets

For the year ended December 31, 2024

	2024			2023	
	Invested in Capital Assets \$	Restricted for Future Requirements \$	Unrestricted \$	Total \$	Total \$
Net assets - Beginning of year	22,865,058	18,396,180	1,000,000	42,261,238	38,637,788
Excess revenue (expenses) for the year	(2,323,966)	-	6,160,947	3,836,981	3,611,450
Pension remeasurements and other items (note 12)	-	-	(94,000)	(94,000)	12,000
Internally imposed restrictions (note 9)	-	6,066,947	(6,066,947)	-	-
Investment in capital assets, net of related capital contributions and proceeds on disposals	6,460,206	(6,460,206)	-	-	-
Net assets - End of year	27,001,298	18,002,921	1,000,000	46,004,219	42,261,238

Charlottetown Airport Authority Inc.

Statement of Operations

For the year ended December 31, 2024

	2024 \$	2023 \$
Revenue		
Rentals	947,034	860,480
Concessions	1,646,882	1,582,467
Parking	887,036	844,952
Landing fees	1,700,725	1,645,780
Terminal fees	1,153,601	1,123,095
Airport services	41,581	47,659
Other income	1,592,668	1,523,944
Amortization of deferred capital contributions	834,520	756,164
Grants in lieu of property taxes (note 10)	505,968	505,347
	<u>9,310,015</u>	<u>8,889,888</u>
Expenses		
Salaries and benefits (note 12)	2,796,945	2,549,300
Property taxes	533,045	532,577
Materials, supplies and services	4,514,513	3,908,105
Amortization	3,180,520	3,019,443
	<u>11,025,023</u>	<u>10,009,425</u>
Operating loss before passenger facility fees	(1,715,008)	(1,119,537)
Passenger facility fees	<u>5,125,056</u>	<u>4,496,504</u>
Operating income	<u>3,410,048</u>	<u>3,376,967</u>
Other income		
Government assistance (note 7)	393,899	183,581
Gain on disposal of capital assets	22,034	38,902
Defined benefit pension income (note 12)	11,000	12,000
	<u>426,933</u>	<u>234,483</u>
Excess revenue for the year	<u>3,836,981</u>	<u>3,611,450</u>

Charlottetown Airport Authority Inc.

Statement of Cash Flows

For the year ended December 31, 2024

	2024 \$	2023 \$
Cash provided by (used in)		
Operating activities		
Excess revenue for the year	3,836,981	3,611,450
Items not affecting cash		
Amortization	3,180,520	3,019,443
Amortization of deferred capital contributions	(834,520)	(756,164)
Gain on disposal of capital assets	(22,034)	(38,902)
	6,160,947	5,835,827
Net change in non-cash working capital items		
Decrease (increase) in accounts receivable	1,153,254	(1,192,959)
Increase in inventory	(5,583)	(36,600)
Decrease (increase) in prepaid expenses	(28,586)	7,754
Increase in accounts payable and accrued liabilities	1,018,866	55,736
Increase in security deposits	100	300
Increase (decrease) in deferred revenue	(299,720)	822,433
	7,999,278	5,492,491
Financing activities		
Increase in severance pay obligation	24,470	27,214
Increase in deferred capital contributions	84,031	2,987,310
	108,501	3,014,524
Investing activities		
Purchase of capital assets	(6,566,271)	(6,127,324)
Proceeds on disposal of capital assets	22,034	43,552
Decrease (increase) in pension surplus	83,000	(24,000)
Pension remeasurement and other items	(94,000)	12,000
	(6,555,237)	(6,095,772)
Increase in cash	1,552,542	2,411,243
Cash - Beginning of year	18,661,882	16,250,639
Cash - End of year	20,214,424	18,661,882

Charlottetown Airport Authority Inc.

Notes to Financial Statements

December 31, 2024

1 Purpose of the organization

Charlottetown Airport Authority Inc. was incorporated without share capital under Part II of the Canada Corporations Act in 1996. The Authority operates the Charlottetown Airport and airport business park under a lease with the Government of Canada that expires in 2079.

Charlottetown Airport Authority Inc. is currently exempt from federal and provincial income taxes.

2 Summary of significant accounting policies

Basis of accounting

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations. These financial statements include the following significant accounting policies:

Method of accounting

Charlottetown Airport Authority Inc. follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenditures 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.

Cash

Cash consists of cash on hand and bank balances.

Government assistance

Government assistance related to the acquisition of capital assets is recorded as deferred capital contributions and amortized on the same basis as the related capital assets are amortized.

Government assistance relating to expenses is recorded as revenue in the period in which the related expenses are incurred.

Inventory

Inventory consists of petroleum products and maintenance parts and supplies and is valued at the lower of cost and market. Cost is determined on the first-in, first-out method, and market is defined as net realizable value.

Revenue recognition

Rental revenue arises from land leases and rental of space in the air terminal building. These revenues are recognized on an accrual basis.

Concession income is recognized as earned and is primarily from licenses to vehicle rental agencies and other concession type operations.

Charlottetown Airport Authority Inc.

Notes to Financial Statements

December 31, 2024

Parking revenue consists of fees paid for long and short term parking by travellers, car rental parking, and employee parking, and is recognized as earned.

Landing and terminal fees are recognized upon the landing of aircraft at the airport.

Airport services revenue consists of aircraft parking fees, snow removal charges and other miscellaneous charges to airport users, and is recognized as it is earned.

Other income consists primarily of recovered costs and is recognized in the period in which the cost recovery occurs.

Capital assets and amortization

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Amortization of capital assets is calculated using the straight-line method. Amortization is calculated at one-half of the normal rate in the year of acquisition. The estimated useful life of individual assets within a category is determined upon acquisition and the asset's cost is amortized over this term as follows:

Mobile equipment	1 - 25 years
Equipment and furniture	1 - 15 years
Business park	5 - 40 years
Leasehold improvements	3 - 30 years

Construction in progress is recorded at cost and will be allocated to the proper category of asset upon completion.

Capital assets are tested for recoverability whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. An impairment loss is recognized when the carrying amount of the asset exceeds the sum of the undiscounted cash flows resulting from its use and eventual disposition. The impairment loss is measured as the amount by which the carrying amount of the long-lived asset exceeds its fair value.

Use of estimates

The preparation of these financial statements in conformity with Canadian accounting standards for not-for-profit enterprises requires management to make estimates and assumptions that affect the reported amount 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. Significant items subject to such estimates and assumptions include the valuation of accounts receivable and inventory, and the estimated useful life of capital assets. Actual results could differ from those estimates.

Charlottetown Airport Authority Inc.

Notes to Financial Statements

December 31, 2024

Financial instruments

(a) Measurement of financial instruments

Charlottetown Airport Authority Inc.'s financial instruments consist of cash, accounts receivable, accounts payable and accrued liabilities and security deposits.

The Authority initially measures its financial assets and financial liabilities at fair value adjusted by, in the case of a financial instrument that will not be measured subsequently at fair value, the amount of transaction costs directly attributable to the instrument. This fair value amount is then deemed to be the amortized cost of the financial instrument.

The Authority subsequently measures all its financial assets and financial liabilities at amortized cost.

Investments with maturity dates within twelve months are classified as short-term. All other investments are classified as long-term.

(b) Impairment

For financial assets measured at cost or amortized cost, the Authority determines whether there are indications of possible impairment. When there is an indication of impairment, and the Authority determines that a significant adverse change has occurred during the period in the expected timing or amount of future cash flows, a write-down is recognized in excess revenue for the year. A previously recognized impairment loss may be reversed to the extent of the improvement. The carrying amount of the financial asset may not be 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 excess revenue for the year.

(c) Risks

Transacting in financial instruments exposes the Authority to certain financial risks and uncertainties. These risks include:

- i) Credit risk: The Authority is exposed to credit risk in connection with the collection of its accounts receivable. The Authority mitigates this risk by performing continuous evaluation of its accounts receivable.
- ii) Liquidity risk: The Authority's exposure to liquidity risk is dependent on the collection of accounts receivable or raising of funds to meet commitments and sustain operations. The Authority controls liquidity risk by management of working capital, cash flows and availability of borrowing facilities.

Charlottetown Airport Authority Inc.

Notes to Financial Statements

December 31, 2024

3 Accounts receivable

	2024 \$	2023 \$
Trade receivables	325,453	857,107
Government assistance	-	621,600
	<u>325,453</u>	<u>1,478,707</u>

4 Capital assets

	2024		2023	
	Cost \$	Accumulated amortization \$	Net \$	Net \$
Land	217,868	-	217,868	217,868
Mobile equipment	8,654,741	4,080,023	4,574,718	4,143,279
Equipment and furniture	2,645,587	1,863,709	781,878	843,558
Business park	2,247,888	1,539,308	708,580	724,768
Leasehold improvements	56,118,897	28,947,103	27,171,794	29,236,091
Construction in progress	5,244,666	-	5,244,666	148,187
	<u>75,129,647</u>	<u>36,430,143</u>	<u>38,699,504</u>	<u>35,313,751</u>

5 Deferred capital contributions

	2024		2023	
	Cost \$	Accumulated amortization \$	Net \$	Net \$
Mobile equipment	3,667,445	1,360,727	2,306,718	2,448,129
Equipment and furniture	152,194	152,194	-	-
Business park	535,784	321,515	214,269	227,663
Leasehold improvements	17,509,763	8,332,545	9,177,218	9,772,902
	<u>21,865,186</u>	<u>10,166,981</u>	<u>11,698,205</u>	<u>12,448,694</u>

6 Accounts payable and accrued liabilities

	2024 \$	2023 \$
Trade payables and accruals	1,757,433	579,956
HST receivable	(164,796)	(6,187)
	<u>1,592,637</u>	<u>573,769</u>

Charlottetown Airport Authority Inc.

Notes to Financial Statements

December 31, 2024

7 Deferred revenue

	2024	2023
	\$	\$
Balance - Beginning of year	866,792	44,359
Add: funding received during the year	57,802	1,020,302
Less: amount recognized as revenue in the year	(357,522)	(197,869)
Balance - End of year	567,072	866,792

During 2023, the Authority received \$1,000,000 of government assistance for a project that is to be completed by March 31, 2026. The Authority has recognized \$337,220 (2023 - \$153,510) as government assistance revenue on the statement of operations for 2024.

8 Commitments and contingencies

Charlottetown Airport Authority Inc. is involved in a legal dispute concerning personal injury matters. No amount has been accrued in the records of the Authority as the outcome of the disputes is uncertain and the amount of the liability, if any, is expected to be fully covered by insurance.

Charlottetown Airport Authority Inc. has entered into a construction management contract with a value of \$25,252,749 plus HST of which \$5,327,583 has been paid/payable as of December 31, 2024. The contract is to be completed by July 2027.

The responsibility for any liability that may arise in the future relating to the existence of hazardous substances, originating before the transfer on March 1, 1999 to the Authority, rests with the Government of Canada. The Authority has responsibility for any environmental liabilities that arise from hazardous substance problems that occur subsequent to the transfer date.

9 Net assets internally restricted for future requirements

Effective December 31, 2024, the Board authorized the transfer of \$6,066,947 (2023 - \$5,847,827) from unrestricted net assets to internally restricted net assets. The internal restrictions set by the Board allow transfers from this fund only for authorized purposes including the purchase of capital assets.

10 Grants in lieu of property taxes

The Province of Prince Edward Island and the City of Charlottetown provide the Authority annually with grants in lieu of property taxes. The granted amount of \$505,968 for the year ended December 31, 2024 (2023 - \$505,347) is included as revenue in these financial statements.

11 Severance pay obligation

Employees, other than management, are entitled to severance pay under the terms of a collective agreement. The severance pay obligation is accrued by the Authority commencing with an individual's employment. No actuarial valuation is performed on the severance pay obligation.

Management is entitled to severance pay per their employment contracts based on a minimum number of service years or when the employee is entitled to an immediate annuity under the Authority's defined contribution pension plan.

Charlottetown Airport Authority Inc.

Notes to Financial Statements

December 31, 2024

12 Pension plan

Charlottetown Airport Authority Inc. is a member of the Canadian Airport Authorities and Canadian Port Authorities Pension Plan (the "Plan"), a multiple employer pension plan. The Plan includes both a defined benefit portion ("Superannuation Plan") and a defined contribution portion ("Defined Contribution Plan"). Employees who were previously employed by Transport Canada automatically became members of the Superannuation Plan on March 1, 1999 when control of the Charlottetown airport was transferred to Charlottetown Airport Authority Inc. The Superannuation Plan was closed to new members subsequent to that date, and all other employees of the Authority are members of the Defined Contribution Plan.

All eligible members of the Superannuation Plan have retired and no further annual employee contributions are required.

The Authority is required to make annual contributions to the Superannuation Plan as advised by the actuaries.

During 2024, the Authority de-risked the Superannuation Plan by purchasing annuity buy-ins from Sun Life for the plan's retired members. This change effectively transferred that portion of the interest rate risk and longevity risk (related to the affected members) to Sun Life. In exchange, the Plan cashed in a substantial amount of its assets and used those funds to transfer a lump-sum up-front premium payment to Sun Life. The goal of de-risking is to minimize the chance of future regulatory solvency shortfall funding requirements.

Pension expense for the Defined Contribution Plan was \$121,105 in 2024 (2023 - \$117,565), and is included in salaries and benefits in the statement of operations.

Valuation information on the Superannuation Plan for the year ended December 31, 2024 is provided by the Plan's actuary, Baartman Melinte Actuarial Consulting Services, based on data as at January 1, 2024 and extrapolated to December 31, 2024.

Significant assumptions used by the Plan's actuary for this valuation are:

	2024	2023
Economic assumptions:		
Discount rate	4.00% per year	4.50% per year
Inflation rate	2.00% per year	3.00% per year
Increase in pensionable earnings	2.50% per year	3.50% per year
Increases in year's maximum pensionable earnings ("YMPE")	2.50% per year	3.50% per year
Increases in maximum pension limit	in accordance with Income Tax Act, then 2.50% per year	in accordance with Income Tax Act, then 3.50% per year
Interest on member contributions	4.50% per year	4.50% per year

Significant demographic assumptions include using the CPM2014 Combined Mortality Table with projection scale CPM-B in both 2024 and 2023, as well as assumptions on life expectancy, retirement and termination rates, and proportion married.

Charlottetown Airport Authority Inc.

Notes to Financial Statements

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Valuation allowance:

A valuation allowance is recognized to limit a defined benefit asset recognized on the balance sheet for any excess of the plan surplus over the expected future benefit the Airport expects to realize from the plan surplus. The valuation allowance for 2024 was calculated as the difference between the plan's defined benefit asset and a limit based on the "expected future benefit" projected to be available to the Airport, including:

- The present value of potential future contribution holidays as related to employer current service costs (including the non-investment expense component of the employer current service cost), plus;
- The present value of potential future contribution holidays as related to employer contributions for the defined contribution component of the plan (if any), minus;
- An offset for any future solvency amortization payments.

Pension remeasurements and other items:

Remeasurements and other items comprise the aggregate of:

- The difference between the actual return on plan assets and interest on those assets calculated using the discount rate;
- Actuarial gains and losses;
- The effect of any valuation allowance;
- Past service costs; and
- Gains and losses arising from settlements and curtailments.

Remeasurements and other items are recognized directly in net assets in the statement of the financial position rather than in the statement of operations. As such, these amounts have been excluded from the defined benefit cost.

The following information was calculated by the Plan's actuary in accordance with accounting standards for not-for-profit organizations:

Superannuation Plan - Actuarial valuation information

	2024 \$	2023 \$
<u>Fair value of plan assets</u>		
Balance - beginning of year	1,654,000	1,578,000
Return on plan assets	48,000	162,000
Benefits paid	(73,000)	(70,000)
Administrative expenses	(17,000)	(16,000)
Balance - end of year	1,612,000	1,654,000
<u>Defined Benefit Obligations</u>		
Balance - beginning of year	1,035,000	983,000
Interest on defined benefit obligations	45,000	43,000
Benefits paid	(73,000)	(70,000)
Actuarial gains	69,000	79,000
Balance - end of year	1,076,000	1,035,000

Charlottetown Airport Authority Inc.

Notes to Financial Statements

December 31, 2024

Defined Benefit Asset (Liability)

Fair value of the plan assets	1,612,000	1,654,000
Defined benefit obligation	(1,076,000)	(1,035,000)

Funded Surplus	536,000	619,000
Valuation allowance	-	-

Defined Benefit Asset - end of year	536,000	619,000
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Continuity of Defined Benefit Asset (Liability)

Defined Benefit Asset - beginning of year	619,000	595,000
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Defined benefit income (cost)

Finance income (cost)	27,000	26,000
Provision for non-investment expenses	(16,000)	(14,000)

11,000	12,000
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Pension remeasurements and other items

Net return on plan assets less interest	(24,000)	93,000
Actuarial gains (losses)	(69,000)	(79,000)
Gains (losses) on non-investment expense	(1,000)	(2,000)

(94,000)	12,000
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Charlottetown Airport Authority Inc. contributions

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Defined Benefit Asset - end of year	536,000	619,000
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