

Niagara Central Dorothy Rungeling Airport Commission

Financial Statements

For the year ended December 31, 2020

Niagara Central Dorothy Rungeling Airport Commission

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For the Year Ended December 31, 2020

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Independent Auditor's Report

To the Board Members, Members of Council, Inhabitants and Taxpayers of the Corporation of the City of Welland:

Opinion

We have audited the financial statements of the Niagara Central Dorothy Rungeling Airport Commission (the "Commission"), which comprise the statement of financial position as at December 31, 2020, and the statements of operations and accumulated surplus, change in net debt 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 Commission as at December 31, 2020, and the results of its operations, changes in its net debt and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

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 Commission 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.

Restated Comparative Information

Without modifying our opinion, we draw attention to Note 12 to the financial statements, which explains that certain comparative information for the year ended December 31, 2019 has been restated. The financial statements of the Commission for the year ended December 31, 2019 (prior to the restatement of the comparative information) were audited by another auditor who expressed an unmodified opinion on the financial statements on April 20, 2020.

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 public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Commission'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 Commission or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Commission'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 Commission'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 Commission'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 Commission 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.

Burlington, Ontario

May 13, 2021

MNP LLP

Chartered Professional Accountants

Licensed Public Accountants

Niagara Central Dorothy Rungeling Airport Commission

Statement of Operations and Accumulated Surplus

For the Year Ended December 31, 2020

	Budget 2020 \$	Actual 2020 \$	Actual 2019 \$
			(restated)
Revenue			
Grants (Note 3)	154,770	154,770	142,228
Rentals	80,000	85,139	86,098
Recovered property taxes	12,000	26,279	23,655
Fuel net earnings (Schedule 1)	50,000	4,956	24,380
Other	-	137	80
Donations	-	35	1,270
Interest	-	-	571
	296,770	271,316	278,282
Expenses			
Amortization of tangible capital assets	50,000	73,244	70,069
Consulting	-	6,633	6,968
Honorariums	1,700	1,275	1,425
Insurance	14,000	13,961	11,100
Interest	4,500	902	2,302
Interest on loans	51,710	14,060	14,815
Legal, audit and accounting	6,360	16,437	10,379
Light, heat and water	13,000	4,119	6,383
Office	4,000	7,881	6,410
Promotion and marketing	5,000	838	18,783
Property taxes (Note 10)	55,000	49,512	49,322
Repairs and maintenance	39,000	39,099	69,495
Salaries and wages	52,500	69,146	38,365
	296,770	297,107	305,817
Annual Deficit	-	(25,790)	(27,535)
Accumulated Surplus, beginning of year	1,319,628	1,319,628	1,347,163
Accumulated Surplus, end of year	1,319,628	1,293,838	1,319,628

Niagara Central Dorothy Rungeling Airport Commission

Statement of Change in Net Debt

For the Year Ended December 31, 2020

	Budget 2020 \$	Actual 2020 \$	Actual 2019 \$
			(restated)
Annual Deficit	(50,000)	(25,790)	(27,535)
Amortization of tangible capital assets	50,000	73,244	70,069
Acquisition of tangible capital assets, net	-	(56,558)	(6,078)
Credit received for tangible capital assets	-	-	79,789
	-	(9,104)	116,245
Purchase of fuel inventory	(50,000)	(62,948)	(95,169)
Sale of fuel inventory	50,000	72,974	116,756
	-	10,026	21,587
Acquisition of prepaid expenses	-	(15,040)	(16,754)
Use of prepaid expenses	-	16,753	10,373
		1,713	(6,381)
Decrease in Net Debt	-	2,635	131,451
Net Debt, beginning of year	(215,673)	(215,673)	(347,124)
Net Debt, end of year	(215,673)	(213,038)	(215,673)

Niagara Central Dorothy Rungeling Airport Commission

Statement of Financial Position

As at December 31, 2020

	2020	2019
	\$	\$
		(restated)
Financial Assets		
Cash	82,120	198,615
Investments (Note 6)	154,947	29,947
Accounts receivable	32,288	43,073
	269,355	271,635
Financial Liabilities		
Accounts payable and accrued liabilities (Note 4)	67,881	66,995
Loans payable (Note 5)	374,431	372,840
Capital lease obligation (Note 9)	40,081	47,473
	482,393	487,308
Net Debt	(213,038)	(215,672)
Non-financial Assets		
Prepaid expenses	15,040	16,753
Fuel inventory	15,659	25,685
Tangible capital assets (Schedule 2)	1,476,176	1,492,862
	1,506,876	1,535,300
Accumulated Surplus (Note 7)	1,293,838	1,319,628
Contingency (Note 11)		

Approved on behalf of the Commission:



Leo VAN VLIET
CHAIR NICORA.

leo.vanvliet@welland.ca

Niagara Central Dorothy Rungeling Airport Commission

Statement of Cash Flows

For the Year Ended December 31, 2020

	2020	2019
	\$	\$
		(restated)
Net Inflow (Outflow) of Cash Related to the Following Activities:		
Operating		
Annual deficit	(25,790)	(27,535)
Non-cash charges to operations		
Amortization of tangible capital assets	73,244	70,069
Changes in non-cash assets and liabilities		
Decrease in accounts receivable	10,785	7,452
Decrease (increase) in prepaid expenses	1,713	(6,381)
Increase (decrease) in accounts payable and accrued liabilities	886	(148,563)
Decrease in fuel inventory	10,026	21,587
	70,864	(83,371)
Investing		
Purchase of investments	(125,000)	(3)
Acquisition of tangible capital assets, net	(56,558)	(6,078)
Credit received for tangible capital asset	-	79,789
	(181,558)	73,708
Financing		
Repayment of capital lease	(7,392)	(6,749)
Advance of loans payable	40,000	-
Repayment of loans payable	(38,409)	(39,510)
	(5,801)	(46,259)
Decrease in Cash	(116,495)	(55,922)
Cash, beginning of year	198,615	254,537
Cash, end of year	82,120	198,615

Niagara Central Dorothy Rungeling Airport Commission

Notes to the Financial Statements

For the Year Ended December 31, 2020

1. Description of the organization

Niagara Central Dorothy Rungeling Airport Commission (the "Commission") operates a two-runway airport offering a year-round fixed-base operation. The Commission is funded by the four nearby municipalities; City of Welland, City of Port Colborne, Town of Pelham and the Township of Wainfleet.

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

During the 2020 fiscal year, the COVID-19 outbreak was declared a pandemic by the World Health Organization. This has resulted in a significant and negative impact to the global financial markets, due to businesses being forced to cease or limit operations for long or indefinite periods of time.

The Commission has determined that these events are non-adjusting events. Accordingly, the financial position and result of operations as of and for the year ended December 31, 2020 have not been adjusted to reflect their impact. It is difficult to reliably measure the duration and severity of these consequences on future financial results. In order to mitigate risk, the Commission continues to actively monitor and assess the impact of the pandemic on its operating activities and services.

2. Significant accounting policies

Management responsibility

The financial statements of the Commission have been prepared by management in accordance with Canadian Public Sector Accounting Standards ("PSAS"), and reflect the following significant accounting policies:

a) Reporting entity

The financial statements reflect the financial assets, financial liabilities, non-financial assets, revenues, expenses and changes in accumulated surplus of the Commission.

b) Budget figures

The budget approved by the Commission for 2020 is reflected on the statements of operations and accumulated surplus and change in net debt.

c) Investment

Investment consists of guaranteed income certificates which are recorded at amortized cost.

d) Tangible capital assets

Tangible capital assets are recorded at cost which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. Contributed or donated tangible capital assets are recorded at their fair value at the date of receipt. The cost, less residual value, if any, of tangible capital assets is amortized on a straight-line basis, over the expected useful life of the asset, as follows:

<u>Asset</u>	<u>Useful Life</u>
Runways, taxiways and aprons	7 years
Buildings	20 years
Machinery and equipment	5-20 years
Infrastructure	20 years
Computer hardware	5 years

Niagara Central Dorothy Rungeling Airport Commission

Notes to the Financial Statements

For the Year Ended December 31, 2020

2. Significant Accounting Policies (continued)

e) Leases

Leases are classified as capital or operating leases. Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as capital leases. All other leases are accounted for as operating leases and the related lease payments are charged to expenses as incurred.

f) Revenue recognition

Grants are recognized when approved to the extent the related expenses have been incurred and collection can be reasonably assured.

Rentals, fuel and other revenues are recorded when the services are performed or goods are delivered and collection is reasonably assured.

g) Reserves for future expenses

Certain amounts, as approved by the Commission, are set aside in reserves for future operating and capital expenses.

h) Use of Estimates

The preparation of financial statements in conformity with Canadian public sector accounting standards 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. These estimates and assumptions are based on management's historical experience, best knowledge of current events and actions that the Commission may undertake in the future. Significant accounting estimates include accrued liabilities, useful lives of tangible capital assets and allowance for doubtful accounts. Actual results could differ from those estimates and may have an impact on future periods.

3. Grants

	Actual 2020 \$	Actual 2019 \$ (restated)
Operating		
City of Welland	86,671	79,648
City of Port Colborne	29,406	27,024
Town of Pelham	27,858	25,601
Township of Wainfleet	10,835	9,955
	<u>154,770</u>	<u>142,228</u>

4. Accounts payable

	2020 \$	2019 \$ (restated)
Trade payables and accrued liabilities	42,599	41,713
Payable to City of Welland	14,158	14,158
Payable to City of Port Colborne	4,803	4,803
Payable to Town of Pelham	4,551	4,551
Payable to Township of Wainfleet	1,770	1,770
	<u>67,881</u>	<u>66,995</u>

Niagara Central Dorothy Rungeling Airport Commission

Notes to the Financial Statements

For the Year Ended December 31, 2020

5. Loans payable

	2020	2019
	\$	\$
Due to the City of Welland, bearing interest of 4.3% per annum repayable in annual instalments of \$12,123 commencing June 15, 2019.	82,513	91,007
Due to the City of Welland, bearing interest of 3.5% per annum repayable in annual instalments of \$16,533 commencing June 15, 2018.	103,022	115,817
Due to the City of Port Colborne, bearing interest of 4.3% per annum repayable in annual instalments of \$4,113 commencing August 24, 2019.	27,770	30,629
Due to the City of Port Colborne, bearing interest of 3.5% per annum repayable in annual instalments of \$6,012 commencing June 15, 2018.	37,462	42,115
Due to the Town of Pelham, bearing interest of 4.3% per annum repayable in annual instalments of \$3,897 commencing June 15, 2019.	26,522	29,252
Due to the Town of Pelham, bearing interest of 3.5% per annum repayable in annual instalments of \$5,411 commencing June 15, 2018.	33,716	37,904
Due to the Township of Wainfleet, bearing interest of 4.3% per annum repayable in annual instalments of \$1,515 commencing June 15, 2019.	10,314	11,376
Due to the Township of Wainfleet, bearing interest of 3.5% per annum repayable in annual instalments of \$2,104 commencing June 15, 2018.	13,112	14,740
Canada Emergency Business Account Loan	40,000	-
	374,431	372,840
Amounts relating to interest expense	6,657	7,417
Balance, end of year	367,774	365,423

The Canada Emergency Business Account (“CEBA”) is a government assistance program implemented by eligible financial institutions in cooperation with Export Development Canada. The CEBA will provide interest-free loans of up to \$40,000 to small businesses and not-for-profits, to help cover their operating costs during a period where their revenues have been temporarily reduced by the economic impact of the COVID-19 pandemic. If loan is not fully repaid at December 31, 2022, the loan will bear interest at 5% per annum and will become due December 31, 2025.

Niagara Central Dorothy Rungeling Airport Commission

Notes to the Financial Statements

For the Year Ended December 31, 2020

5. Loans payable (continued)

Principal repayments on loans payable consist of the following:

	\$
2021	72,469
2022	72,469
2023	52,469
2024	52,469
2025 and thereafter	117,898
	367,774

6. Investments

	2020 \$	2019 \$
Term deposit maturing January 6, 2020, bearing interest at 1.9% per annum.	-	29,947
Term deposit maturing March 5, 2021, bearing interest at 1.5% per annum.	29,947	-
Term deposit maturing March 24, 2021, bearing interest at 0.4% per annum.	125,000	-
	154,947	29,947

7. Accumulated surplus

	2020 \$	2019 \$
Consists of		(restated)
Operating deficit	(158,421)	(141,925)
Reserves (Note 8)	16,164	16,164
Investments in tangible capital assets	1,436,095	1,445,389
	1,293,838	1,319,628

8. Reserves

	2020 \$	2019 \$
Reserves set aside for specific purpose		
Capital expenditures		
Balance, beginning of year	16,164	16,164
Funds used to acquire tangible assets	-	-
Balance, end of year	16,164	16,164

Niagara Central Dorothy Rungeling Airport Commission

Notes to the Financial Statements

For the Year Ended December 31, 2020

9. Obligations under capital lease

The Commission has leased tractor equipment under a capital lease. The lease bears interest at 3.9% and is secured with the underlying equipment. Principal and interest payments due in the years ended December 31 are as follows:

	2020	2019
	\$	\$
Principal		
2020	-	9,113
2021	9,113	9,113
2022	9,113	9,113
2023	9,113	9,113
2024	9,113	9,113
Thereafter	9,112	9,112
	<u>45,564</u>	54,676
Imputed interest	<u>(5,483)</u>	<u>(7,203)</u>
	<u>40,081</u>	<u>47,473</u>

10. Related party transactions

The Commission is funded by the four nearby municipalities: City of Welland, City of Port Colborne, Town of Pelham and the Township of Wainfleet (Note 3). These four municipalities each have a non-controlling interest in the Commission.

Property taxes of \$49,512 (2019 - \$49,322) were paid to the Town of Pelham. All transactions are in the normal course of operations and are recorded at the exchange value.

11. Contingency

The Commission has filed a lawsuit against three parties for damages arising from costs incurred by the Commission due to a collision between two aircraft owned and piloted by the defendants. The claim has not yet been settled. The Commission expects to be able to collect the full \$65,976 of damages claimed.

12. Retrospective adjustment of financial statements

In the course of the preparation of the Commission's financial statements for the year ended December 31, 2020, management identified historical errors in the prior period financial statements.

- During the year ended December 31, 2019, \$4,396 of tenant rental deposits were received relating to the 2020 fiscal year and were recognized improperly as rental income. Therefore, an adjustment was made to increase accounts payable and increase the annual deficit.
- During the years ended December 31, 2019 and December 31, 2018 certain insurance, and repairs and maintenance expenses were recognized in the annual deficit when they were paid. However, the expenses related to services to be provided in future periods and therefore were improperly expensed. As a result, an understatement of prepaid expenses was identified as at December 31, 2019. \$10,400 and \$5,000 have been adjusted from insurance and repairs and maintenance expenses, respectively, into prepaid expenses. Opening accumulated surplus has been increased by \$9,019 to reflect understated prepaid expenses as at December 31, 2018.
- During the year ended December 31, 2019, \$25,282 of restricted grant revenue, advanced for expenses relating to a specific event in fiscal 2019, was not utilized by the Commission and should have been considered payable at year end. Therefore, an adjustment was made to reduce grant revenue and increase accounts payable balance as at December 31, 2019.

Niagara Central Dorothy Rungeling Airport Commission

Notes to the Financial Statements

For the Year Ended December 31, 2020

12. Retrospective adjustment of financial statements (continued)

The following table summarizes the impact of the restatement adjustments on the Commission's previously reported financial statements. While there was no impact to investing or operating activities in the statement of cash flows, the operating activities were affected. Additionally, there was an impact on the annual deficit and the accumulated surplus on the statement of financial position.

Statement of financial position	As previously reported	Correction	As restated
Accounts payable and accrued liabilities	37,317	29,678	66,995
Prepaid expenses	1,354	15,399	16,753
Accumulated surplus	1,333,906	(14,278)	1,319,628

Statement of operations and accumulated surplus	As previously reported	Correction	As restated
Grants	167,510	(25,282)	142,228
Rentals	90,493	(4,395)	86,098
Insurance	12,481	(1,381)	11,100
Repairs and maintenance	74,495	(5,000)	69,495
Annual deficit	(4,238)	(23,297)	(27,535)
Accumulated surplus, beginning of year	1,338,144	9,019	1,347,163
Accumulated surplus, end of year	1,333,906	(14,278)	1,319,628

Statement of change in net debt	As previously reported	Correction	As restated
Acquisition of prepaid expenses	(1,354)	(15,400)	(16,754)
Use of prepaid expenses	1,354	9,019	10,373
Increase (decrease) in net financial assets	161,129	(29,678)	131,451
Net debt, end of year	(185,995)	(29,678)	(215,673)

Statement of cash flows	As previously reported	Correction	As restated
Annual deficit	(4,238)	(23,297)	(27,535)
Decrease in accounts receivable	3,056	4,396	7,452
Increase in prepaid expenses	-	(6,381)	(6,381)
Increase (decrease) in accounts payable and accrued liabilities	(173,845)	25,282	(148,563)

13. Presentation of comparative figures

Certain prior period comparative figures have been reallocated in order to conform with the presentation of the December 31, 2020 financial statements.

Niagara Central Dorothy Rungeling Airport Commission

Schedule 1 - Schedule of Fuel Operations

For the Year Ended December 31, 2020

	2020	2019
	\$	\$
Sales	77,930	141,136
Cost of Sales		
Inventory, beginning of year	25,685	47,272
Purchases	62,948	95,169
	88,633	142,441
Inventory, end of year	15,659	25,685
	72,974	116,756
Net Earnings	4,956	24,380

Niagara Central Dorothy Rungeling Airport Commission
Schedule 2 - Schedule of Tangible Capital Assets

For the Year Ended December 31, 2020

	Land \$	Runways, taxiways and aprons \$	Buildings \$	Machinery and Equipment \$	Infra- structure \$	Computer hardware \$	2020 \$	2019 \$
Cost								
Beginning of year	1,048,950	1,999,613	552,787	104,601	133,251	2,459	3,841,661	3,915,372
Add: additions during the year	-	16,895	1,085	38,578	-	-	56,558	6,078
Less: credit received for runway	-	-	-	-	-	-	-	(79,789)
End of year	1,048,950	2,016,508	553,872	143,179	133,251	2,459	3,898,219	3,841,661
Accumulated Amortization								
Beginning of year	-	1,759,628	420,048	48,558	118,106	2,459	2,348,799	2,278,730
Add: amortization for the year	-	52,834	9,838	8,759	1,813	-	73,244	70,069
End of year	-	1,812,462	429,886	57,317	119,919	2,459	2,422,043	2,348,799
Net Book Value of Tangible Capital Assets	1,048,950	204,046	123,986	85,862	13,332	-	1,476,176	1,492,862

Included in machinery and equipment is an asset under capital lease with a cost of \$55,741 (2019 - \$55,741) and net-book value of \$47,794 (2019 - \$52,442).