

**Sudbury Airport
Community Development
Corporation**

Financial Statements
December 31, 2014



June 9, 2015

Independent Auditor's Report

To the Board of Directors of Sudbury Airport Community Development Corporation

We have audited the accompanying financial statements of Sudbury Airport Community Development Corporation, which comprise the statement of financial position as at December 31, 2014 and the statements of income and comprehensive income, changes in equity and cash flows for the year then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting 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.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Sudbury Airport Community Development Corporation as at December 31, 2014 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Sudbury Airport Community Development Corporation

Statement of Financial Position

As at December 31

	2014 \$	2013 \$
Assets		
Current assets		
Cash	20,285	1,300
Trade and other receivables (note 5)	2,219,051	637,859
Prepaid expenses	20,234	15,964
Inventory	76,240	104,240
Receivable from the City of Greater Sudbury (note 6)	-	512,404
	<u>2,335,810</u>	<u>1,271,767</u>
Non-current assets		
Property and equipment (note 7)	<u>23,153,436</u>	<u>17,760,984</u>
	<u>25,489,246</u>	<u>19,032,751</u>
Liabilities and Equity Attributable to the Corporation		
Current liabilities		
Trade and other payables	1,420,210	416,836
Payable to the City of Greater Sudbury (note 6)	909,564	-
	<u>2,329,774</u>	<u>416,836</u>
Non-current liabilities		
Employee benefit obligations (note 8)	351,673	336,254
Deferred capital contributions (note 9)	11,399,356	9,021,396
	<u>14,080,803</u>	<u>9,774,486</u>
Equity Attributable to the Corporation		
Retained earnings	11,415,141	9,264,260
Accumulated other comprehensive loss	(6,698)	(5,995)
	<u>11,408,443</u>	<u>9,258,265</u>
	<u>25,489,246</u>	<u>19,032,751</u>
Commitments (note 10)		
Contingent liability (note 11)		

Approved on Behalf of the Board

_____ Director

_____ Director

The accompanying notes are an integral part of these financial statements.

Sudbury Airport Community Development Corporation

Statement of Income and Comprehensive Income

For the year ended December 31

	2014 \$	2013 \$
Revenues		
Supplementary terminal fees	2,292,684	2,203,968
Capital contributions	1,849,855	622,502
Rentals and concessions	1,835,248	1,850,661
National landing fees	615,035	637,018
Terminal fees	557,551	500,527
Services	616,188	552,443
	<hr/> 7,766,561	<hr/> 6,367,119
Operating expenses		
Salaries, wages and benefits (note 12)	2,156,174	2,096,154
Policing and security	374,802	347,039
Materials	571,643	641,299
Consulting and other professional services	205,764	267,985
Maintenance	177,659	131,866
Utilities	419,411	321,491
Other	199,252	191,406
Administrative charges (note 6)	217,159	211,487
Insurance	101,988	110,857
Property taxes	243,905	237,703
Depreciation of property and equipment	1,310,274	1,179,450
	<hr/> 5,978,031	<hr/> 5,736,737
Operating income	1,788,530	630,382
Gain on sale of property and equipment	361,523	-
Interest income	828	5,266
Net income for the year	2,150,881	635,648
Other comprehensive income (loss)		
Item that will not be subsequently reclassified to net income - remeasurement of the employee benefit obligation (note 8)	(703)	29,142
Total comprehensive income for the year	<hr/> 2,150,178	<hr/> 664,790

The accompanying notes are an integral part of these financial statements.

Sudbury Airport Community Development Corporation
Statement of Changes in Equity

	Retained earnings \$	Accumulated other comprehensive loss \$	Total \$
Balance - January 1, 2013	8,628,612	(35,137)	8,593,475
Net income	635,648	-	635,648
Remeasurement of the employee benefit obligation	-	29,142	29,142
Balance - December 31, 2013	9,264,260	(5,995)	9,258,265
Net income	2,150,881	-	2,150,881
Remeasurement of the employee benefit obligation	-	(703)	(703)
Balance - December 31, 2014	11,415,141	(6,698)	11,408,443

The accompanying notes are an integral part of these financial statements.

Sudbury Airport Community Development Corporation

Statement of Cash Flows

For the year ended December 31

	2014 \$	2013 \$
Cash provided by (used in)		
Operating activities		
Net income for the year	2,150,881	635,648
Adjustments for		
Gain on sale of property and equipment	(361,523)	-
Depreciation of property and equipment	1,310,274	1,179,450
Amortization of deferred capital contributions	(1,849,855)	(622,502)
Employee benefit obligations	14,716	31,391
	<u>1,264,493</u>	<u>1,223,987</u>
Changes in non-cash working capital items		
Trade and other receivables	(1,581,192)	443,957
Payable/receivable to the City of Greater Sudbury	1,421,968	(569,617)
Prepaid expenses	(4,270)	26
Inventory	28,000	4,958
Trade and other payables	1,003,374	(193,333)
	<u>2,132,373</u>	<u>909,978</u>
Financing activities		
Capital contributions received	<u>4,227,815</u>	<u>861,170</u>
Investing activities		
Sale of property and equipment	1,690,000	-
Purchase of property and equipment	<u>(8,031,203)</u>	<u>(1,771,148)</u>
	<u>(6,341,203)</u>	<u>(1,771,148)</u>
Change in cash during the year	18,985	-
Cash - Beginning of year	<u>1,300</u>	<u>1,300</u>
Cash - End of year	<u>20,285</u>	<u>1,300</u>

The accompanying notes are an integral part of these financial statements.

Sudbury Airport Community Development Corporation

Notes to Financial Statements

December 31, 2014

1 Nature of operations

The Sudbury Airport Community Development Corporation (the Corporation) is incorporated without share capital under the laws of Ontario. Its principal business activity is to manage, operate and maintain the Sudbury Airport. The address of its registered office is 5000 Air Terminal Drive, Suite T202, Garson, Ontario P3L 1V4.

The objective of the Corporation is to promote community economic development in the City of Greater Sudbury (the City) with the co-operation and participation of the community by encouraging, facilitating and supporting community strategic planning and increasing self-reliance, investment and job creation within the community through the development and enhancement of the Sudbury Airport.

The Corporation is a municipal corporation pursuant to paragraph 149(1)(d.5) of the Income Tax Act (Canada) and is therefore exempt from income taxes having met certain requirements of the Income Tax Act (Canada).

2 Basis of presentation

These financial statements of the Corporation have been prepared by management in accordance with International Financial Reporting Standards (IFRS).

The financial statements have been prepared on a going concern basis and the historical cost convention, as modified by the revaluation of certain financial assets and liabilities at fair value.

The financial statements were approved and authorized for issue at the Annual General Meeting on June 9, 2015.

3 Summary of significant accounting policies

Revenue recognition

National landing fees, terminal fees, supplementary terminal fees, rentals and concessions and services are recognized as revenue in the year when the respective service is performed.

Contributions restricted for property and equipment purchases (capital contributions) are deferred and amortized to revenue on the same basis as the related property and equipment is depreciated. Unrestricted contributions are recognized as revenue when received.

Inventory

Inventory is recorded at the lower of cost and net realizable value. Cost comprises all costs to purchase, convert and any other costs in bringing the inventories to their present location and condition and is determined using the first-in, first-out (FIFO) method.

Sudbury Airport Community Development Corporation

Notes to Financial Statements

December 31, 2014

Property and equipment

Property and equipment are recorded at cost less accumulated depreciation. Depreciation is provided over the estimated useful lives of the assets on a straight-line basis at the following rates:

Land development	20 to 80 years
Buildings	10 to 30 years
Equipment	2 to 80 years
Runway	15 years
Parking lot	20 years

The Corporation allocates the amount initially recognized in respect of an item of property and equipment to its significant components and depreciates separately each such component. Residual values, method of depreciation and useful lives of the assets are reviewed annually and adjusted if appropriate.

Assets under construction are not depreciated until they are placed into use in the manner intended by management.

Impairment of non-financial assets

Property and equipment are tested for impairment when events or changes in circumstances indicate the carrying amount may not be recoverable. The recoverable amount is the higher of an asset's fair value less costs to sell, and value in use (which is the present value of the expected future cash flows of the relevant asset or cash generating unit). An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount.

The Corporation evaluates impairment by examining long-lived assets for impairment indicators and examines any prior years' impairment losses for potential reversals when events or circumstances warrant such consideration.

Employee benefit obligations

Vacation entitlements are accrued for as entitlements are earned.

Sick leave benefits are accrued where they are vested and subject to payout when an employee leaves the Corporation.

Other post-employment benefits are accrued in accordance with the projected benefit method pro-rated on service and management's best estimate of salary escalation and retirement ages of employees. The related liability recognized in the statement of financial position is the present value of the obligation at the statement of financial position date. The present value of the obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that have terms to maturity approximating the term of the related liability.

Sudbury Airport Community Development Corporation

Notes to Financial Statements

December 31, 2014

Actuarial valuations for the sick leave and other post-employment benefit plans are carried out at each statement of financial position date.

Actuarial gains and losses are recognized in full in the year in which they occur, in other comprehensive income.

Current service cost, the recognized element of any past service cost, and the interest arising on the liability are included in salaries and benefits on the statement of income and comprehensive income.

Past-service costs are recognized immediately to the extent the benefits are vested, and otherwise are amortized on a straight-line basis over the average period until the benefits become vested.

Financial instruments

Financial assets and liabilities are recognized when the Corporation becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Corporation has transferred substantially all risks and rewards of ownership.

At initial recognition, the Corporation classifies its financial instruments in the following categories, depending on the purpose for which the instruments were acquired:

- a) **Loans and receivables:** Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. The Corporation's loans and receivables comprise trade and other receivables, receivable from the City and cash and are included in current assets due to their short-term nature. Loans and receivables are initially recognized at the amount expected to be received less, when material, a discount to reduce the loans and receivables to fair value. Subsequently, loans and receivables are measured at amortized cost using the effective interest method less a provision for impairment.
- b) **Financial liabilities at amortized cost:** Financial liabilities at amortized cost comprise trade and other payables and payable to the City. These items are initially recognized at the amount required to be paid less, when material, a discount to reduce the payables to fair value. Subsequently, these items are measured at amortized cost. Financial liabilities are classified as current liabilities if payments are due within 12 months. Otherwise, they are presented as non-current liabilities on the statement of financial position.

Provisions

Provisions are recognized when the Corporation has a present obligation (legal or constructive) as a result of a past event, when it is more likely than not that the Corporation will be required to settle the obligation and when a reliable estimate can be made of the amount of the obligation. The amount recognized as a provision is management's best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When the effect of the time value of money is material, provisions are measured at the present value of the expenditure expected to settle the Corporation's present obligation.

Sudbury Airport Community Development Corporation

Notes to Financial Statements

December 31, 2014

Accounting standards issued but not yet adopted

- IFRS 9, Financial Instruments (IFRS 9)

The final version of IFRS 9, Financial Instruments, was issued by the International Accounting Standards Board (IASB) in July 2014 and will replace International Accounting Standard (IAS) IAS 39, Financial Instruments - Recognition and Measurement. IFRS 9 introduces a model for classification and measurement, a single, forward-looking 'expected loss' impairment model and a substantially reformed approach to hedge accounting. The new single, principle based approach for determining the classification of financial assets is driven by cash flow characteristics and the business model in which an asset is held. The new model also results in a single impairment model being applied to all financial instruments, which will require more timely recognition of expected credit losses. It also includes changes in respect of own credit risk in measuring liabilities elected to be measured at fair value, so that gains caused by the deterioration of an entity's own credit risk on such liabilities are no longer recognized in profit or loss. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, however it is available for early adoption. In addition, the own credit changes can be early applied in isolation without otherwise changing the accounting for financial instruments. The Corporation has yet to assess the full impact of IFRS 9 and has not yet determined when it will adopt the new standard.

- IFRS 15, Revenue from Contracts with Customers (IFRS 15)

This standard replaces IAS 11, Construction Contracts, IAS 18, Revenue, and IFRIC 13, Customer Loyalty Programmes. This standard outlines a single comprehensive model for entities to account for revenue arising from contracts with customers. The latest date of mandatory implementation of IFRS 15 is January 1, 2017. The Corporation has not yet assessed the potential impact of IFRS 15.

4 Critical accounting estimates and judgments

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and the disclosure of contingent assets and liabilities in the financial statements. The Corporation bases its estimates and assumptions on past experience and various other assumptions that are believed to be reasonable in the circumstances. This involves varying degrees of judgment and uncertainty, which may result in a difference in actual results from these estimates. The more significant estimates and judgments are as follows:

Provision for impairment against trade and other receivables

The Corporation performs credit evaluations of customers and limits the amount of credit extended to customers as appropriate. The Corporation is, however, exposed to credit risk with respect to trade and other receivables and maintains provisions for possible credit losses based on historical experience and known circumstances. The provision for impairment as at December 31, 2014 is disclosed in note 5.

Sudbury Airport Community Development Corporation

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Employee benefit obligations

The present value of the employee benefit obligations depends on a number of estimates that are determined on an actuarial basis using a number of assumptions. The primary assumption used in determining the net expense for this obligation includes the discount rate.

The Corporation determines the appropriate discount rate at the end of each year. In determining the appropriate discount rate, the Corporation considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related employee benefit obligation.

Other key assumptions for the employee benefit obligations are based in part on current market conditions and are disclosed in note 8. Any changes in these assumptions will impact the carrying amount of the employee benefit obligations.

5 Trade and other receivables

	2014 \$	2013 \$
Trade receivables	634,278	566,094
Less: Provision for impairment	(9,623)	-
	<hr/>	<hr/>
Trade receivables - net	624,655	566,094
Other receivables	1,594,396	71,765
	<hr/>	<hr/>
Total trade and other receivables	2,219,051	637,859
	<hr/>	<hr/>

The fair values of trade and other receivables approximate their book values due to their short-term nature.

Movements in the provision for impairment of trade receivables are as follows:

	2014 \$	2013 \$
Balance - Beginning of year	-	2,255
Additional provision during the year	9,623	-
Amounts written off during the year	-	(2,255)
	<hr/>	<hr/>
Balance - End of year	9,623	-
	<hr/>	<hr/>

As at December 31, 2014, trade receivables of \$108,954 (2013 - \$48,143) were past due but not impaired. These receivables relate to a number of customers for whom there is no recent history of default. The aging of these trade receivables is as follows:

Sudbury Airport Community Development Corporation

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December 31, 2014

	2014 \$	2013 \$
Up to 3 months	69,888	30,125
3 to 6 months	29,676	16,876
Over 6 months	9,390	1,142
	<hr/> 108,954	<hr/> 48,143

As at December 31, 2014, trade receivables of \$9,623 (2013 - \$nil) were impaired and provided for. The aging of these trade receivables is as follows:

	2014 \$	2013 \$
3 to 6 months	2,699	-
Over 6 months	6,924	-
	<hr/> 9,623	<hr/> -

The provision for impaired trade receivables is recognized in the statement of income and comprehensive income within operating expenses. When a balance is considered uncollectible, it is written off against the provision. Subsequent recoveries of amounts previously written off are credited to operating expenses in the statement of income and comprehensive income when they occur.

Other receivables within trade and other receivables do not contain impaired amounts.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of trade and other receivables mentioned above. The Corporation does not hold any collateral as security.

6 Receivable from/payable to the City of Greater Sudbury

The Corporation is owned by the City and run in accordance with an operating agreement between the City and the Corporation (the operating agreement). Under the terms of the agreement, employees remain employed by the City; however, the Corporation is responsible for reimbursing the City for all employee related costs.

All cash receipts and disbursements of the Corporation are received and paid by the City. Therefore, cash flows of the Corporation flow through the City. The resulting payable as at December 31, 2014 in the amount of \$909,564 (2013 - receivable of \$512,404) is unsecured and the Corporation accrues interest at the City's average monthly rate of return on investments, plus a margin of 1% and has no specified terms of repayment. In the event the account is in a receivable balance, it earns interest at the City's average monthly rate of return on investments.

Included in operating expenses is \$192,084 (2013 - \$184,653) charged by the City for the provision of administrative services. In addition, net interest in the amount of \$828 (2013 - \$5,266) was earned during the year.

Sudbury Airport Community Development Corporation

Notes to Financial Statements

December 31, 2014

7 Property and equipment

	2014							
	Buildings \$	Equipment \$	Runway \$	Transferred assets \$	Assets under construction \$	Parking lot \$	Land development \$	Total \$
Cost								
Balance - January 1, 2014	9,058,086	7,152,347	5,287,707	2	126,403	415,337	3,536,400	25,576,282
Transfers	-	-	4,799,628	-	(4,799,628)	-	-	-
Additions	435,185	430,495	-	-	7,097,194	49,603	18,726	8,031,203
Disposals	(1,507,988)	-	-	-	-	-	-	(1,507,988)
Balance - December 31, 2014	7,985,283	7,582,842	10,087,335	2	2,423,969	464,940	3,555,126	32,099,497
Accumulated depreciation								
Balance - January 1, 2014	2,515,300	2,195,817	2,806,188	-	-	87,143	210,850	7,815,298
Disposals	(179,511)	-	-	-	-	-	-	(179,511)
Depreciation expense	257,527	452,241	459,172	-	-	21,180	120,154	1,310,274
Balance - December 31, 2014	2,593,316	2,648,058	3,265,360	-	-	108,323	331,004	8,946,061
Net book value - December 31, 2014	5,391,967	4,934,784	6,821,975	2	2,423,969	356,617	3,224,122	23,153,436
	2013							
	Buildings \$	Equipment \$	Runway \$	Transferred assets \$	Assets under construction \$	Parking lot \$	Land development \$	Total \$
Cost								
Balance - January 1, 2013	8,363,041	5,811,172	5,287,707	2	516,694	341,547	3,484,971	23,805,134
Additions	36,810	1,341,175	-	-	267,944	73,790	51,429	1,771,148
Transfers	658,235	-	-	-	(658,235)	-	-	-
Balance - December 31, 2013	9,058,086	7,152,347	5,287,707	2	126,403	415,337	3,536,400	25,576,282
Accumulated depreciation								
Balance - January 1, 2013	2,220,839	1,801,104	2,453,674	-	-	69,029	91,202	6,635,848
Depreciation expense	294,461	394,713	352,514	-	-	18,114	119,648	1,179,450
Balance - December 31, 2013	2,515,300	2,195,817	2,806,188	-	-	87,143	210,850	7,815,298
Net book value - December 31, 2013	6,542,786	4,956,530	2,481,519	2	126,403	328,194	3,325,550	17,760,984

Transferred assets represent assets acquired pursuant to an agreement with Transport Canada that transferred the Sudbury Airport on March 31, 2000 to the newly incorporated Sudbury Airport Community Development Corporation. This transfer included the transfer of all chattels by way of bill of sale and property by way of instruments of grant to the Corporation for consideration of \$2. The Corporation has recorded both the asset and the grant at the exchange amount of \$2 pursuant to the guidance under IAS 20, Accounting for Government Grants and Disclosure of Government Assistance.

8 Employee benefit obligations

	2014 \$	2013 \$
Other post-employment and sick leave benefits	162,023	159,743
Vacation pay	189,650	176,511
	351,673	336,254

Sudbury Airport Community Development Corporation

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Other post-employment benefits represent the Corporation's share of the cost to provide certain employees with extended benefits on early retirement.

Accumulated sick leave benefits accrue to certain employees of the Corporation and are paid out either on approved retirement, or on termination or death.

The most recent actuarial valuation pertaining to other post-employment and sick leave benefits was as at December 31, 2012.

The movement in the employee benefit obligation and fair value of assets for other post-employment and sick leave benefits during the year is as follows:

	2014 \$	2013 \$
Employee benefit obligation		
Balance - Beginning of year	159,743	184,098
Current service cost	6,082	7,247
Interest cost	7,512	7,455
Actuarial gain - demographic	(1,302)	(814)
Actuarial gain - economic	2,005	(28,328)
Benefits paid	(12,017)	(9,915)
	<hr/>	<hr/>
Balance - End of year	162,023	159,743
Assets		
Fair value - Beginning of year	-	-
Employer contributions	12,017	9,915
Benefits paid	(12,017)	(9,915)
	<hr/>	<hr/>
Fair value - End of year	-	-

The amounts recognized in the statement of income and comprehensive income are as follows:

	2014 \$	2013 \$
Current service cost	6,082	7,247
Interest cost	7,512	7,455
	<hr/>	<hr/>
Employee benefit expense recognized in net income	13,594	14,702
	<hr/>	<hr/>
Actuarial (loss) gain recognized in OCI	703	(29,142)

The significant actuarial assumptions used in measuring the Corporation's employee benefit obligation for other post-employment and sick leave benefits are as follows:

	2014	2013
Discount rate	3.80%	4.70%
Rate of compensation increase	2.10%	2.10%
Medical cost increase	4.50%	4.50%

Sudbury Airport Community Development Corporation

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Assumptions regarding future mortality are set based on actuarial advice in accordance with published statistics and experience.

The effect of changes in assumed health-care cost trend rates is as follows:

	2014 \$	2013 \$
Effect on aggregate of current service cost and interest cost for the year ended December 31		
One percentage point increase	1,628	1,713
One percentage point decrease	(1,385)	(1,456)
Effect on employee benefit obligation as at December 31		
One percentage point increase	14,788	12,840
One percentage point decrease	(12,928)	(11,332)

9 Deferred capital contributions

Deferred capital contributions represent the unamortized amount of grants received for the purchase of property and equipment.

Details of the change in deferred capital contributions are as follows:

	2014 \$	2013 \$
Balance - Beginning of year	9,021,396	8,782,728
Add: Contributions received in the year	4,227,815	861,170
Less: Amount recognized as revenue in the year	(1,849,855)	(622,502)
Balance - End of year	<u>11,399,356</u>	<u>9,021,396</u>

10 Commitments

The Corporation has entered into an Assignment, Assumption and Indemnity Agreement, which relates to the Corporation taking on all the rights related to the leasing of land to the Province of Ontario for air ambulance and for the forest fire facility at the airport.

Navcan operates a flight service station at the airport. There is an agreement with Navcan to perform these functions and a lease has been entered into with it for the land under its tower and space in the administration building.

The Corporation has entered into an agreement with various companies for the provision of security and cleaning services. The approximate annual payments are as follows:

Sudbury Airport Community Development Corporation

Notes to Financial Statements

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	\$
2015	460,231
2016	466,451
2017	<u>372,942</u>
	<u>1,299,624</u>

11 Contingent liability

Pursuant to funding agreements with Transport Canada, the Corporation may in certain circumstances be considered in default of the agreement. Should the Corporation be considered in default of the agreement, action may be taken, which could result in repayment of funding or cancellation of the agreement.

12 Related party transactions

Related parties

The Corporation enters into transactions with the City in the normal course of operations relating to charges and reimbursements for salaries, management fees and other operating expenses (note 6).

Compensation of key management

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Corporation, directly or indirectly. Key management personnel comprise the Corporation's Chief Executive Officer.

Compensation paid/payable to key management personnel are as follows:

	2014 \$	2013 \$
Salaries and benefits	138,038	136,923
Post-employment benefits	831	930
	<u>138,869</u>	<u>137,853</u>

13 Financial instruments and risk management

Financial instruments are classified into one of the following categories: loans and receivables (comprises cash, trade and other receivables and receivable from the City of Greater Sudbury) and other financial liabilities (comprises trade and other payables and payable to the City of Greater Sudbury). The carrying values of the Corporation's financial instruments are as follows:

	2014 \$	2013 \$
Loans and receivables	2,239,336	1,151,563
Other financial liabilities	2,329,774	416,836

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Cash, trade and other receivables and trade and other payables carrying values approximate their fair values due to the relatively short periods to maturity of these items or because they are receivable or payable on demand.

It is not practicable to determine the fair value of the amount due from/to the City as there are no fixed repayment terms.

Risk management

The Corporation's operating activities result in financial risks that may arise from changes in market risk, credit risk and liquidity risk.

Market risk

The Corporation conducts the majority of its business in Canadian dollars. Accordingly, the Corporation's exposure to foreign currency risk is minimal. The Corporation does not have any external variable rate or term debt. Accordingly, the Corporation has no significant interest rate risk.

Credit risk

The Corporation is subject to credit risk through its financial assets. The Corporation performs ongoing credit valuations of these balances and maintains impairment provisions for potential credit loss. The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about the customer.

The Corporation derives a substantial portion of its operating revenues from air carriers through landing fees and terminal charges. There is a concentration of service with three air carriers, which represents approximately 93% (2013 - 92%) of terminal fees, supplementary terminal fees and national landing fees and 21% (2013 - 65%) of the trade and other receivable balance as at December 31, 2014.

Liquidity risk

The Corporation manages liquidity risk by maintaining adequate cash balances. The table below analyzes the Corporation's financial liabilities based on the remaining period at the statement of financial position date to the contractual maturity date. The following table has been prepared based on the contractual undiscounted cash flows.

	2014		
	Less than 1 month \$	1 month to 12 months \$	1 year to 5 years \$
Trade and other payables	122,999	1,297,211	-

Sudbury Airport Community Development Corporation

Notes to Financial Statements

December 31, 2014

	2013		
	Less than 1 month \$	1 month to 12 months \$	1 year to 5 years \$
Trade and other payables	144,409	270,339	2,088

The amount due to the City has not been included in the above table as there are no fixed repayment terms.

Capital risk management

The Corporation defines capital that it manages as its equity. The Corporation's objective when managing capital is to maintain financial flexibility in order to preserve its ability to meet financial obligations as they come due. As at December 31, 2014, the Corporation's retained earnings and accumulated other comprehensive loss amounted to \$11,408,443 (2013 - \$9,258,265).