

Financial Statements of

**SUDBURY AIRPORT COMMUNITY
DEVELOPMENT CORPORATION**

Year ended December 31, 2016



KPMG LLP
Claridge Executive Centre
144 Pine Street
Sudbury Ontario P3C 1X3
Canada
Telephone (705) 675-8500
Fax (705) 675-7586

INDEPENDENT AUDITORS' 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, 2016, the statements of income and comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising 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.

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

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



Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of Sudbury Airport Community Development Corporation as at December 31, 2016 and its results of operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Comparative Information

The financial statements of the Sudbury Airport Community Development Corporation as at and for the year ended December 31, 2015 were prepared by another Chartered Professional Accountant dated June 14, 2016.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

June 13, 2017

Sudbury, Canada

SUDBURY AIRPORT COMMUNITY DEVELOPMENT CORPORATION

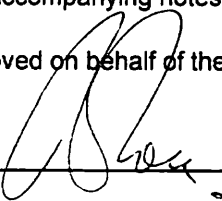
Statement of Financial Position

December 31, 2016, with comparative information for 2015

	2016	2015
Assets		
Current assets:		
Cash	\$ 21,244	\$ 22,504
Trade and other receivables (note 4)	516,804	1,318,773
Prepaid expenses	42,446	78,725
Inventory	86,863	112,695
	667,357	1,532,697
Property, plant and equipment (note 6)	25,872,793	27,397,614
	\$ 26,540,150	\$ 28,930,311
Liabilities and Shareholders' Equity		
Current liabilities:		
Trade and other payables	\$ 726,584	1,404,287
Payable to the City of Greater Sudbury (note 5)	1,498,570	2,984,064
	2,225,154	4,388,351
Non-current liabilities:		
Employee benefit obligations (note 7)	328,025	322,941
Deferred capital contributions (note 8)	10,836,611	11,714,395
	13,389,790	16,425,687
Shareholders' equity:		
Retained earnings	13,135,341	12,487,886
Accumulated other comprehensive income	15,019	16,738
	13,150,360	12,504,624
Commitments (note 9)		
Contingent liability (note 10)		
	\$ 26,540,150	\$ 28,930,311

See accompanying notes to financial statements.

Approved on behalf of the board:



Director



Director

SUDBURY AIRPORT COMMUNITY DEVELOPMENT CORPORATION

Statement of Income and Comprehensive Income

Year ended December 31, 2016, with comparative information for 2015

	2016	2015
Revenue:		
Passenger facility fee	\$ 2,727,830	\$ 2,743,956
Capital contributions	877,784	816,028
Rentals and concessions	2,101,940	1,866,043
National landing fees	658,142	655,390
Terminal fees	581,607	598,699
Services	597,811	581,639
	<u>7,545,114</u>	<u>7,261,755</u>
Expenses:		
Salaries, wages and benefits (note 5)	2,173,307	2,068,329
Materials	618,567	507,247
Utilities	512,218	410,214
Policing and security	373,014	361,323
Consulting and other professional services	280,803	203,280
Other	264,328	237,343
Property taxes	247,935	223,466
Administrative charges (note 5)	225,171	229,599
Maintenance	204,398	195,314
Insurance	88,011	91,064
Depreciation of property and equipment	1,848,431	1,603,799
	<u>6,836,183</u>	<u>6,130,978</u>
Excess of revenues over expenses before undernoted	708,931	1,130,777
Interest expense	(61,476)	(58,032)
	647,455	1,072,745
Other comprehensive income (loss)		
Item that will not be subsequently reclassified to net income - remeasurement of the employee benefit obligation (note 7)	(1,719)	23,436
Total comprehensive income for the year	<u>\$ 645,736</u>	<u>\$ 1,096,181</u>

See accompanying notes to financial statements.

SUDBURY AIRPORT COMMUNITY DEVELOPMENT CORPORATION

Statement of Changes in Equity

Year ended December 31, 2016, with comparative information for 2015

		Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total
Balance, January 1, 2015	\$	(6,698)	11,415,141	11,408,443
Income for the year		-	1,072,745	1,072,745
Remeasurement of employee benefit obligation		23,436	-	23,436
Balance, December 31, 2015		16,738	12,487,886	12,504,624
Income for the year		-	647,455	647,455
Remeasurement of employee benefit obligation		(1,719)	-	(1,719)
Balance, December 31, 2016	\$	15,019	13,135,341	13,150,360

See accompanying notes to financial statements.

SUDBURY AIRPORT COMMUNITY DEVELOPMENT CORPORATION

Statement of Cash Flows

Year ended December 31, 2016, with comparative information for 2015

	2016	2015
Cash provided by (used in):		
Operating activities:		
Comprehensive income for the year	\$ 645,736	\$ 1,096,181
Items not involving cash:		
Depreciation of property and equipment	1,848,431	1,603,799
Amortization of deferred capital contributions	(877,784)	(816,028)
Non-cash employee future benefit obligation expense (gain)	1,719	(23,436)
	<u>1,618,102</u>	<u>1,860,516</u>
Changes in non-cash working capital:		
Trade and other receivables	801,969	900,278
Payable to the City of Greater Sudbury	(1,485,494)	2,074,500
Prepaid expenses	36,279	(58,491)
Inventory	25,832	(36,455)
Trade and other payables	(677,703)	(295,923)
Employee future benefits	3,365	(5,296)
	<u>322,350</u>	<u>4,439,129</u>
Investing activities:		
Purchase of property and equipment	(323,610)	(5,567,977)
	<u>(323,610)</u>	<u>(5,567,977)</u>
Financing activities:		
Capital contributions received	-	1,131,067
	<u>-</u>	<u>1,131,067</u>
Increase (decrease) in cash during the year	(1,260)	2,219
Cash, beginning of year	22,504	20,285
Cash, end of year	\$ 21,244	\$ 22,504

See accompanying notes to financial statements.

SUDBURY AIRPORT COMMUNITY DEVELOPMENT CORPORATION

Notes to Financial Statements

Year ended December 31, 2016

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).

1. 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 were approved and authorized for issue at the Annual General Meeting on June 13, 2017.

2. Summary of significant accounting policies:

(a) Revenue recognition:

National landing fees, 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.

(b) 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

Year ended December 31, 2016

2. Summary of significant accounting policies (continued):

(c) 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 - 80 years
Buildings	10 – 30 years
Equipment	2 – 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.

(d) 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.

SUDBURY AIRPORT COMMUNITY DEVELOPMENT CORPORATION

Notes to Financial Statements

Year ended December 31, 2016

2. Summary of significant accounting policies (continued):

(e) 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.

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.

(f) 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, and cash 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.

SUDBURY AIRPORT COMMUNITY DEVELOPMENT CORPORATION

Notes to Financial Statements

Year ended December 31, 2016

2. Summary of significant accounting policies (continued):

(f) Financial instruments (continued):

- 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.

(g) 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.

(h) Accounting standards issued but not yet adopted:

The Corporation is evaluating the adoption of the following new and revised standards along with any subsequent amendments.

Revenue Recognition

The IASB has issued IFRS 15 Revenue from Contracts with Customers ("IFRS 15"). IFRS 15 replaces IAS 11 Construction Contracts, IAS 18 Revenue and various interpretations and establishes principles regarding the nature, amount, timing and uncertainty of revenue arising from contracts with customers. The standard requires entities to recognize revenue for the transfer of goods or services to customers measured at the amounts an entity expects to be entitled to in exchange for those goods or services. IFRS 15 is effective for annual periods beginning on or after January 1, 2018. The Corporation is assessing the impact of IFRS 15 on its results of operations, financial position and disclosures.

Financial Instruments

In July 2015, the IASB issued a new standard, IFRS 9 Financial Instruments, which will replace IAS 39 Financial Instruments: Recognition and Measurement. The replacement of IAS 39 is a multi-phase project with the objective of improving and simplifying the reporting for financial instruments. The issuance of IFRS 9 is part of the first phase of this project. IFRS 9 is effective for periods beginning on or after January 1, 2018 and must be applied retrospectively. The Corporation is assessing the impact of IFRS 9 on its results of operations, financial position, and disclosures.

SUDBURY AIRPORT COMMUNITY DEVELOPMENT CORPORATION

Notes to Financial Statements

Year ended December 31, 2016

3. 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:

(a) 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, 2016 is disclosed in note 4.

(b) 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 7. Any changes in these assumptions will impact the carrying amount of the employee benefit obligations.

SUDBURY AIRPORT COMMUNITY DEVELOPMENT CORPORATION

Notes to Financial Statements

Year ended December 31, 2016

4. Trade and other receivables:

	2016	2015
Trade receivables	\$ 510,487	445,404
Less: provision for impairment	(12,435)	(17,282)
Trade receivables - net	498,052	428,122
Other receivables	18,752	890,651
Trade and other receivables	\$ 516,804	1,318,773

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

As at December 31, 2016, trade receivables of \$510,487 (2015 - \$445,404) 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:

	2016	2015
0 to 30 days	\$ 441,645	424,241
30 days to 3 months	68,274	3,213
3 to 6 months	544	4,761
Over 6 months	24	13,189
	\$ 510,487	445,404

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.

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

	2016	2015
Balance, beginning of year	\$ 17,282	9,623
Additional provision during the year	7,377	9,782
Amounts written-off during the year	(12,224)	(2,123)
Balance, end of year	\$ 12,435	17,282

SUDBURY AIRPORT COMMUNITY DEVELOPMENT CORPORATION

Notes to Financial Statements

Year ended December 31, 2016

4. Trade and other receivables (continued):

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.

5. 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, 2016 in the amount of \$1,498,570 (2015 - payable of \$2,984,064) 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 \$196,295 (2015 - \$196,295) charged by the City for the provision of administrative services. In addition, net interest in the amount of \$61,476 (2015 - \$58,032) was paid during the year.

SUDBURY AIRPORT COMMUNITY DEVELOPMENT CORPORATION

Notes to Financial Statements

Year ended December 31, 2016

6. Property, plant and equipment:

Cost:

	Buildings	Equipment	Runway	Transferred Assets	Assets under construction	Parking Lot	Land Development	Total
Balance, January 1, 2015	\$ 7,985,283	7,582,842	10,087,335	2	2,423,969	464,940	3,555,126	32,099,497
Transfers	7,323,428	133,000	-	-	(7,456,428)	-	-	-
Additions	384,900	396,268	-	-	5,066,809	-	-	5,847,977
Balance, December 31, 2015	15,693,611	8,112,110	10,087,335	2	34,350	464,940	3,555,126	37,947,474
Transfers	-	-	-	-	-	-	-	-
Additions	21,243	78,534	-	-	223,833	-	-	323,610
Balance, December 31, 2016	\$ 15,714,854	8,190,644	10,087,335	2	258,183	464,940	3,555,126	38,271,084

Accumulated depreciation:

	Buildings	Equipment	Runway	Transferred Assets	Assets under construction	Parking Lot	Land Development	Total
Balance, January 1, 2015	\$ 2,593,316	2,648,058	3,265,360	-	-	108,323	331,004	8,946,061
Depreciation expense	288,891	498,862	672,489	-	-	23,248	120,309	1,603,799
Balance, December 31, 2015	2,882,207	3,146,920	3,937,849	-	-	131,571	451,313	10,549,860
Depreciation expense	523,325	509,060	672,490	-	-	23,248	120,308	1,848,431
Balance, December 31, 2016	\$ 3,405,532	3,655,980	4,610,339	-	-	154,819	571,621	12,398,291

Carrying amounts:

	Buildings	Equipment	Runway	Transferred Assets	Assets under construction	Parking Lot	Land Development	Total
At December 31, 2015	\$ 12,811,404	4,965,190	6,149,486	2	34,350	333,369	3,103,813	27,397,614
At December 31, 2016	12,309,322	4,534,664	5,476,996	2	258,183	310,121	2,983,505	25,872,793

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.

SUDBURY AIRPORT COMMUNITY DEVELOPMENT CORPORATION

Notes to Financial Statements

Year ended December 31, 2016

7. Employment benefit obligations:

	2016	2015
Other post-employment and sick leave benefits	\$ 145,583	143,798
Vacation pay	182,442	179,143
	\$ 328,025	322,941

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, 2016.

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:

	2016	2015
Other post-employment benefits:		
Balance, beginning of year	\$ 143,798	162,023
Current service cost	5,995	6,341
Interest cost	5,184	6,021
Actuarial gain – demographic	–	6,848
Actuarial gain – economic	1,719	(30,284)
Benefits paid	(11,113)	(7,151)
Balance, end of year	\$ 145,583	143,798
Assets:		
Fair value, beginning of year	\$ –	–
Employer contributions	11,113	7,151
Benefits paid	(11,113)	(7,151)
Fair value, end of year	\$ –	–

SUDBURY AIRPORT COMMUNITY DEVELOPMENT CORPORATION

Notes to Financial Statements

Year ended December 31, 2016

7. Employment benefit obligations (continued):

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

	2016	2015
Current service cost	\$ 5,995	6,341
Interest cost	5,184	6,021
Employee benefit expense recognized in net income	\$ 11,179	12,362
Actuarial gain (loss) recognized in OCI	\$ (1,719)	23,436

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

	2016	2015
Discount rate	3.60%	3.75%
Rate of compensation increase	3.10%	3.10%
Medical cost increase	4.50%	4.50%

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:

	2016	2015
Effect on aggregate of current service costs and interest for the year ended December 31		
One percentage point increase	\$ 1,227	1,227
One percentage point decrease	(1,082)	(1,082)
Effect on employee benefit obligation as at December 31		
One percentage point increase	\$ 10,613	9,198
One percentage point decrease	(9,650)	(8,409)

SUDBURY AIRPORT COMMUNITY DEVELOPMENT CORPORATION

Notes to Financial Statements

Year ended December 31, 2016

8. Deferred capital contributions:

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

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

	2016	2015
Balance, beginning of year	\$ 11,714,395	11,399,356
Add: contributions received in the year	–	1,131,067
Less: amount recognized as revenue in the year	(877,784)	(816,028)
Balance, end of year	\$ 10,836,611	11,714,395

9. 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 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 payment is \$372,942.

10. 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.

SUDBURY AIRPORT COMMUNITY DEVELOPMENT CORPORATION

Notes to Financial Statements

Year ended December 31, 2016

11. 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 5).

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:

	2016	2015
Total included in salaries, wages and benefits	\$ 189,613	128,084

12. 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 other financial liabilities (comprises trade and other payables and payable to the City). The carrying values of the Corporation's financial instruments are as follows:

	2016	2015
Loans and receivables	\$ 538,048	1,340,277
Other financial liabilities	1,945,154	4,238,351

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 payable to the City as there are no fixed repayment terms.

i) Risk management

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

SUDBURY AIRPORT COMMUNITY DEVELOPMENT CORPORATION

Notes to Financial Statements

Year ended December 31, 2016

12. Financial instruments and risk management (continued):

ii) 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.

iii) 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% (2015 - 93%) of terminal fees and national landing fees and 71% (2015 - 22%) of the trade and other receivable balance as at December 31, 2016.

iv) 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.

	2016		
	Less than 1 month	1 month to 12 months	1 year to 5 years
Trade and other payables	\$ 122,540	322,874	1,150

	2015		
	Less than 1 month	1 month to 12 months	1 year to 5 years
Trade and other payables	\$ 190,681	933,606	-

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

SUDBURY AIRPORT COMMUNITY DEVELOPMENT CORPORATION

Notes to Financial Statements

Year ended December 31, 2016

12. Financial instruments and risk management (continued):

v) 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, 2016, the Corporation's retained earnings and accumulated other comprehensive loss amounted to \$13,150,360 (2015 - \$12,504,624).

13. Comparative information:

Certain of the 2015 comparative information have been restated to conform with the 2016 presentation.