Vancouver Airport Authority

Consolidated financial statements
December 31, 2020

Independent auditor's report

To the Directors of
Vancouver Airport Authority

Opinion

We have audited the consolidated financial statements of the **Vancouver Airport Authority** [the "Airport Authority"], which comprise the consolidated statement of financial position as at December 31, 2020, and the consolidated statement of operations, consolidated statement of changes in net assets and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Airport Authority as at December 31, 2020, and its consolidated results of operations and its consolidated cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Airport Authority in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled 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.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 Airport Authority'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 Airport Authority'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 consolidated 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 Airport Authority to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated 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.

Ernst & Young LLP

Chartered Professional Accountants

Vancouver, Canada
April 30, 2021

Vancouver Airport Authority

Consolidated statement of financial position
[expressed in thousands of dollars]

As at December 31

	2020	2019
	$	$
ASSETS		
Current		
Cash	491,490	241,496
Accounts receivable *[note 3]*	19,933	43,106
Other receivables *[notes 11 and 17[a]]*	27,301	20,657
Inventory *[note 4]*	9,829	10,356
Prepaid expenses	6,125	8,227
Current portion of other long-term assets *[note 7]*	2,386	1,242
Total current assets	557,064	325,084
Partnership interests *[note 5]*	52,261	43,635
Capital assets, net *[note 6]*	2,566,620	2,653,099
Other long-term assets, net *[note 7]*	41,446	41,361
	3,217,391	3,063,179
LIABILITIES AND NET ASSETS		
Current		
Accounts payable and accrued liabilities *[notes 9, 10, 16[c] and 17[a]]*	118,240	199,810
Loan payable to VAPH *[note 5[b]]*	22,470	-
Current portion of deferred revenue *[note 14]*	6,602	13,626
Total current liabilities	147,312	213,436
Deferred revenue *[note 14]*	17,420	17,765
Other long-term liabilities *[notes 16[b] and [c]]*	21,214	18,711
Deferred capital contributions *[note 11]*	84,299	79,030
Debentures *[note 10]*	1,488,877	893,209
Total liabilities	1,759,122	1,222,151
Commitments, contingencies and guarantees *[notes 8 and 17]*		
Subsequent events *[notes 17[a] and [c]]*		
Net assets	1,458,269	1,841,028
	3,217,391	3,063,179

See accompanying notes

On behalf of the Board

Director

Director

Consolidated statement of operations

[expressed in thousands of dollars]

Year ended December 31

	2020	2019
	$	$
REVENUE		
Landing fees *[note 18]*	22,624	48,723
Terminal fees *[note 18]*	53,989	97,574
Concessions *[notes 7[a], 12 and 18]*	61,004	145,569
Airport improvement fees *[notes 15 and 18]*	51,006	170,981
Car parking	12,517	38,708
Rentals *[notes 7[a], 12 and 18]*	43,339	40,735
Fees and miscellaneous *[note 14]*	12,750	21,723
Contributions *[note 13]*	22,526	7,739
	279,755	571,752
OPERATING EXPENSES		
Salaries, wages and benefits *[notes 13[a] and 16]*	64,235	65,484
Goods and services *[notes 4 and 6]*	111,556	144,629
Payments in lieu of taxes, insurance and other *[note 4]*	26,031	33,575
Amortization of capital assets	164,680	159,375
	366,502	403,063
OTHER EXPENSES		
Ground lease *[note 17[a]]*	4,001	60,288
Revenue sharing *[note 17[b][iii]]*	2,684	5,707
Interest and financing charges	42,098	31,470
	48,783	97,465
Excess (deficiency) of revenue over expenses before undernoted items	(135,530)	71,224
Write-down of assets *[notes 6 and 7[c]]*	(253,365)	(5,122)
Gain (loss) on disposal of capital assets	(28)	76
Foreign exchange loss	(195)	(294)
DOC partnership loss *[note 5[a]]*	(1,481)	(898)
VAPH partnership income *[note 5[b]]*	10,455	10,616
Excess (deficiency) of revenue over expenses for the year	(380,144)	75,602

See accompanying notes

Vancouver Airport Authority

Consolidated statement of changes in net assets

[expressed in thousands of dollars]

Year ended December 31

	2020 $	2019 $
Balance, beginning of year	**1,841,028**	1,765,433
Excess (deficiency) of revenue over expenses for the year	**(380,144)**	75,602
Employee future benefit plan remeasurements *[note 20[b]]*	**(2,615)**	(7)
Balance, end of year	**1,458,269**	1,841,028

See accompanying notes

Consolidated financial statement of cash flows

[expressed in thousands of dollars]

Year ended December 31

	2020	2019
	$	$
OPERATING ACTIVITIES		
Excess (deficiency) of revenue over expenses for the year	(380,144)	75,602
Add (deduct) items not involving cash		
Amortization of capital assets	164,680	159,375
Amortization of deferred capital contributions	(5,757)	(7,739)
Amortization of deferred financing costs	532	269
Amortization of other long-term assets	1,631	1,338
Write-down of capital assets *[note 6]*	253,145	5,122
Write-down of other long-term assets *[note 7[c]]*	961	-
Loss (gain) on disposal of capital assets	28	(76)
DOC partnership loss *[note 5[a]]*	1,481	898
VAPH partnership income *[note 5[b]]*	(10,455)	(10,616)
Net change in non-cash working capital balances related to operations *[note 20[a]]*	(6,484)	27,307
Cash provided by operating activities	19,618	251,480
INVESTING ACTIVITIES		
Additions to capital assets *[note 20[b]]*	(395,375)	(610,639)
Proceeds on disposal of capital assets	17	116
Dividends received from DOC Partnership *[note 5[a]]*	-	3,250
Partnership distributions from VAPH *[notes 5[b] and 20[b]]*	-	1,466
Decrease in net investment in lease	-	1,311
Increase in other long-term assets *[notes 7 and 20[b]]*	(5,410)	(4,255)
Cash used in investing activities	(400,768)	(608,751)
FINANCING ACTIVITIES		
Increase in loan payable to VAPH *[note 5[b]]*	22,470	-
Increase in other long-term liabilities	2,503	1,512
Increase in deferred financing fees *[note 10]*	(4,864)	(2,029)
Issuance of debentures *[note 10[b]]*	600,000	300,000
Deferred capital contributions received *[note 20[b]]*	11,035	28,971
Cash provided by financing activities	631,144	328,454
Net increase (decrease) in cash during the year	249,994	(28,817)
Cash, beginning of year	241,496	270,313
Cash, end of year	491,490	241,496

See accompanying notes

Notes to consolidated financial statements

[Unless otherwise stated, all amounts are in thousands of Canadian dollars]

December 31, 2020

1. Operations

The Vancouver Airport Authority [the "Airport Authority"] is incorporated under the *Canada Not-for-profit Corporations Act*. The Airport Authority is governed by a Board of Directors [the "Board"], with nine members appointed by the Government of Canada and various government and professional bodies, up to five directors appointed by the Board from the community at large, and one seat on the Board held by the President and CEO of the Airport Authority.

The Airport Authority operates the Vancouver International Airport [the "Airport"] pursuant to a lease of most of Sea Island, Richmond, British Columbia, from the Government of Canada [the "Ground Lease"].

The Airport Authority has four wholly owned subsidiaries:

[i] Vancouver Airport Enterprises Ltd. ["VAEL"] holds a 100% investment in YVR Project Management Ltd. ["YVRPM"], which provides capital project management and consulting services to affiliated and non-affiliated entities.

[ii] Vancouver Airport Authority (Hong Kong) Ltd. ["YVRHK"] is a Hong Kong domiciled company that provides various marketing and support services to promote the Airport Authority as a premier passenger and air cargo hub for Asian customers. During the year, due to the impacts of COVID-19, the decision was made to wind up the operations of YVRHK in 2021. The impact of the wind up of YVRHK is not expected to be material to the consolidated financial statements and will be reflected in the consolidated statement of operations in the period in which the costs are incurred.

[iii] Vancouver Airport Enterprises (Templeton) Ltd. ["VAEL Templeton"] holds the Airport Authority's 50% investment in Templeton DOC General Partner Ltd. and Templeton DOC Limited Partnership [collectively referred to as "DOC Partnership"], which has developed a retail designer outlet centre ["DOC"] on Sea Island.

[iv] Vancouver Airport Properties Ltd. ["VAPL"] holds a 0.1% interest in and manages the following partnerships:

Vancouver Airport Property Holding LLP ["VAPH"] – VAPH's purpose is to hold the leasehold interest from the Airport Authority. The Airport Authority holds the other 99.9% interest in VAPH.

Vancouver Airport Property Management LLP ["VAPM"] – VAPM is the limited liability partnership that owns and operates multi-tenanted buildings on Sea Island. VAPH holds the other 99.9% interest in VAPM.

Notes to consolidated financial statements

[Unless otherwise stated, all amounts are in thousands of Canadian dollars]

December 31, 2020

1. Operations [continued]

The Airport Authority, along with much of the aviation industry, has suffered a significant decline in passengers due to the impacts of COVID-19 which was declared a global pandemic by the World Health Organization on March 11, 2020 due to its high levels of spread and severity. Government agencies around the world have imposed various preventive measures including travel restrictions and social distancing, which has had a direct impact on the Airport Authority's operations as the passenger count decreased abruptly in March 2020 and has continued to remain at significantly reduced levels. Management has taken these impacts into account and have adjusted operations and contractual arrangements, and expects to continue to do so, to ensure the Airport Authority's liquidity as obligations come due. Management expects the Airport Authority to continue as a going concern.

2. Significant accounting policies

Presentation and basis of accounting

These consolidated financial statements are prepared in accordance with Part III of the *CPA Canada Handbook – Accounting*, "Accounting Standards for Not-for-Profit Organizations," and include the results of the Airport Authority's wholly owned subsidiaries and partnership interests. All intercompany transactions and balances have been eliminated on consolidation.

Inventory

Inventory is valued at the lower of weighted average cost and net realizable value. Weighted average cost includes the purchase price, import duties, other net taxes, transportation, handling and other costs directly attributable to acquisition. Net realizable value is the estimated current replacement cost.

Partnership interests

The Airport Authority accounts for its partnership interests using the equity method. The Airport Authority's share of its partnership net income is recorded in the consolidated statement of operations.

Borrowing cost

Interest on debt is recognized as an expense in the period in which it is incurred.

2. Significant accounting policies [continued]

Capital assets

Capital assets are recorded at cost less accumulated amortization. The cost includes the purchase price and other acquisition and construction costs such as installation costs, design and engineering fees, legal fees, survey costs, site preparation, transportation charges, labour, insurance and duties.

Software that is an integral part of the related hardware is capitalized to the cost of computer equipment and included in capital assets.

The costs included in construction-in-progress are capitalized during the construction phase and are not amortized. Upon completion of the project, the assets will be allocated to the respective capital asset classes and amortized at the rates provided in the table below.

The art collection is considered to have a permanent value and is not amortized.

Amortization is provided at cost less estimated salvage value on a straight-line basis over the estimated useful lives as follows:

Buildings and other structures	5 to 40 years
Runways and other paved surfaces	3 to 30 years
Rapid transit infrastructure	50 years
Machinery and equipment	5 to 15 years
Furniture and fixtures	5 to 15 years
Computer equipment and software	3 to 10 years

The Airport Authority assesses write-downs when conditions indicate the future economic benefits or service potential associated with the asset is less than the carrying amount. The write-downs are assessed based on the fair value or replacement cost on an asset-by-asset basis. A write-down is not reversed.

Deferred revenue

Deferred revenue represents payments received in advance from tenants and operators, which are deferred and recognized over the terms of the related agreements.

Notes to consolidated financial statements

[Unless otherwise stated, all amounts are in thousands of Canadian dollars]

December 31, 2020

2. Significant accounting policies [continued]

Revenue recognition

Revenue is recognized when the amount to be received is fixed or can be reasonably estimated, delivery has occurred, and collection is reasonably assured as follows:

[i] Aeronautical charges, which consist of landing and terminal fees, are generally recognized as revenue when airport facilities are utilized.

[ii] Concession revenue is recognized based on a percentage of reported concessionaire sales and/or specified minimum annual guarantees. Specified minimum annual guarantee amounts and incentives for lessees to enter into lease agreements are recognized on a straight-line basis over the term of the lease.

[iii] Revenue from the Airport Improvement Fee ["AIF"], which is collected from passengers by air carriers, is recognized based on monthly passenger numbers submitted by individual air carriers.

[iv] Car parking revenue is recognized when airport facilities are utilized.

[v] Rental revenue is recognized on a straight-line basis over the term of the respective agreements. Revenue from rental arrangements classified as direct finance leases is recognized over the term of the lease in order to reflect a constant periodic return to the Airport Authority's net investment in the finance lease.

[vi] Contributions are accounted for using the deferral method as follows:

Unrestricted contributions are recognized as revenue if the amount to be received can be reasonably estimated and collection is reasonably assured.

Contributions received to offset specific operating costs are initially deferred and recorded as revenue when the related costs are incurred.

Contributions received and designated by third parties for specific capital purposes are initially deferred and recorded as revenue on a basis consistent with the amortization of the related capital assets.

2. Significant accounting policies [continued]

[vii] COVID-19-related rent relief are accounted for using the COVID Practical Expedient as follows:

Rent relief provided for payments due before December 31, 2021 that result in a deferral of lease payments with no change to the total payments required by the original lease contract continue to be recognized in accordance with the terms of the original lease.

Rent relief provided for payments due before December 31, 2021 that result in reduced payments compared to the amounts required by the original lease are recognized in the period to which the lease payments relate. The lease continues to be recognized in accordance with the terms of the original lease.

Ground lease expense

The ground lease expense is based on a progressive scale of percentages of the Airport Authority's revenue as defined in the Ground Lease and is charged to the consolidated statement of operations. During the year, the Government of Canada provided relief on the ground lease expense [note 17[a]].

The Airport Authority does not receive title to the underlying parcels of land; therefore, the Ground Lease has been accounted for as an operating lease.

Dividend income

Dividend income is recorded when the dividend is declared and collection is reasonably assured.

Taxes

Income arising from the operation of the Airport Authority is exempt from federal and provincial income taxes under the *Airport Transfer (Miscellaneous Matters) Act*.

A payment in lieu of taxes is made for municipal services and is based on the municipality's rates applied to the assessment of property values. Payments are recognized as an expense over the assessment term.

Operations of each subsidiary are subject to taxes in the jurisdictions in which the subsidiaries operate and recorded in payments in lieu of taxes, insurance and other. Taxes in these entities are measured using the future income taxes method.

2. Significant accounting policies [continued]

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all of the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. Operating lease payments are recognized as an expense on a straight-line basis over the term of the lease.

Employee future benefits

The Airport Authority has a contributory defined benefit pension plan that covers employees of the Airport Authority who, immediately prior to joining the Airport Authority, were employees of the Federal Public Service; a defined contribution plan that covers new employees who have joined the Airport Authority since June 1992; and unfunded supplemental plans that cover its senior executives.

Defined benefit pension plans

The Airport Authority accrues its obligations under defined benefit pension plans as the employees render the service necessary to earn the employment benefits.

The Airport Authority measures its accrued benefit obligations and the fair value of plan assets as at December 31 of each year, using the most recent funding valuation for the defined benefit pension plan, with liabilities adjusted to remove the margin for adverse deviation from the discount rate. The most recent actuarial valuation of the defined benefit pension plan for funding purposes was as of December 31, 2019. The next valuation for funding purposes will be as of December 31, 2020, the results of which are expected to be available later in 2021.

The actuarial determination of the accrued benefit obligations for pensions and other retirement benefits uses the projected accrued benefit cost method prorated on service. Obligations for the pension plans are calculated using the assumptions from the actuarial funding valuation including an estimate of future salary levels, pension indexing, retirement ages of employees, and other actuarial factors. Obligations for the non-pension benefit plan are calculated using assumptions that incorporate management's best estimate of cost escalation, retirement ages of employees, and other actuarial factors.

For the purpose of calculating the expected return on plan assets, those assets are valued at fair value at the reporting date.

Remeasurements, which include settlement and actuarial gains and losses, arise from the difference between actual long-term rate of return on plan assets for a period and the expected long-term rate of return on plan assets for that period, differences in demographic and economic experience compared to expectations, or from changes in actuarial assumptions used to determine the accrued benefit obligation. These remeasurements are recognized directly in net assets and presented separately.

2. Significant accounting policies [continued]

Past service costs arising from plan amendments are recognized immediately in the consolidated statement of operations.

Defined contribution benefit plans

The Airport Authority records contributions to defined contribution benefit plans as an expense, which is included in salaries, wages and benefits expense as services are rendered.

Financial instruments

Recognition and measurement

The Airport Authority recognizes a financial asset or financial liability when the entity becomes a party to the contractual provisions of the financial instrument.

At initial acquisition, financial assets or financial liabilities acquired or assumed in an arm's length transaction are measured at fair value, adjusted for directly attributable financing fees and transaction costs if the instrument is subsequently measured at cost or amortized cost.

The following is a summary of the Airport Authority's financial instruments that are subsequently measured at cost or amortized cost: cash, accounts receivable, other receivables, other long-term assets, accounts payable and accrued liabilities, loan to VAPH and debentures.

Financing costs

The Airport Authority capitalizes all transaction costs relating to the acquisition of financing as an offset to the related debt and amortizes the costs to interest expense using the effective interest rate method over the term of the underlying debt.

Translation of foreign currencies

The Airport Authority records foreign currency denominated transactions in Canadian dollars at exchange rates in effect at the time of the transactions. Monetary items denominated in foreign currencies are translated to Canadian dollars at the rate of exchange in effect at the reporting date. Foreign exchange gains and losses are included in the results of operations in the period in which they occur.

Integrated foreign subsidiary YVRHK's monetary assets and liabilities are translated into Canadian dollars at the year-end exchange rate. Revenue and expenses are translated at average exchange rates for the year. Foreign exchange gains or losses are recorded in the consolidated statement of operations.

Notes to consolidated financial statements

[Unless otherwise stated, all amounts are in thousands of Canadian dollars]

December 31, 2020

2. Significant accounting policies [continued]

Use of estimates

The preparation of financial statements 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 reporting date, and the reported amounts of revenue and expenses during the reporting period. Significant areas requiring the use of management estimates relate to the determination of accrued revenue, allowance for doubtful accounts, percentage of completion for construction-in-progress, write-down of capital assets, useful lives for amortization of capital assets, accrued liabilities, assumptions with respect to defined benefit plans, and provisions for contingencies. Actual results could differ materially from those estimates.

3. Accounts receivable

	2020 $	2019 $
Current	13,429	36,078
31-60 days past due	3,607	4,335
61-90 days past due	1,790	1,756
90 + days past due	7,391	1,935
Allowance for doubtful accounts	(5,514)	(998)
	20,703	43,106
Less long-term portion of deferred accounts receivable *[note 7]*	770	-
	19,933	43,106

	2020 $	2019 $
Allowance for doubtful accounts, beginning of year	998	583
Increase in allowance for doubtful accounts	4,652	415
Write-off of specific accounts	(136)	-
Allowance for doubtful accounts, end of year	5,514	998

As a result of COVID-19, the Airport Authority provided eligible tenants and operators extended payment terms with most repayment periods commencing on October 1, 2020. The accounts receivable balances with extended payment terms have been aged as current until the amounts become due during the repayment periods. The total carrying amount of accounts receivable with extended payment terms as of December 31, 2020 is $7.7 million [2019 – nil].

Notes to consolidated financial statements

[Unless otherwise stated, all amounts are in thousands of Canadian dollars]

December 31, 2020

4. Inventory

As at December 31, 2020, the Airport Authority has a $34,000 [2019 – nil] valuation allowance on its inventory. The cost of inventory recognized as goods and services and payments in lieu of taxes, insurance and other for the year ended December 31, 2020 was $3.2 million [2019 – $5.3 million].

5. Partnership interests

	2020 $	2019 $
DOC Partnership *[a]*	12,547	14,028
VAPH *[b]*	39,714	29,607
	52,261	43,635

[a] DOC Partnership

For the year ended December 31, 2020, the Airport Authority recorded a partnership loss of $1.5 million [2019 - $0.9 million] from Templeton DOC Limited Partnership. The amount was recorded in the consolidated statement of operations and as a decrease in partnership interests.

For the year ended December 31, 2020, the Airport Authority received total dividends of nil [2019 – $3.3 million] from Templeton DOC Limited Partnership as a repayment on its initial investment. The amount was recorded as a decrease in partnership interests.

To date, the Airport Authority's net equity contribution to Templeton DOC Limited Partnership is $16.0 million [2019 – $16.0 million] and $10,000 [2019 - $10,000] to Templeton DOC General Partner Ltd.

Summarized consolidated statements of financial position, operations and cash flows of the Airport Authority's 50% share of the Templeton DOC Limited Partnership as at and for the years ended December 31, 2020 and 2019, are presented below:

	2020 $	2019 $
Assets	95,592	94,136
Liabilities	83,055	80,118
Net assets	12,537	14,018

Notes to consolidated financial statements

[Unless otherwise stated, all amounts are in thousands of Canadian dollars]

December 31, 2020

5. Partnership interests [continued]

	2020 $	2019 $
Revenue	**7,725**	9,553
Expenses	**9,206**	10,451
Net loss	**(1,481)**	(898)

	2020 $	2019 $
Cash flows provided by (used in)		
Operating activities	**3,868**	2,641
Financing activities	**2,238**	15,175
Investing activities	**(2,867)**	(17,675)

[b] VAPH and VAPM

For the year ended December 31, 2020, the Airport Authority recorded $10.5 million [2019 – $10.6 million] of partnership income in the consolidated statement of operations based on its partnership interest in VAPH. The amount was recorded as an increase in partnership interests.

During the year, the Airport Authority recorded a partnership distribution from VAPH of $0.3 million [2019 – $1.5 million]. The distribution was recorded as a reduction in partnership interests.

On May 21, 2020, VAPH provided a loan to the Airport Authority with a principal amount totalling $22.5 million [2019 – nil]. As set out in the promissory note, the loan is unsecured, non-interest bearing and repayable upon demand.

Notes to consolidated financial statements

[Unless otherwise stated, all amounts are in thousands of Canadian dollars]

December 31, 2020

5. Partnership interests [continued]

Summarized consolidated statements of financial position, operations and cash flows of the Airport Authority's 99.9% share of VAPH, which include equity earnings in VAPM as at and for the years ended December 31, 2020 and 2019, are presented below:

	2020 $	2019 $
Assets	**39,994**	29,555
Liabilities	**359**	10
Net assets	**39,635**	29,545

	2020 $	2019 $
Revenue	**10,448**	10,606
Expenses	**12**	10
Net income	**10,436**	10,596

	2020 $	2019 $
Cash flows provided by (used in)		
Operating activities	**511**	249
Investing activities	**(22,448)**	-
Financing activities	**-**	(1,466)

Notes to consolidated financial statements

[Unless otherwise stated, all amounts are in thousands of Canadian dollars]

December 31, 2020

6. Capital assets

	2020		
	Cost $	Accumulated amortization $	Net book value $
Buildings and other structures	2,415,817	1,152,834	1,262,983
Runways and other paved surfaces	697,976	357,134	340,842
Rapid transit infrastructure	298,948	68,222	230,726
Machinery and equipment	165,302	121,107	44,195
Furniture and fixtures	36,139	32,372	3,767
Computer equipment and software	230,890	187,598	43,292
Art collection	9,909	-	9,909
Construction-in-progress	630,906	-	630,906
	4,485,887	1,919,267	2,566,620

	2019		
	Cost $	Accumulated amortization $	Net book value $
Buildings and other structures	2,304,090	1,055,862	1,248,228
Runways and other paved surfaces	664,341	325,864	338,477
Rapid transit infrastructure	298,948	62,243	236,705
Machinery and equipment	159,113	112,782	46,331
Furniture and fixtures	35,582	31,011	4,571
Computer equipment and software	221,430	171,504	49,926
Art collection	9,909	-	9,909
Construction-in-progress	718,952	-	718,952
	4,412,365	1,759,266	2,653,099

Due to the impacts of COVID-19, the Airport Authority reduced its capital program with certain projects temporarily suspended and deferred or cancelled indefinitely. As a result, the Airport Authority identified impairment indicators in certain circumstances, as explained below.

[a] On September 9, 2020, the Airport Authority announced the termination of the CORE program which included a new central utilities building, geo-thermal heating and cooling system, ground transportation facility, site and utilities upgrades, and terminal upgrades. Due to the ongoing decline in air travel related to COVID-19, the Airport Authority no longer has the immediate need for the additional capacity provided by some of these assets as originally intended and designed, and it is expected that the current systems will support the needs of the Airport Authority for the next several years.

Notes to consolidated financial statements

[Unless otherwise stated, all amounts are in thousands of Canadian dollars]

December 31, 2020

6. Capital assets [continued]

Certain components of the site and utilities upgrades and terminal upgrades continue to be required and have been completed or expected to be completed in the near term. These assets were valued based on their replacement cost.

For the remaining assets within the CORE program, the Airport Authority has opted to measure the impairment using fair value. The determination of fair value is subject to significant assumptions and judgements and is considered to be a significant estimate. As the Airport Authority continues to review alternatives for the CORE program assets not currently in use, it is reasonably possible that changes in future conditions in the near term could require that a further write-down be recognized. At December 31, 2020, the Airport Authority determined the fair value of these assets to be $68.1 million.

At December 31, 2020, the total amount spent-to-date on the CORE program was $431.7 million [2019 - $278.9 million]. Of this total, for the year ended December 31, 2020, the Airport Authority recognized a write-down of $246.5 million [2019 – nil], in the consolidated statement of operations, $80.3 million in assets from construction-in-progress were transferred to terminals and other structures and runways and paved surfaces for components that had been completed and put into service, and $104.9 million remains in construction-in-progress.

The Airport Authority recorded additional write-downs of $6.6 million (2019 - $5.1 million), including $0.7 million (2019 - $0.3 million) which is recorded in goods and services for other capital projects that were a result of suspended or cancelled projects, scrapped materials, changes in scope and the removal of assets as a result of other projects. These assets were valued based on their replacement costs.

For the year ended December 31, 2020, the Airport Authority recorded $16.2 million [2019 - nil] of non-recurring capital suspension and demobilization costs in goods and services in the consolidated statement of operations.

Notes to consolidated financial statements

[Unless otherwise stated, all amounts are in thousands of Canadian dollars]

December 31, 2020

7. Other long-term assets

	2020		
	Cost $	Accumulated amortization $	Net book Value $
Operating lease receivables *[a]*	26,616	4,998	21,618
Long-term prepaid	2,449	92	2,357
Leasehold interest *[b]*	4,640	967	3,673
Development costs *[c]*	-	-	-
Intangible asset	1,400	1,400	-
Accrued benefit asset *[note 16[a]]*	16,184	-	16,184
Total other long-term assets	51,289	7,457	43,832
Less: current portion	2,386	-	2,386
	48,903	7,457	41,446

	2019		
	Cost $	Accumulated amortization $	Net book Value $
Operating lease receivables *[a]*	22,162	3,531	18,631
Long-term prepaid	2,146	-	2,146
Leasehold interest *[b]*	4,640	895	3,745
Development costs *[c]*	961	-	961
Intangible asset	1,400	1,400	-
Accrued benefit asset *[note 16[a]]*	17,120	-	17,120
Total other long-term assets	48,429	5,826	42,603
Less: current portion	1,242	-	1,242
	47,187	5,826	41,361

[a] In certain circumstances, the Airport Authority provides lease inducements to tenants. These lease inducements are recorded as long-term assets and recognized, on a straight-line basis, as a reduction of revenue over the term of the lease. For the year ended December 31, 2020, the Airport Authority provided lease inducements of $2.6 million [2019 – $0.6 million] to tenants and recognized $1.5 million [2019 – $1.2 million] as a reduction of concession and rental revenue.

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December 31, 2020

7. Other long-term assets [continued]

In October 2011, the Airport Authority entered into a sublease with a tenant for a parcel of land on Sea Island. The initial term of the sublease is 40 years with two subsequent renewal options of 10 years each at the option of the tenant. The sublease has been classified as an operating lease, with rental revenue being amortized evenly over the initial term of the sublease. As at December 31, 2020, the cumulative difference between the rental income recognized and cash lease payments received is $10.6 million [2019 – $10.8 million].

[b] In June 2008, the Airport Authority acquired a leasehold interest on Sea Island for $4.6 million, which included the estimated cost of decommissioning and demolishing the existing building on the land. Accordingly, the Ground Lease with Transport Canada was amended to include this additional site.

The leasehold interest is being amortized over the remaining term of the Ground Lease. For the year ended December 31, 2020, the amortization of the leasehold interest was $71,000 [2019 – $71,000].

[c] In December 2020, the Airport Authority recognized write-downs of $0.9 million of development costs [2019 – nil] in the consolidated statement of operations. These costs were related to site preparation and other soft costs that were deemed to no longer have value to any future development on the site.

8. Line of credit

On May 26, 2020, the Airport Authority increased its unsecured bank operating line to $450.0 million [December 31, 2019 - $300.0 million] bearing interest at the bank prime rate, which was 2.45% as at December 31, 2020 [2019 – 3.95%], or at prevailing market interest rates if issuing bankers' acceptances. The increased credit limit of $450.0 million was to reduce to $300.0 million at the earlier of its maturity date of August 31, 2023, or as the Airport Authority issues at least $200.0 million in debentures. As the Airport Authority issued $600.0 million in debentures on September 21, 2020, the credit limit was reduced down to $300.0 million. On December 16, 2020, the credit facility was amended to increase the credit limit back to $450.0 million.

	2020 $	2019 $
Unsecured bank operating line	**450,000**	300,000
Outstanding letters of credit, reducing available balance *[note 16[a]]*	**21,838**	19,798
Available unsecured bank operating line	**428,162**	280,202

Notes to consolidated financial statements

[Unless otherwise stated, all amounts are in thousands of Canadian dollars]

December 31, 2020

9. Accounts payable and accrued liabilities

Included in accounts payable and accrued liabilities are government remittances payable, which include amounts payable for sales, parking and payroll related taxes, as well as ground lease payments to Transport Canada.

	2020 $	2019 $
Transport Canada *[note 17[a]]*	-	758
TransLink	132	749
British Columbia Ministry of Finance	860	378
Canada Revenue Agency	14	46
	1,006	1,931

10. Debentures

	2020 $	2019 $
Debentures		
Amended Series B 7.425%, due December 7, 2026 *[a]*	150,000	150,000
Series F 3.857%, due November 10, 2045 *[a]*	200,000	200,000
Series G 3.656%, due November 23, 2048 *[a]*	250,000	250,000
Series H 2.874%, due October 18, 2049 *[a]*	300,000	300,000
Series I 1.760%, due September 20, 2030 *[b]*	250,000	-
Series J 2.800%, due September 21, 2050 *[b]*	350,000	-
	1,500,000	900,000
Less unamortized deferred financing costs *[a, b]*	11,123	6,791
	1,488,877	893,209

The Amended Series B debentures are issued under the Trust Indenture dated December 6, 1996 and amended under the Supplemental Indentures dated December 7, 2006 and October 5, 2015. The Series F debentures are issued under the Supplemental Indenture dated November 10, 2015. The Series G debentures are issued under the Supplemental Indenture dated November 23, 2018. The Series H debentures are issued under the Supplemental Indenture dated October 18, 2019.

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December 31, 2020

10. Debentures [continued]

[a] On September 11, 2020, the Airport Authority received approval from holders of the Series B, F, G and H debentures to make amendments to certain provisions in the Trust Indenture by way of a Ninth Supplemental Trust Indenture dated September 11, 2020. These amendments included temporarily relieving the Airport Authority of its obligations to meet or satisfy various interest coverage ratio requirements when tested based on fiscal years 2020, 2021, and 2022 under its Trust Indenture, as amended.

As a result of the amendments, the voting debenture holders received a voting fee of $1.00 for each $1,000 principal amount outstanding. The voting fee and other financing costs relating to the amendments totalled $1.1 million. The amount was deferred and recorded as a reduction to the total debentures. The deferred financing costs are amortized to interest and financing charges on the consolidated statement of operations over the term of the amendment up to December 31, 2022.

[b] The Airport Authority issued $250.0 million of 10-year Series I debentures and $350.0 million of 30-year Series J debentures under the Tenth Supplemental Trust Indenture dated September 21, 2020 to provide funding for general corporate purposes. The total estimated financing costs of $1.5 million and $2.3 million relating to the issuances were deferred and recorded as a reduction to the Series I and J debentures, respectively. The deferred financing costs are amortized to interest and financing charges on the consolidated statement of operations over the term of the respective debentures.

The effective interest rates on the Series B, F G, H, I and J debentures are 7.668%, 3.895%, 3.692%, 2.908%, 1.824%, and 2.832% respectively. As at December 31, 2020, the Airport Authority has accrued debenture interest of $8.5 million [2019 – $4.6 million], which is recorded in accounts payable and accrued liabilities.

The debentures are direct, unsecured and subordinated obligations of the Airport Authority. Interest is payable semi-annually in arrears in June and December for Series B, in May and November for Series F and G, in April and October for Series H, and in March and September for Series I and J. The debentures are redeemable at the option of the Airport Authority, in whole or in part, at any time.

For the Series B debentures, the redemption price is the higher of par and that value which would result in a yield to maturity equivalent to that of a Government of Canada bond of equivalent maturity plus a premium. The premium is 0.15% for the Series B debentures.

For the Series F debentures, the redemption price prior to May 10, 2045 is the higher of par and that value which would result in a yield to maturity equivalent to that of a Government of Canada bond of equivalent maturity plus a premium. The premium for these debentures is 0.37%. The redemption price on or after May 10, 2045 is par.

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10. Debentures [continued]

For the Series G debentures, the redemption price prior to May 23, 2048 is the higher of par and that value that would result in a yield to maturity equivalent to that of a Government of Canada bond of equivalent maturity plus a premium. The premium for these debentures is 0.31%. The redemption price on or after May 23, 2048 is par.

For the Series H debentures, the redemption price prior to April 18, 2049 is the higher of par and that value that would result in a yield to maturity equivalent to that of a Government of Canada bond of equivalent maturity plus a premium. The premium for these debentures is 0.295%. The redemption price on or after April 18, 2049 is par.

For the Series I debentures, the redemption price prior to June 20, 2030 is the higher of par and that value that would result in a yield to maturity equivalent to that of a Government of Canada bond of equivalent maturity plus a premium. The premium for these debentures is 0.295%. The redemption price on or after June 20, 2030 is par.

For the Series J debentures, the redemption price prior to March 21, 2050 is the higher of par and that value that would result in a yield to maturity equivalent to that of a Government of Canada bond of equivalent maturity plus a premium. The premium for these debentures is 0.425%. The redemption price on or after March 21, 2050 is par.

While the debentures are outstanding, the Airport Authority is required to maintain an interest coverage ratio of not less than 1.25:1. Any further issuances of debt with a maturity of 12 months or longer are subject to a minimum interest coverage ratio of 1.75:1 on a pro-forma basis. The Trust Indenture also places certain limitations on the Airport Authority in the areas of encumbrances of assets, sales of assets, acquisitions of corporations, investments and guarantees. The interest coverage ratio was not tested in the year as a result of the waiver [note 10[a]].

11. Deferred capital contributions

The Airport Authority receives funding from Canadian Air Transport Security Authority ["CATSA"] and others towards specific infrastructure upgrades. The funds received are deferred and brought into revenue as contributions at a rate consistent with the amortization of the related capital assets. The funds earned but not yet received of $12.9 million [2019 – $13.0 million] are recorded in other receivables.

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11. Deferred capital contributions [continued]

	2020 $	2019 $
Capital contributions		
CATSA	198,804	188,937
Other	5,370	4,211
	204,174	193,148
Less accumulated amortization	119,875	114,118
	84,299	79,030

12. Rent relief

As a result of the impacts of COVID-19, the Airport Authority has provided rent relief through various programs, including CECRA, to its tenants and operators.

For the year ended December 31, 2020, the total amount recognized as a reduction to revenue as a result of applying the COVID practical expedient was $21.6 million [2019 – nil] in the consolidated statement of operations.

13. Contributions

[a] Canada Emergency Wage Subsidy ["CEWS"]

In March 2020, the Government of Canada announced the CEWS program to provide a subsidy of 75% of employee wages for the twelve weeks between March 15, 2020 and June 6, 2020. In May 2020, the program period was extended to August 29, 2020. On July 17, 2020, the government announced a redesigned program linking the subsidy amount to an organization's reduction in revenues and provided a further extension to December 19, 2020. In October 2020, the program was extended through to June 2021.

The Airport Authority applied and qualified for the program in April, with subsidies retroactive to March 15, 2020, and has continued to qualify for subsequent periods.

For the year ended December 31, 2020, the Airport Authority recorded $15.7 million [2019 – nil] of CEWS. The restricted contribution was recorded as contributions revenue in the consolidated statement of operations.

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[Unless otherwise stated, all amounts are in thousands of Canadian dollars]

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13. Contributions [continued]

[b] Canada Emergency Commercial Rent Assistance ["CECRA"]

In April 2020, the Government of Canada announced the Canada Emergency Commercial Rent Assistance ["CECRA"] program which provided commercial rent relief to eligible small businesses experiencing financial hardship due to COVID-19 for the months of April to June 2020. Subsequent extensions were announced extending the program through to September 2020. The CECRA program required that the landlord reduce their eligible tenants' gross rent by at least 75% under a rent reduction agreement with the government granting an unsecured, non-interest bearing, forgivable loan to the landlord covering 50% of the eligible gross rent.

The Airport Authority made applications under the CECRA program on behalf of its eligible tenants and received $1.0 million [2019 - nil] in unsecured, non-interest bearing forgivable loans. As all conditions under the forgivable loans were met as of December 31, 2020, the Airport Authority recognized the amounts in contributions revenue in the consolidated statement of operations.

14. Related party transactions

Related parties include the Board of Directors, key management personnel, subsidiaries, partnerships and affiliates. The Airport Authority has not engaged in any significant related party transactions with directors and key management personnel for the years ended December 31, 2020 and 2019.

The Airport Authority provides certain administrative support services including information technologies, legal, accounting and human resources to its subsidiaries for no consideration.

The Airport Authority pays legal, administrative, and salaries and wages expenses on behalf of its directly or indirectly owned subsidiaries and partnerships in the normal course of operations and are measured at the agreed-upon exchange amount. All receivables and payables from subsidiaries and partnerships are due and payable upon demand.

For the year ended December 31, 2020, the Airport Authority received nil [2019 – $3.1 million] for rental revenue pursuant to a land lease for the DOC. The amounts received have been deferred and are recognized in rental revenue over the term of the lease.

For the year ended December 31, 2020, the Airport Authority recognized $0.4 million [2019 – $0.4 million] of rental revenue and nil [2019 – $0.2 million] of management fees from Templeton DOC Limited Partnership, which are recorded in fees and miscellaneous revenue.

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December 31, 2020

15. AIF – use of funds

The AIF is collected on the airline ticket by air carriers under a Memorandum of Agreement ["MOA"] between several Canadian airport authorities, air carriers and the Air Transport Association of Canada. Under the MOA, all AIF revenue collected is to be used to fund capital and related financing costs of airport infrastructure development as jointly agreed with the air carriers.

For the year ended December 31, 2020, the Airport Authority recorded $50.8 million [2019 – $170.2 million] main terminal AIF revenue, and main terminal AIF eligible capital expenditures totalled $298.9 million [2019 – $577.6 million]. The remainder of the AIF revenue was from the south terminal. As at December 31, 2020, the cumulative main terminal AIF revenue totalled $2.4 billion [2019 – $2.4 billion], and cumulative main terminal AIF eligible capital expenditures totalled $4.6 billion [2019 – $4.3 billion]. As at December 31, 2020, the cumulative AIF revenue has been used to fund AIF eligible capital expenditures in accordance with the MOA.

16. Employee future benefits

[a] Funded pension plans

Defined benefit plan

Information regarding the Airport Authority's defined benefit pension plan is as follows:

	2020 $	2019 $
Fair value of plan assets	**77,661**	74,759
Accrued benefit obligation	**61,477**	57,639
Accrued benefit asset	**16,184**	17,120

The accrued benefit asset is included in other long-term assets [note 7].

Total cash payments

In April 2011, amendments were made to the Pension Benefits Standards Regulations, which permitted plan sponsors to secure structured letters of credit in lieu of making solvency payments to the pension plan, up to a limit of 15% of plan assets. On August 31, 2011, the Airport Authority issued a letter of credit to fund its required solvency payments to its defined benefit plan. As at December 31, 2020, the total amount of the letter of credit was $8.7 million [2019 – $8.7 million], which reduced the available bank operating line [note 8].

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16. Employee future benefits [continued]

Total cash payments for employee future benefits for the year ended December 31, 2020, consisting of cash contributed by the Airport Authority to its funded pension plans [the defined benefit plan and defined contribution plans], were $3.6 million [2019 – $3.7 million].

[b] Unfunded pension plans

The Airport Authority participates in supplementary plans for its senior executives.

Pension expense for the year ended December 31, 2020 was $1.2 million [2019 – $1.3 million] and has been recognized in salaries, wages, and benefits on the consolidated financial statements. Based on an actuarial report, the total accrued benefit liability of these plans as at December 31, 2020 was $17.0 million [2019 – $15.2 million], which is included in other long-term liabilities.

[c] Retiring allowance

The Airport Authority provides a retiring allowance to bargaining unit employees based on their number of years of service and their salary at retirement. The accrued benefit liability is determined using an actuarial valuation and as at December 31, 2020, the total accrued benefit liability of this plan was $3.9 million [2019 – $4.0 million], the current portion of $0.4 million [2019 – $0.5 million] is recorded in accounts payable and accrued liabilities and $3.5 million [2019 – $3.5 million] in other long-term liabilities.

As a result of the impacts of COVID-19, in May 2020, the Airport Authority undertook a workforce reduction. For the year ended December 31, 2020, the Airport Authority recorded $4.4 million [2019 – nil] of severance and retirement allowance costs in salaries, wages and benefits in the consolidated statement of operations.

17. Commitments, contingencies and guarantees

[a] Ground Lease

The Ground Lease governs both the economic and day-to-day relations between the Airport Authority and the Government of Canada for a term ending on June 30, 2072.

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December 31, 2020

17. Commitments, contingencies and guarantees [continued]

Under the Ground Lease, Transport Canada is required to assume all costs associated with environmental remediation of any noxious or hazardous substance when such substance was present prior to the commencement of the Ground Lease on July 1, 1992. Transport Canada has taken the position that payment is contingent upon the actual issue of a direction from a government agency requiring the clean-up. The Airport Authority is of the view that compliance with the law, the Ground Lease and the general duty to the environment are the tests to determine when an obligation exists. These matters are under active discussion, and as such no obligation is recorded in the consolidated financial statements.

During the year, the Government of Canada provided relief for the ground lease expense to Canadian airports which suffered declines in passenger traffic resulting from COVID-19. The relief required the Airport Authority to pay 2/12ths of the annual ground lease expense for the 2020 fiscal year and allow payments for the 2021 fiscal year to be deferred. The 2021 deferred ground lease expense will be repaid over a 10 year term starting on January 1, 2024 and is non-interest bearing.

For the year ended December 31, 2020, the Airport Authority recorded $4.0 million [2019 - $60.3 million] of ground lease expense in the consolidated statement of operations, and $11.1 million of ground lease overpayment in other receivables, which will be refunded in 2021, [2019 – underpayment of $0.8 million in accounts payable and accrued liabilities] in the consolidated statement of financial position.

[b] Commitments

[i] As at December 31, 2020, in connection with the construction of certain capital projects, the Airport Authority has capital commitments outstanding of approximately $92.7 million [2019 – $530.7 million].

[ii] As at December 31, 2020, in connection with the operation of the Airport, the Airport Authority has total operating commitments of approximately $181.9 million [2019 – $206.0 million]. These commitments extend for periods of up to five years.

[iii] On June 21, 2017, the Airport Authority and a third party entered into a 30-year mutually beneficial agreement based on the four pillars of sustainability – economic, social, environmental, and governance. The agreement includes a revenue sharing arrangement whereby the Airport Authority will pay, on an annual basis, to the third party an amount equal to 1% of the Airport Authority's revenue as defined in the agreement.

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17. Commitments, contingencies and guarantees [continued]

[c] Guarantees

[i] On December 6, 2013, the Airport Authority entered into a payment guarantee agreement as the guarantor for a loan agreement between Templeton DOC Limited Partnership ["DOC Partnership"] and its bank [the "Loan Agreement"]. The Loan Agreement was amended and restated February 26, 2018 with further amendments dated June 18, 2020, December 18, 2020 and February 18, 2021. The maximum amount of the guarantee is $24.5 million and will be reduced for any repayment of the principal amount of the loan made with cash capital contributions to the DOC Partnership directly or indirectly from the Airport Authority which are not proceeds of the collateral securing the loan.

[ii] On February 18, 2015, the Airport Authority entered into an agreement to guarantee the payment of the obligations of DOC Partnership to the utility company for electrical services, up to an amount of $1.0 million plus applicable taxes. The initial term of the guarantee was until February 28, 2020 and was automatically extended for a one-year period until February 27, 2021. As of February 27, 2021, the utility company determined that the guarantee will be released but will result in a balance owing by the Airport Authority to the utility company for the utility company's excess contributions.

[d] Legal claims

In the normal course of operations, the Airport Authority becomes involved in various claims and legal proceedings.

While the final outcome with respect to these claims and legal proceedings cannot be predicted with certainty, management believes that the resolution of these proceedings will not have a material adverse effect on the Airport Authority's financial position or the results of its operations.

As at December 31, 2020, there were no material claims pending against the Airport Authority.

18. Customer concentration

The Airport Authority derives approximately $41.8 million [2019 – $63.0 million] in landing fees, terminal fees, AIF, and rental revenue from one airline and $20.7 million [2019 – $58.4 million] in concessions and rental revenue from one concession operator. The Airport Authority believes that the cessation of operations of the airline or concession operator would not have a material long-term effect on the Airport Authority's revenue or operations as the lost revenue would eventually be earned from other service providers.

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19. Financial instruments and risk management

The Airport Authority primarily has exposure to credit, currency, interest rate and liquidity risk on its financial instruments.

Credit risk

The Airport Authority is subject to credit risk through its financial assets. Ongoing credit valuations are performed on these accounts and valuation allowances are maintained for potential credit losses. The credit quality of financial assets can be assessed by reference to external credit ratings or historical information about the customer. The risk around collection of outstanding receivables has increased as a result of COVID-19. The Airport Authority has and will continue to mitigate these risks by holding security deposits, providing rent relief [note 12] and rent deferrals [note 3], and participating in the CECRA program [note 13[b]]. The Airport Authority held security deposits in the amount of $2.3 million as at December 31, 2020 [2019 - $2.8 million]. An allowance for doubtful accounts is established based upon factors surrounding the credit risk of specific customers, historical trends and other information. The accounts receivable aging and allowance for doubtful accounts reconciliation are detailed in note 3.

The Airport Authority's revenue is dependent on the domestic, transborder and international air transportation industry. Due to this diversification, the concentration of credit risk is considered to be minimal. While international travel has been limited due to COVID-19 restrictions, this is considered temporary and has not resulted in a significant increase in the concentration of credit risk.

Currency risk

The Airport Authority has minimal transactions denominated in foreign currencies, as the majority of revenue, expenses and capital asset expenditures are denominated in Canadian dollars.

Interest rate risk

The Airport Authority is exposed to interest rate risk on its bank operating line which is charged at the bank prime rate. The Airport Authority has no bank indebtedness as at December 31, 2020 [2019 – nil] either in the form of bankers' acceptances or drawings on the bank operating line [note 8]. The balance of outstanding debt is by way of debentures [note 10], which have fixed interest rates for their term and, therefore, any changes in market interest rates do not impact the Airport Authority's interest payments.

Notes to consolidated financial statements

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19. Financial instruments and risk management [continued]

Liquidity risk

The Airport Authority manages liquidity risk by maintaining adequate cash or available credit facilities. Cash flow projections are continually updated and reviewed by management to ensure a sufficient continuity of funding. As at December 31, 2020, the available liquidity, excluding cash and cash equivalents, is in excess of $100.0 million [2019 - $100.0 million].

20. Supplementary cash flow information

[a] Net change in non-cash working capital balances related to operations

	2020 $	2019 $
Accounts receivable	23,173	(7,067)
Other receivables	(6,314)	(5,849)
Inventory	527	(448)
Prepaid expenses	2,102	(2,283)
Accounts payable and accrued liabilities	(18,603)	38,988
Deferred revenue	(7,369)	3,966
	(6,484)	27,307

[b] Other supplementary information

	2020 $	2019 $
Non-cash transactions		
Construction-in-progress accrual	24,167	88,151
Deferred capital contribution accrual	12,942	12,951
Partnership distribution from VAPH	348	-
Employee future benefit plan remeasurements	(2,615)	(7)

21. Comparative figures

Certain comparative figures have been reclassified to conform with the current year's presentation.