FINANCIAL REPORT

2020

YYC CALGARY AIRPORT AUTHORITY

CONTENTS

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The management of The Calgary Airport Authority (the "Authority") is responsible for the preparation and fair presentation, in accordance with Canadian Accounting Standards for Private Enterprises, of the financial statements. The financial statements and notes include all disclosures necessary for a fair presentation of the financial position, results of operations and cash flows of the Authority in accordance with Canadian Accounting Standards for Private Enterprises, and disclosure otherwise required by the laws and regulations to which the Authority is subject.

The Authority's management maintains appropriate accounting and internal control systems, policies and procedures which provide management with reasonable assurance that assets are safeguarded and that financial records are reliable and form a proper basis for the preparation of the financial statements. These financial statements also include amounts that are based on estimates and judgements, which reflect currently available information.

The financial statements have been audited by PricewaterhouseCoopers LLP, an independent firm of chartered professional accountants, who were appointed by the Board of Directors.

The Audit and Finance Committee of the Board of Directors is composed of five directors who are not employees of the Authority. The Committee meets periodically with management and the independent external auditors to review any significant accounting, internal control and auditing matters. The Audit and Finance Committee also reviews and recommends the annual financial statements of the Authority together with the independent auditor's report to the Board of Directors which approves the financial statements.

ROBERT (BOB) SARTOR

President & Chief Executive Officer

ROBERT J. PALMER

Vice President, Commercial, Strategy
& Chief Financial Officer

March 3, 2021
Calgary, Alberta

Independent auditor's report

To the Board of Directors of The Calgary Airport Authority

Our opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of The Calgary Airport Authority (the Authority) as at December 31, 2020 and the results of its operations and its cash flows for the year then ended in accordance with Canadian Accounting Standards for Private Enterprises (ASPE).

What we have audited
The Authority's financial statements comprise:

- the balance sheet as at December 31, 2020;
- the statement of operations and net assets for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

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

Independence
We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Material uncertainty related to going concern

We draw attention to Note 2 in the financial statements, which describes events or conditions that indicate the existence of a material uncertainty that may cast significant doubt about the Authority's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with ASPE, 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.

PricewaterhouseCoopers LLP
111-5th Avenue SW, Suite 3100, Calgary, Alberta, Canada T2P 5L3
T: +1 403 509 7500, F: +1 403 781 1825

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

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 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 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 Authority to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

PricewaterhouseCoopers LLP

Chartered Professional Accountants

Calgary, Alberta
March 3, 2021

BALANCE SHEET

At December 31, thousands of Canadian dollars

	NOTE		2020		2019
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents		$	66,480	$	46,850
Accounts receivable	4		19,946		28,884
Inventory	5		5,451		5,649
Prepaid expenses			3,224		5,592
			95,101		86,975
TENANT INDUCEMENTS AND OTHER LONG-TERM ASSETS			4,550		1,698
CAPITAL AND INTANGIBLE ASSETS	6		3,150,538		3,274,533
PENSION ASSET	14		27,883		35,462
		$	**3,278,072**	**$**	**3,398,668**
LIABILITIES AND NET ASSETS					
CURRENT LIABILITIES					
Operating facility	8	$	50,000	$	–
Accounts payable and accrued liabilities			16,872		36,046
Interest payable on long-term debt	8		87,321		19,580
Deferred revenue			442		569
Other liabilities	7		2,662		2,644
Current portion of other long-term debt	8		50,000		25,000
			207,297		83,839
OTHER LONG-TERM LIABILITIES	7,19		24,764		2,740
PENSION LIABILITY	14		18,158		16,677
LONG-TERM DEBT	8		2,865,901		2,890,901
			3,116,120		2,994,157
NET ASSETS			161,952		404,511
		$	**3,278,072**	**$**	**3,398,668**

See accompanying notes to financial statements. See note 2 for details regarding Going Concern.

Approved on behalf of the Board:

Michael Casey
Chair

Donald Cormack
Director

STATEMENT OF OPERATIONS AND NET ASSETS

For the years ended December 31, thousands of Canadian dollars

	NOTE	2020	2019
REVENUE			
Airport improvement fees	9	$ 46,671	$ 163,344
Non-aeronautical revenues	10,11		
Concessions		22,937	72,409
Land rental		20,878	20,986
Car parking		15,240	41,700
Terminal space rental		9,119	8,356
Other revenue		664	1,799
Interest income		426	779
		69,264	146,029
Aeronautical revenues			
Aircraft landing fees		24,600	49,759
General terminal fees		23,277	48,128
Other aeronautical fees		10,272	24,703
		58,149	122,590
		174,084	431,963
EXPENSES			
Goods and services		97,523	121,511
Salaries and benefits	11	26,104	39,390
Contribution to interchange	19	22,450	–
Property taxes		17,798	17,910
Canada lease	13	2,381	43,778
Airport improvement fee handling fees	9	2,343	6,492
		168,599	229,081
INCOME BEFORE DEPRECIATION, AMORTIZATION, AND INTEREST		5,485	202,882
Depreciation and amortization	6	137,234	168,846
Interest	18	100,901	102,899
LOSS FROM OPERATIONS		(232,650)	(68,863)
OTHER INCOME (LOSS)			
Post-employment pension benefits	14	(9,909)	9,287
NET LOSS		(242,559)	(59,576)
NET ASSETS, BEGINNING OF YEAR		404,511	464,087
NET ASSETS, END OF YEAR		**$ 161,952**	**$ 404,511**

See accompanying notes to financial statements.

STATEMENT OF CASH FLOWS

For the years ended December 31, thousands of Canadian dollars

	NOTE		2020		2019
OPERATING					
Net loss		$	(242,559)	$	(59,576)
Employer future benefit contributions	14		(1,758)		(2,180)
Adjustments:					
Depreciation and amortization	6		137,234		168,846
Post-employment pension benefits	14		10,818		(8,084)
Penalty paid on prepayment of long-term debt			–		4,885
Loss of disposals of inventory and capital assets			–		89
			(96,265)		103,980
Change in non-cash working capital:					
Other liabilities			22,042		1,038
Interest payable on long-term debt			67,740		347
Accounts receivable			6,086		(1,015)
Prepaid expenses			2,368		(1,862)
Inventory			198		(36)
Deferred revenue			(127)		(802)
Accounts payable and accrued liabilities			(6,640)		(6,610)
			91,667		(8,940)
Cash provided by operating activities			(4,598)		95,040
FINANCING					
Operating facility draw			50,000		–
Payment of long-term debt			(25,000)		(70,000)
Penalty paid on prepayment of long-term debt			–		(4,885)
Proceeds from new long-term debt			25,000		70,000
Cash generated/(used) from financing activities			50,000		(4,885)
INVESTING					
Investment in capital and intangible assets			(17,769)		(76,577)
Change in accounts payable and accrued liabilities related to capital and intangible assets			(8,003)		(1,322)
Proceeds from disposals			–		13
Cash used in investing activities			(25,772)		(77,886)
INCREASE IN CASH AND CASH EQUIVALENTS			**19,630**		**12,269**
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR			**46,850**		**34,581**
CASH AND CASH EQUIVALENTS, END OF YEAR		**$**	**66,480**	**$**	**46,850**
Cash and cash equivalents investments consist of:					
Cash in bank		$	16,360	$	6,298
Short-term investments			50,120		40,552
		$	**66,480**	**$**	**46,850**

NOTES TO FINANCIAL STATEMENTS

AS AT AND FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(thousands of Canadian dollars, except percentages)

1 DESCRIPTION OF BUSINESS

The Calgary Airport Authority (the "Authority") was incorporated in July 1990 under the Regional Airports Authorities Act (Alberta) (the "Act") as a non-share capital corporation. The mandate of the Authority, as defined in the Act, is to manage and operate the airports for which it is responsible in a safe, secure and efficient manner and to advance economic and community development by means that include promoting and encouraging improved airline and transportation service and an expanded aviation industry; for the general benefit of the public in its region.

The Authority has been operating YYC Calgary International Airport since July 1992 pursuant to the Agreement to Transfer which provided for the transfer of operational control of YYC Calgary International Airport from the Government of Canada to the Authority under a long term lease agreement (the "Canada Lease"). The Canada Lease has an initial term of 60 years with a 20-year option that was exercised in 2011. In October 1997, the Authority entered into a lease with the Government of Canada for the operation of Springbank Airport (the "Springbank Lease") for a term concurrent with the Canada Lease term.

Pursuant to the Act, the Authority reinvests all profit in the capital renovation and expansion requirements of the airports for which it is responsible. The Authority is authorized to borrow for investment in airport infrastructure and operations detailed in Note 8. Capital includes investment in both leasehold and freehold assets of the Authority, as detailed in Note 6. Renovation requirements are determined through life-cycle management processes and physical asset inspections, while expansion requirements are determined in reference to airport capacity and demand. Capital requirements are generally determined on an annual basis in conjunction with the Authority's Business Plan, although larger projects may involve financial commitments that extend beyond one year. The Authority conducts an annual re-evaluation of projected economic conditions and facility demand factors.

The Authority, along with the rest of the global aviation industry, is facing a severe and abrupt drop in activity and a corresponding decline in revenue and cash flows as a result of the coronavirus ("COVID-19") pandemic and the travel restrictions imposed in many countries around the world, and particularly in Canada. The impact of the COVID-19 pandemic began to be felt in passenger volumes and flight activity commencing in early March 2020. These impacts include drastic declines in revenue, earnings and cash flow from operations. There is very limited visibility on travel demand given changing government restrictions in place around the world and the severity of the restrictions in Canada; these restrictions and concerns about travel due to the COVID-19 pandemic as well as passenger concerns and expectations about the need for certain precautions, such as physical distancing, are severely inhibiting demand. The COVID-19 pandemic is also having significant economic impacts, including on business and consumer spending, which may in turn significantly impact demand for travel. The Authority cannot predict the full impact or the timing for when conditions may improve. The Authority is actively monitoring the situation and will respond as the impact of the COVID-19 pandemic evolves, which will depend on a number of factors including the course of the virus, availability of rapid, effective testing, vaccinations and treatments for the virus, government actions, and passenger reaction, as well as timing of a recovery in travel, none of which can be predicted with any degree of certainty. Refer to Note 2 and 15 for information on financing activities and other actions taken in response to the COVID-19 crisis. Since mid-March, passenger volumes and flight activity has significantly reduced when compared to 2019 and is expected to continue to be at significantly reduced levels in 2021.

NOTES TO FINANCIAL STATEMENTS

AS AT AND FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

(thousands of Canadian dollars, except percentages)

2 GOING CONCERN

The outbreak of the COVID-19 pandemic and the measures adopted by governments in countries worldwide to mitigate the pandemic's spread have significantly impacted the Authority. These measures resulted in significant reduction in passenger volumes and flight activities since March 2020. This has negatively impacted the Authority's financial performance for the year.

For the year ended December 31, 2020, the Authority recognised a net loss of $242,559. The Authority's net current liabilities as at December 31, 2020 were $112,196. The Authority has $172,141 of liquid resources comprising cash and cash equivalents and available credit lines as at December 31, 2020.

The Authority's Operating Facility and Credit Agreement (see note 8) covenants require that as at December 31, 2020 all obligations are paid, to maintain an interest coverage ratio in excess of 1.25 to 1, and net cash flow not less than zero. As at December 31, 2020, the Authority was in breach of its covenants, with an interest coverage ratio of 0.021 (2019:1.864) and negative net cash flow of $98,568 (2019: Positive $86,241). The pandemic is also having a direct impact on the ability of the Authority to generate sufficient cash from operations to pay principal and interest obligation on its long-term debt. These circumstances lend significant doubt as to the ability of the Authority to meet its obligations as they come due and, accordingly, the appropriateness of the use of accounting principles applicable to a going concern.

In recognition of these circumstances, the Authority has:

- obtained waivers for the breach of covenants until December 2021;
- obtained deferral until December 2021 of interest and principal payment due from June 2020 until June 2021 on the Authority's long-term debt (see note 8) from the Government of Alberta (GoA); and
- increased its operating line of credit (see note 8) from $100,000 to $200,000.

In addition to these measures the Authority has also:

- Implemented targeted head-count and cost reductions to serve the reduced flight and passenger activities;
- Received Canada Lease deferral for 2021 from the Government of Canada;
- Reduced planned capital expenditure; and
- Continue to participate in government assistance programs.

These undertakings, while significant, are not sufficient in and of themselves to enable the Authority to fund its deferred interest and principal obligation of $220,000 due December 2021, accordingly, the Authority has entered into negotiations with the GoA to provide further deferrals of amounts due December 2021. The Authority is confident that the terms agreed upon will be included in a binding agreement with the GoA (see Liquidity Note 15).

Although it is not certain that these efforts will be successful, management has determined that the actions that it has taken are sufficient to mitigate the uncertainty and therefore these financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and balance sheet classifications that would be necessary if the Authority were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations. Such adjustments could be material.

(thousands of Canadian dollars, except percentages)

3 SIGNIFICANT ACCOUNTING POLICIES

BASIS OF MEASUREMENT AND PRESENTATION

These financial statements have been prepared in accordance with Canadian Accounting Standards for Private Enterprises ("ASPE"), which sets out generally accepted accounting principles ("GAAP"). The financial statements have been prepared on a going-concern basis using historical cost, except for the revaluation of certain financial assets and liabilities measured at fair value.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash and short-term investments that are highly liquid in nature and have maturity dates of up to three months.

INVENTORY

Inventory consists of consumable parts and supplies held for use by the Authority. Inventory is stated at the lower of cost and net realizable value. Cost is determined using the weighted-average cost method. Net realizable value is determined as being the estimated replacement cost.

LEASES (AS LESSEE)

The Canada Lease and Springbank Lease are accounted for as operating leases.

COVID-19-related rent concessions

The Authority applied the optional practical expedient, allowing it not to assess whether eligible rent concessions that are a direct consequence of the COVID-19 pandemic are lease modifications, consistently to eligible contracts with similar characteristics and in similar circumstances. For all other rent concessions in leases the Authority assesses whether there is a lease modification.

LEASES (AS LESSOR)

Concession revenues are earned on a monthly basis and based on a percentage of sales or specified minimum rent guarantees from concessionaires, or it can be earned based on a combination of monthly contract payments and utilization fees. Rental income from land and terminal space are recognized monthly over the duration of the respective agreements.

COVID-19-related rent concessions

The Authority applied the optional practical expedient, allowing it not to assess whether eligible rent concessions that are a direct consequence of the COVID-19 pandemic are lease modifications, consistently to eligible contracts with similar characteristics and in similar circumstances. For other rent concessions in leases the Authority assesses whether there is a lease modification.

CAPITAL AND INTANGIBLE ASSETS

Capital assets are recorded at cost less accumulated depreciation. Cost includes all expenditures that are directly attributable to the acquisition or construction of an asset which are required to bring the asset into service.

Depreciation is recognized over the estimated useful life using the following rates:

Vehicles	18-30%	declining balance
Computer equipment	3 years	straight-line
Intangibles – computer software	3 years	straight-line
Furniture & fixtures	15 years	straight-line
Machinery & equipment	10-30 years	straight-line
Buildings & structures	10-53 years	straight-line

NOTES TO FINANCIAL STATEMENTS

AS AT AND FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(thousands of Canadian dollars, except percentages)

The various components of the Buildings & structures class include air terminal buildings, other buildings and structures, roadways, and airfield surfaces. These structural assets are depreciated based on the estimated economic useful life of the component asset, limited to the term of the Canada Lease, as ownership of all Authority assets will revert to the Government of Canada upon the expiration of the Canada Lease.

The Authority has purchased land for operational purposes and future development. The Canada Lease requires that the land be transferred to the Government of Canada at commencement of development, at which time the Authority reclassifies the land to leased land and commences depreciation on a straight-line basis over the remaining full fiscal years of the Canada Lease.

Construction work in progress is capitalized at cost. Costs are transferred to the appropriate capital asset account, and depreciation commences when the project is substantially complete and the assets become operational.

IMPAIRMENT

Long-lived assets are tested for impairment when events and circumstances indicate the carrying amount may not be recoverable from future operations. When indicators of impairment in the carrying value of the assets exist, an impairment loss is recognized on a long-lived asset when its carrying value exceeds the total undiscounted cash flows expected from its use and disposition. The amount of the loss is determined by deducting the asset's fair value (based on discounted cash flows expected from its use and disposition) from its carrying value.

BORROWING COSTS

Borrowing costs incurred from the long-term debt utilized for the construction of capital assets are added to the cost of those assets during the period of time that is necessary to complete and prepare the asset for its intended use. All other borrowing costs are recorded as interest expense on the Statement of Operations and Net Assets.

EMPLOYEE FUTURE BENEFITS

The Authority has a retirement pension plan for all permanent and term employees. New permanent employees are members of the plan upon hire. Term employees become members of the pension plan after completion of 24 months of continuous service. The retirement pension plan has both defined benefit and defined contribution components. The defined benefit plan was closed to new employees effective August 1, 2013. The Authority does not provide any non-pension post-retirement benefits. Actuarial valuations for post-employment pension benefit plans are calculated annually by accredited actuaries using the projected benefits method. The related post-employment pension benefit asset/liability recognized in the Balance Sheet is the present value of the post-employment pension benefit obligation at the Balance Sheet date less the fair value of plan assets, if any. The present value of the post-employment benefit obligations is determined by discounting the estimated future cash outflows using interest rates of high quality corporate bonds that have terms to maturity approximating the terms of the related pension liability for the non-registered plan and going concern discount rate for the registered plan that have terms to maturity approximating the terms of the related pension liability. Actuarial gains and losses are recognized in full in the period in which they occur, in net income. Current service costs are included in salaries and benefits on the Statement of Operations and Net Assets. Past service costs are recognized immediately to the extent the benefits are vested. For funded plans, surpluses are recognized only to the extent that the surplus is considered recoverable. Recoverability is primarily based on the extent to which the Authority can unilaterally reduce future contributions to the plan. The change in the long-term pension benefit obligation in the year is recognized in the Statement of Operations and Net Assets.

DEFERRED REVENUE

Deferred revenue consists primarily of land leasing, space rental and aeronautical fee revenue received in advance of land or facilities being utilized.

REVENUE RECOGNITION

Aircraft landing fees, general terminal fees, other aeronautical fees and car parking revenues are recognized as the airport facilities are utilized. The Airport Improvement Fee ("AIF") revenue is recognized when originating departing passengers board their aircraft as reported by the airlines. Other revenue is recognized when earned or services rendered.

NOTES TO FINANCIAL STATEMENTS

AS AT AND FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(thousands of Canadian dollars, except percentages)

FINANCIAL INSTRUMENTS
Financial assets, including cash and cash equivalents, accounts receivable and long-term receivables are initially measured at fair value and subsequently carried at amortized cost.

Financial liabilities, including accounts payable and accrued liabilities, interest payable, other liabilities, operating line of credit and long-term debt are initially measured at fair value and subsequently carried at amortized cost.

Financial assets and liabilities are classified as current if payments are due within 12 months. Otherwise, they are presented as non-current in the Balance Sheet.

FAIR VALUE
The fair value of the Authority's financial instruments, other than its long-term debt, approximates its carrying value due to their short-term nature.

FOREIGN CURRENCY TRANSLATION
The financial statements are presented in Canadian dollars, which is the Authority's functional currency. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in currencies other than the Authority's functional currency are recognized in the Statement of Operations and Net Assets.

USE OF ESTIMATES
The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and commitments and contingencies at the date of the financial statements and the reported amounts of revenues, expenses and other income (loss) during the reporting period. Accounting estimates and underlying assumptions are reviewed on an ongoing basis. Significant areas requiring the use of management estimates relate to the determination of accrued revenue, accrued liabilities, allowance for doubtful accounts, useful lives for depreciation of capital assets, and assumptions with respect to employee future benefit plans. Actual results could differ from these estimates.

CHANGES IN ACCOUNTING POLICY AND DISCLOSURE
The Authority continues to evaluate the impact of new and revised standards and interpretations. The Authority did not adopt any new standards, except for ASPE 3065, during the year. The Authority has early adopted COVID-19-Related Rent Concessions – Amendment to ASPE 3065, Leases issued in November 2020. The amendment introduces an optional practical expedient for leases in which the Authority is a lessee or a lessor – i.e. the Authority is not required to assess whether eligible rent concessions that are a direct consequence of the COVID-19 coronavirus pandemic are lease modifications. The Authority has applied the amendment retrospectively. The amendment has no impact on retained earnings at January 1, 2020. New standards and interpretations that have been issued are concluded to be not applicable or not expected to have a significant impact on the financial statements.

4 ACCOUNTS RECEIVABLE

Accounts receivable are reported net of any allowance for doubtful accounts. The allowance for 2020 is $3,900 (2019 - $392). Bad debt expense of $3,706 (2019 – $649) has been included in goods and services expenses on the Statement of Operations and Net Assets.

NOTES TO FINANCIAL STATEMENTS

AS AT AND FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(thousands of Canadian dollars, except percentages)

5 INVENTORY

At December 31, 2020, all inventories are carried at weighted average cost. During the year, $4,256 (2019 - $5,362) was recognized as goods and services expenses, of which $451 (2019 - $335) was written off due to obsolescence.

6 CAPITAL AND INTANGIBLE ASSETS

	CAPITAL								INTANGIBLE	2019
	LAND	LEASED LAND	AIR TERMINAL BUILDINGS & STRUCTURES	COMPUTER EQUIPMENT	VEHICLES	MACHINERY & EQUIPMENT	FURNITURE & FIXTURES	CONSTRUCTION IN PROGRESS	COMPUTER SOFTWARE	TOTAL
COST:										
Beginning Balance	$ 5,809	$ 24,513	$ 4,206,879	$ 63,491	$ 41,743	$ 77,754	$ 25,154	$ 177,111	$ 71,447	$ 4,693,901
Additions	–	–	345	1,493	101	670	22	73,291	655	76,577
Transfers	–	–	140,762	172	64	92,136	254	(235,607)	2,219	–
Disposals and write-offs	–	–	(24)	(196)	–	(812)	(36)	–	–	(1,068)
Ending Balance	5,809	24,513	4,347,962	64,960	41,908	169,748	25,394	14,795	74,321	4,769,410
DEPRECIATION & AMORTIZATION										
Beginning Balance	–	4,034	1,139,569	54,971	29,576	31,965	10,248	–	56,634	1,326,997
Depreciation & Amort.	–	450	138,494	8,339	2,467	6,222	676	–	12,198	168,846
Disposals and write-offs	–	–	(15)	(187)	–	(736)	(28)	–	–	(966)
Ending Balance	–	4,484	1,278,048	63,123	32,043	37,451	10,896	–	68,832	1,494,877
NET CARRYING VALUE	**$ 5,809**	**$ 20,029**	**$ 3,069,914**	**$ 1,837**	**$ 9,865**	**$ 132,297**	**$ 14,498**	**$ 14,795**	**$ 5,489**	**$ 3,274,533**

	CAPITAL								INTANGIBLE	2020
	LAND	LEASED LAND	AIR TERMINAL BUILDINGS & STRUCTURES	COMPUTER EQUIPMENT	VEHICLES	MACHINERY & EQUIPMENT	FURNITURE & FIXTURES	CONSTRUCTION IN PROGRESS	COMPUTER SOFTWARE	TOTAL
COST:										
Beginning Balance	$ 5,809	$ 24,513	$ 4,347,962	$ 64,960	$ 41,908	$ 169,748	$ 25,394	$ 14,795	$ 74,321	$ 4,769,410
Additions	–	–	11,810	827	991	479	49	3,613		17,769
Transfers	–	–	9 ,246	628	19	140	–	(10,191)	158	–
Disposals and write-offs	–	–	–	–	–	–	–	(4,530)		(4,530)
Ending Balance	5,809	24,513	4,369,018	66,415	42,918	170,367	25,443	3,686	74,479	4,782,649
DEPRECIATION & AMORTIZATION										
Beginning Balance	–	4,484	1,278,048	63,123	32,043	37,451	10,896	–	68,832	1,494,877
Depreciation & Amort.		451	123,020	1,655	1,758	6,628	691	–	3,030	137,234
Disposals and write-offs										
Ending Balance	–	4,935	1,401,068	64,778	33,801	44,079	11,587	–	71,862	1,632,111
NET CARRYING VALUE	**$ 5,809**	**$ 19,578**	**$ 2 ,967,950**	**$ 1,637**	**$ 9,117**	**$ 126,288**	**$ 13,856**	**$ 3,686**	**$ 2,617**	**$ 3,150,538**

Construction in progress balance consists of costs capitalized for both airside and groundside facility improvement projects currently underway.

Interest capitalized in construction in progress in respect to borrowings for infrastructure expansion under the long-term debt facility was $160 (2019 - $3,065).

(thousands of Canadian dollars, except percentages)

The Authority's operations were severely affected in 2020 by the COVID-19 coronavirus pandemic and the measures adopted by governments in countries worldwide to mitigate the pandemic's spread. These measures constituted a triggering event leading to an impairment test. The assumptions used in performing the impairment test includes cash flow projections that are based on financial budgets and business plans prepared by management and approved by the board of directors. These budgets and business plans are updated to reflect the most recent developments as at the reporting date. The result of the test is that no impairment loss was recognized as the total expected undiscounted cash flows from the use of the Capital and Intangible Assets exceeds the carrying value of these assets.

7 OTHER LIABILITIES

Included in other liabilities are cash security deposits which are received from tenants and new airline operators to provide the Authority with security on the associated potential accounts receivable. There is also an amount outstanding for retiring allowance deferred by employees until retirement. The Authority does not have any further obligation to accrue a retiring allowance for employees. Other long-term liabilities also include an amount for long-term incentive plan for certain employees.

		2020		2019
CURRENT				
Security deposits	$	1,186	$	2,023
Long-term incentive plan		522		546
Retiring allowance		74		75
Lease Inducement Liability – Current portion		746		–
Capital Lease - Current portion		134		–
		2,662		2,644
NON-CURRENT				
Security deposits	$	2,087	$	2,343
Long-term incentive plan		116		397
Long-term payable – City of Calgary (note 19)		20,678		–
Lease Inducement Liability		1,130		–
Capital Lease		753		–
		24,764		2,740
	$	**27,426**	**$**	**5,384**

8 CREDIT FACILITIES AND LONG-TERM DEBT

The Authority has a Letter of Credit Facility ("L/C Facility") with the Toronto-Dominion Bank to a maximum of $55,000 for issuance of Letters of Credit in respect to requirements under the Credit Agreement to secure to the Government of Alberta (GoA) (previously the Alberta Capital Finance Authority ("ACFA")), in respect of each calendar year, an amount equal to 50% of the Authority's outstanding debt balance on November 30 immediate prior to such calendar year multiplied by the GoA's 10- year lending rate in effect as of such date. The L/C Facility is secured such that it ranks equal with the Credit Agreement. At December 31, 2020, letters of credit issued were $33,781 (2019 - $45,007).

The Authority has an available $200,000 (2019 - $100,000) operating line of credit (the "Operating Facility"). The Operating Facility bearing interest at the bank's prime lending rate plus applicable pricing margin, is secured and repayment terms are committed. The cash amount drawn on the line of credit in 2020 was $50,000 (2019 - $nil). A portion of this Operating Facility was used to issue letters of credit totalling $14,339 (2019 - $14,338) for specific operational expenses and capital projects.

NOTES TO FINANCIAL STATEMENTS

AS AT AND FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(thousands of Canadian dollars, except percentages)

The Authority's Credit Agreement with GoA was amended in December 2014 and has a maximum credit commitment of $2.99 billion, with fixed interest rates, to finance the construction and acquisition of Authority infrastructure (the "Credit Agreement"). Borrowings under the Credit Agreement are secured by assignment of leases and rents as well as a letter of credit to secure 50% of the annual interest payable to GoA.

Debentures issued and outstanding under the Credit Agreement are:

			2020	2019
Series	**Interest Rate**	**Due Date**	**Debenture Amount $**	**Debenture Amount $**
2005-13	4.9590%	April 6, 2020	–	25,000
2016-43	1.4450%	June 15, 2021	50,000	50,000
2004-10	5.1245%	December 1, 2023	20,000	20,000
2010-15	4.6790%	February 16, 2025	25,000	25,000
2010-16	4.6640%	March 15, 2025	30,000	30,000
2015-40	2.2678%	June 15, 2025	100,000	100,000
2016-42	2.3760%	March 15, 2026	50,000	50,000
2016-44	2.2250%	September 15, 2026	50,000	50,000
2007-14	4.7950%	February 14, 2027	50,000	50,000
2012-30	3.1340%	December 17, 2027	109,000	109,000
2013-31	3.2580%	March 15, 2028	89,000	89,000
2013-32	3.4090%	June 17, 2028	98,000	98,000
2014-36	3.5130%	June 17, 2029	200,000	200,000
2014-37	3.2930%	September 15, 2029	100,000	100,000
2014-38	3.1550%	December 15, 2029	150,000	150,000
2015-39	2.7900%	March 15, 2030	125,000	125,000
2015-41	2.9800%	September 14, 2030	150,000	150,000
2011-19	4.5440%	March 15, 2031	13,000	13,000
2011-20	4.2760%	June 15, 2031	25,000	25,000
2011-21	3.7575%	August 11, 2031	100,000	100,000
2011-22	3.8080%	September 19, 2031	100,000	100,000
2011-23	3.5590%	December 15, 2031	75,000	75,000
2012-24	3.4750%	February 15, 2032	50,000	50,000
2012-25	3.4670%	March 15, 2032	137,000	137,000
2012-26	3.4140%	April 2, 2032	25,000	25,000
2012-27	3.4200%	June 29, 2032	200,000	200,000
2012-28	3.4005%	September 17, 2032	86,000	86,000
2012-29	3.2460%	October 4, 2032	75,000	75,000
2013-33	4.2580%	September 15, 2033	113,000	113,000
2013-34	4.0590%	November 30, 2033	107,901	107,901
2014-35	3.8550%	March 17, 2034	83,000	83,000
2020-50	3.0120%	April 6, 2035	25,000	–
2016-45	3.4899%	December 15, 2036	60,000	60,000
2017-46	3.6430%	February 15, 2042	100,000	100,000
2017-47	3.5180%	April 3, 2042	50,000	50,000
2017-48	3.1530%	December 15, 2047	25,000	25,000
2019-49	2.5622%	September 16, 2049	70,000	70,000
			$ 2,915,901	$ 2,915,901
LESS: CURRENT PORTION OF LONG-TERM DEBT			**50,000**	**25,000**
LONG-TERM DEBT			**$ 2,865,901**	**$ 2,890,901**

The debentures require semi-annual interest payments.

The Authority's Operating Facility and Credit Agreement contain certain financial covenants. Most significantly, the agreements require that all obligations are paid, to maintain an Interest Coverage Ratio at all times in excess of 1.25 to 1, and to ensure that Net Cash Flow is not less than zero.

As at December 31, 2020, the Authority's interest cover ratio was 0.021:1 (2019 – 1.86:1) and Net Cash Flow was negative $98,568 (2019 – Positive $86,241). On June 2, 2020 and June 9, 2020, the Authority received covenant waivers from the lenders for both debt facilities up to December 31, 2021. The waiver from Toronto-Dominion Bank includes a minimum $30,000 liquidity requirement while the waiver is in place. Accordingly, as at the date of the financial statements' authorization, the Authority is not in breach of its covenants and the amounts due under the Credit Agreement are classified as long-term debt.

9 AIRPORT IMPROVEMENT FEES

Revenue from the AIF is collected from passengers by air carriers pursuant to an agreement (the "AIF Agreement") between various airports in Canada, participating air carriers serving these airports, and the Air Transport Association of Canada. Pursuant to the AIF Agreement, AIF is collected by the signatory air carriers from passengers on behalf of the Authority and remitted to the Authority net of a handling fee of 5% (2019 – 4%). AIF revenue net of the handling fee is used to fund the costs of new airport infrastructure and costs of major improvements to existing facilities at Calgary International and Springbank Airports, as well as related financing costs, and debt repayment. The Authority records the AIF revenue and the handling fee on a gross basis in the Statement of Operations and Net Assets. The AIF in 2020 was $30.00 (2019 - $30.00) for each originating passenger departing YYC Calgary International Airport. On November 17, 2020, The Authority announced that it would be increasing the AIF from $30.00 to $35.00 for travel scheduled and for tickets sold on or after March 1, 2021.

10 NON-AERONAUTICAL REVENUES

Due to the impact by the COVID-19 pandemic on the air transportation sector the Authority provided support to tenants by providing either rent waivers or deferrals. The Authority applied the practical expedient for COVID-19-related rent concessions consistently to eligible rent concessions relating to similar lease arrangements.

The amount recognised in the Statement of Operations and Net Assets for the reporting period to reflect changes in lease payments arising from rent concession waivers to which the Authority has applied the practical expedient for COVID-19-related rent concessions is $10,193 (2019: nil). The aggregate amount of lease receivables related to the deferral of lease payments as at the reporting date was $1,336 (2019: nil).

11 GOVERNMENT ASSISTANCE

The Authority applied for and received approval to participate in the Canada Emergency Wage Subsidy (CEWS) program. The Authority qualified for the wage subsidy because it experienced significant reduction in revenue due to the impact of the COVID-19 pandemic. The subsidy of $8,810 (2019: Nil) was recognised in profit or loss as a reduction of "Salaries and benefits" expense. There is $1,432 outstanding receivable related to this subsidy as at December 31, 2020.

The Authority also participated in the Canada Emergency Commercial Rent Assistance (CECRA) program. The program offered forgivable loans to eligible commercial property owners for the period April 2020 to August 2020. As the Authority has complied with the conditions, the assistance of $298 is recognized in the profit or loss in "Non-aeronautical revenues". There is no outstanding receivable related to this program as at December 31, 2020.

(thousands of Canadian dollars, except percentages)

12 CAPITAL LEASES

The following is an analysis of equipment under capital lease:

		2020		2019
Equipment (cost)	$	987	$	–
Accumulated amortization		(94)		–
NET BOOK VALUE	**$**	**893**	**$**	**–**

The equipment under the capital lease is amortized on a straight-line basis over its economic life of 7 years. The amount of amortization charged to expense $94 (2019: nil).

The following is a schedule of future minimum lease payments under the capital lease expiring April 16, 2027 together with the balance of the obligation under capital lease.

2021	$	152
2022		152
2023		152
2024		152
2025		152
Amount thereafter		190
Total minimum lease payments		950
Amount representing interest at 2.24%		63
BALANCE OF OBLIGATION		**887**

13 OPERATING LEASES

The Authority pays an annual lease rental payment based on a sliding scale percentage, to a maximum of 12%, of gross revenue to Transport Canada pursuant to the Canada Lease. The effective annualized rate for 2020 was 8% (2019 – 10%).

Transport Canada waived lease rental payments from March 2020 through to December 2020 due to the impact by the COVID-19 pandemic on the air transportation sector. The Authority applied the practical expedient for COVID-19-related rent concessions to this lease.

The amount recognised in the Statement of Operations and Net Assets for the reporting period to reflect changes in lease payments arising from rent concession waiver to which the Authority has applied the practical expedient for COVID-19-related rent concessions is $11,904 (2019: nil).

The projected lease payments under the Canada Lease for the next five years are estimated as follows:

2020	$	14,272
2021		27,147
2022		36,964
2023		42,394
2024		46,633

The Authority is committed to payments under operating leases for vehicles and equipment for the next year is $100.

14 EMPLOYEE FUTURE BENEFITS

The Authority sponsors a registered pension plan (the "Plan") for its employees that has both defined benefit and defined contribution components. The defined benefit plan was closed to new employees effective August 1, 2013. For certain individuals whose benefits are limited under the Plan, that portion that is in excess of the maximum benefits permitted under the Plan by the Canada Revenue Agency is payable out of the Authority's revenue and charged to a notional pension expense. Pensions payable from the defined benefit components are generally based on a member's average annual earnings near retirement and indexed annually to 100% of the Canadian Consumer Price Index. The Authority accrues its obligations and related costs under the Plan, net of Plan assets.

The Authority has adopted various policies in respect to the Plan.

a) The cost of pensions under the defined benefit component earned by employees is actuarially determined using a funding valuation for the Registered Plan and an accounting valuation for the Non-Registered Plans which uses the projected benefit method and assumptions for the discount rate, salary escalation and retirement ages of employees.

b) The pension cost for the defined contribution component is equal to the contributions made by the Authority to the Plan during the year.

c) Plan assets are valued at fair value.

d) At December 31, 2020, the assets for the defined benefit component were invested in various pooled funds managed by Fidelity Institutional Asset Management and certain TD Asset Management index funds.

e) The Authority defined benefit obligation is actuarially determined. Gains and losses arise because of changes in assumptions and from experience differing from what has been assumed. These gains and losses are recognized immediately in the Statement of Operations and Net Assets.

f) Differences in the actual return on Plan assets and the return using the discount rate are recognized immediately in the Statement of Operations and Net Assets.

g) The last actuarial valuation for funding purposes of the Plan was prepared as at January 1, 2020. The next scheduled actuarial valuation of the Plan for funding purposes will be performed as at January 1, 2021.

h) The Authority uses a December 31 measurement date.

The Authority's net pension cost for 2020 amounted to a expense of $10,740 (2019 – $8,204 gain) for the defined benefit component and expense of $1,088 (2019 – $1,413) for the defined contribution component, and the pension expense in respect of the notional account is $78 (2019 – $120). Remeasurement costs for 2020 amounted to an expense of $10,475 (2019 – return of $8,649). In 2020, $1,997 (2019 – $2,616) of the cost has been recognized in salaries and benefits.

NOTES TO FINANCIAL STATEMENTS

AS AT AND FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(thousands of Canadian dollars, except percentages)

The following table provides information concerning the components of the pension cost:

	2020	2019
Service cost	$ 831	$ 1,083
Finance (gain)	(566)	(638)
Difference between expected and actual return on assets	17,151	2,563
Actuarial loss (gain)	(6,676)	(11,212)
Defined benefit cost	10,740	(8,204)
Notional account benefit cost	78	120
Defined contribution benefit cost	1,088	1,413
TOTAL NET BENEFIT (GAIN) COST	**$ 11,906**	**$ (6,671)**

Based on an actuarial valuation dated January 1, 2020, and extrapolated to December 31, 2020, the status of the Authority's Plan is as outlined below.

	2020			2019		
	REGISTERED PLAN	NON-REGISTERED PLANS	TOTAL	REGISTERED PLAN	NON-REGISTERED PLANS	TOTAL
Defined benefit asset (liability), Beginning	$ 35,462	$ (16,677)	$ 18,785	$ 23,614	$ (15,093)	$ 8,521
Net benefit cost						
Defined benefit	(8,423)	(2,317)	(10,740)	10,574	(2,370)	8,204
Notional accounts	–	(78)	(78)	–	(120)	(120)
Company defined benefit contributions	844	914	1,758	1,274	906	2,180
DEFINED BENEFIT ASSET (LIABILITY), ENDING	**$ 27,883**	**$ (18,158)**	**$ 9,725**	**$ 35,462**	**$ (16,677)**	**$ 18,785**

	2020	2019
Market value of plan assets	$ 134,275	$ 124,343
Pension benefit obligations	(124,550)	(105,558)
PENSION ASSET	**$ 9,725**	**$ 18,785**

Accrued pension benefit obligations as of December 31, 2020 includes $18,158 (2019 – $16,677), which will be funded from the Authority's general revenues rather than Plan assets. This pension obligation is pursuant to the Letter of Undertaking signed June 1992, which guaranteed that benefits earned after the Plan's effective date will not be less than the pension and indexing provisions under the Public Service Superannuation Act and the Supplementary Retirement Benefits Act (Minimum Guarantee) in respect of eligible Plan members at that date.

For certain individuals, this pension obligation also includes benefits in excess of the maximum benefits permitted under the Plan by the Canada Revenue Agency.

NOTES TO FINANCIAL STATEMENTS

AS AT AND FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(thousands of Canadian dollars, except percentages)

The Authority's policy is to invest Plan assets primarily in a balanced or diversified manner in accordance with the Pension Benefits Standards Act, with set maximums and minimums in fixed income securities, Canadian equities, foreign equities and short-term investments.

The asset allocation of the defined benefit balanced fund at December 31 was:

	2020	2019
Fixed income securities	50%	49%
Canadian equities	15%	15%
Foreign equities	35%	36%

The significant actuarial assumptions adopted in measuring the Authority's pension benefit obligation are:

	2020		2019	
	REGISTERED PLAN	NON-REGISTERED PLAN	REGISTERED PLAN	NON-REGISTERED PLAN
Discount rate				
a) Year-end pension benefit obligation	4.10%	2.50%	5.20%	3.10%
b) Net benefit cost	4.40%	3.10%	5.20%	3.90%
Rate of salary increases	2.75%	2.75%	2.75%	2.75%
Pre/Post retirement indexing	2.00%	2.00%	2.00%	2.00%

Other information about the Authority's Plan:

		2020		2019
Employer contributions (defined benefit and notional accounts)	$	1,741	$	2,160
Employer contributions (money purchase provision)		1,088		1,413
Employee contributions (money purchase provision)		1,361		1,780
Benefits paid		5,603		5,645

The employer special contribution of $1,699 (2019 - $2,075) was the required annual payment in 2020 to fund the solvency deficiency as determined by the January 1, 2020 actuarial valuation, of which $425 (2019 - $2,075) was funded through a letter of credit. To provide temporary relief to sponsors of federally regulated, defined benefit pension plans, on April 15, 2020, the government announced a moratorium on solvency special payments for April 1, 2020, through the remainder of 2020, therefore, the Authority was only required to fund one quarter of the 2020 annual special contribution amount.

15 FINANCIAL INSTRUMENTS

RISK MANAGEMENT

The Authority's Board of Directors ("the Board") is responsible for the oversight of the principal risks of the business in which the Authority is engaged, achieving a proper balance between risks incurred and the legislated purpose of the Authority and confirming that there are systems in place that effectively monitor and manage those risks with a view to the long-term viability of the Authority. The Board has established the Audit and Finance Committee, which reviews significant financial risks associated with future performance, growth and lost opportunities identified by management that could materially affect the Authority's ability to achieve its strategic and operational targets. The Board is also responsible for ensuring that management has effective policies and procedures to identify, assess and manage and mitigate such risks.

CREDIT RISK

Credit risk is the risk that one party to a financial instrument will cause a financial loss to another party by not realizing its obligation. The Authority is subject to credit risk through its accounts receivable and long-term receivables, which consist primarily of aeronautical fees and AIFs owing from air carriers and concession fees owing from concession operators. The majority of concession fees owing are settled on a monthly basis, 15 days after the end of each month. The majority of aeronautical fees owing are billed every 7 days and settled 15 days thereafter. The majority of AIFs owing are settled on a monthly basis on the first day of each subsequent month. Accounts receivable credit risk is reduced by the Authority's requirement for letters of credit, customer credit evaluations, security deposits and maintaining an allowance for potential credit losses. The Authority's right under the Airport Transfer (Miscellaneous Matters) Act to seize and detain aircraft until outstanding aeronautical fees are paid mitigates the risk of credit losses.

LIQUIDITY RISK

Liquidity risk is the risk that the Authority will encounter difficulties in meeting the obligations associated with its financial liabilities. The Authority's objective when managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Authority's reputation.

The Authority manages its liquidity risk by maintaining adequate cash and credit facilities, by updating and reviewing multi-year cash flow projections on a regular and as-needed basis and by matching its long-term financing arrangements with its cash flow needs. The Authority achieves mitigation of liquidity risk through funds generated by operations and ready access to sufficient long-term funds as well as committed lines of credit through a credit facility.

The steps taken by the Authority to respond to possible future liquidity constraints arising from the COVID-19 pandemic and the impact of those steps on the financial statements include the following:

- On April 29, 2020 the Operating Facility (see note 8) was increased from $100,000 to $200,000. The maturity dates for each 100,000 are April 29, 2022 and September 27, 2023.
- On August 4, 2020 the interest payments on the Credit Facility (see note 8) from June 15, 2020 until October 6, 2020 of $46,805 were deferred to December 29, 2020 ("Interest Deferral").
- The Interest Deferral was extended on January 28, 2021 to include additional interest and principal payments of $116,702 and $50,000, respectively, due from June 15, 2020 up to June 30, 2021, and was subsequently deferred until December 29, 2021 ("Interest and Principal Deferral").

NOTES TO FINANCIAL STATEMENTS

AS AT AND FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(thousands of Canadian dollars, except percentages)

In addition, the Authority has entered into negotiations with the GoA for the following:

- The "Interest and Principal Deferral" to be further extended to include interest due from July 2021 to December 2021 and that the total amount due on December 29, 2021 be converted into a new 10-year long-term loan agreement with the GoA.
- The GoA to provide for a period of three years loans for capital projects that are necessary to comply with the airport lease, to meet minimum safety, environmental and security standards as required by Transport Canada or any other regulatory agency ("Loans for Necessary Capital Projects").
- The GoA to provide an Emergency Credit Line in the amount of $100,000 that the Authority can access should reasonably unexpected events require it. This facility is only available after depleting all other lines of credit and expire December 31, 2023 ("Emergency Credit Line").

The Authority is confident that the terms agreed upon will be included in a binding agreement with the GoA. Nevertheless, there is no assurance that these initiatives will be successful.

See note 2 for details regarding Going Concern.

Exposure to Liquidity Risk

The following are the remaining expected maturities of financial liabilities at the reporting date. The amounts are gross, undiscounted and do not include futures interest commitments on the amounts outstanding on December 31, 2020:

EXPECTED CASHFLOWS

As at December 31, 2020 ($'000)	CARRYING AMOUNT	TOTAL	2021	2022	2023	2024	2025	THEREAFTER
FINANCIAL LIABILITIES								
Bank Indebtedness	50,000	50,000	–	50,000	–	–	–	–
Long-term debt	2,915,901	2,915,901	50,000	–	20,000	–	155,000	2,690,901
Acrued interest	87,321	87,321	87,321	–	–	–	–	–
	$ 3,053,222	**$ 3,053,222**	**$ 137,321**	**$ 50,000**	**$ 20,000**	**–**	**$ 155,000**	**$ 2,690,901**

The 2021 cashflow of $137,321 is included in the Interest and Principal Deferral currently under negotiation with the GoA.

MARKET RISK

Market risk is the risk that changes in market price, such as foreign currency exchange and interest rates, will affect the Authority's income or the value of the financial instruments held. The Authority has no market risk other than the foreign currency risk and interest rate risk noted below.

FOREIGN CURRENCY RISK

Foreign currency risk is the risk that fluctuations in foreign exchange rate impact the financial obligations of the Authority. The Authority's functional currency is the Canadian dollar, major purchases and revenue receipts are transacted in Canadian dollars, and long term debts are in Canadian dollars. Management believes that foreign exchange risk from currency conversions is negligible.

(thousands of Canadian dollars, except percentages)

INTEREST RATE RISK

Interest rate risk arises due to fluctuations in interest rates. The Authority is exposed to interest rate risk on its cash held in interest-bearing accounts and short-term investments. The cash in these accounts is highly liquid, and therefore the principal balances are protected regardless of changes in interest rate. The short-term investments carry a fixed rate during their term and therefore changes in the interest rate would not have a significant impact on the fair value due to the short-term nature of the investments.

The Authority has exposure to interest rate risk related to its operating line of credit (Note 8) which is maintained to provide liquidity while achieving a satisfactory return. All of the Authority's long-term debt (Note 8) has a fixed interest rate, therefore changes in interest rates do not have an impact on interest payments but may have impact on the fair value of the debt.

INDUSTRY RISK

Industry risk is related to any events that could occur within or to the air transportation industry that could negatively affect passenger demand at YYC Calgary International Airport and therefore the Authority's revenues. These risks, among others, include: population growth; unemployment rates; economic conditions; regulatory actions and legislative changes; air carrier stability; the ability and willingness of airlines to provide air service; the increase in the cost of air fares; labour disputes; the availability and cost of aviation fuel; insurance costs; environmental regulation; the operation of the air traffic control system; the use of telecommunications and alternate ground transportation options; health epidemics and related travel advisories, war; and terrorist attacks, the perceived threat of terrorist attacks and additional security measures put in place to guard against such attacks.

The COVID-19 pandemic and resulting economic contraction has had, and is expected to continue to have, a material negative impact on demand for air travel globally. The Authority has experienced material declines in passenger and flight activity since March 2020, as compared to the same periods in 2019. Management continues to analyze the extent of the financial impact of COVID-19, which is and continues to be material. While the full duration and scope of the COVID-19 pandemic cannot be known at this time, the Authority believes that the outbreak will not have a material impact on the long-term financial sustainability of the Airport.

16 DIRECTORS' AND OFFICERS' REMUNERATION AND EXPENSES

In compliance with the Authority's governance practices and as required by the Regional Airports Authorities Act (Alberta), the Authority outlines individually, the Directors' remuneration and expenses and in the aggregate, the Officers' remuneration and expenses.

A) DIRECTORS' REMUNERATION AND EXPENSES

	ANNUAL RETAINER
Non-executive Chair	$ 80.0
Committee Chair	6.5
Director (excluding Authority Chair)	12.0

Board and Board Committee meeting fees are $1.25 in person and $1 virtually per meeting. In April 2020, as a result of COVID-19, the Directors approved a reduction of 20% for the abovementioned fees for the balance of the year.

NOTES TO FINANCIAL STATEMENTS

AS AT AND FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(thousands of Canadian dollars, except percentages)

Total remuneration and expenses during 2020 for each Director:

	COMPENSATION		EXPENSES		TOTAL	
Casey, Michael F. (Chair)	$	91.8	$	–	$	91.8
Abells Morissette, Jina**		4.1		–		4.1
Blom, David		23.1		–		23.1
Charron, Randy		21.9		–		21.9
Cormack, Donald		31.3		–		31.3
Fraser, Wendelin A.*		19.8		–		19.8
Goertz, Andrea		19.7		0.1		19.8
Heffernan, Matthew		25.8		–		25.8
Hotchkiss, Richard J.*		16.0		–		16.0
Kennedy, Heather		31.1		–		31.1
King, Ken M.*		5.0		–		5.0
MacEachern, Grant B.		30.2		–		30.2
Midwinter, James		22.3		–		22.3
Minhas, Manjit**		9.2		–		9.2
Oldridge, Lisa		21.9		–		21.9
Robertson, Andrea		27.3		–		27.3
Scheibel, Phil		21.1		–		21.1
Schroeder, Sheldon**		10.0		–		10.0
Sigler, Murray		28.4		–		28.4
	$	**460.0**	**$**	**0.1**	**$**	**460.1**

** Term completed in 2020*
*** New appointment in 2020*

Total remuneration for the Board during 2020 was $460.1 (2019 – $673.2). Expenses incurred by the Directors during 2020 totalled $0.1 (2019– $2.1).

B) OFFICERS' REMUNERATION AND EXPENSES

The base salary range for the Officers during 2020 was $240 to $459 (2019 – $253 to $455). Total remuneration paid to the Officers during 2020 was $3,639 (2019 – 3,348), which includes remuneration and severance paid to two former Officers who departed in 2020. Expenses incurred by the Officers during 2020 totalled $187 (2019 – $530).

NOTES TO FINANCIAL STATEMENTS

AS AT AND FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

(thousands of Canadian dollars, except percentages)

17 RELATED PARTY TRANSACTIONS

A number of non-executive key management personnel hold positions in other companies that result in them having the ability to exercise common control or common significant influence over these companies and the Authority. During the year, the following related party transactions occurred with individuals who are Board members of the Authority. These transactions were recorded at the exchange amount.

Mr. David Blom is the Executive Vice President, Finance of Carey Management Inc. ("Carey"). Carey leases land from the Authority for a building at YYC Calgary International Airport. In 2020 Carey paid $1,499 (2019 - $1,499) in lease payments which are included in revenue on the Statement of Operations and Net Assets. Included in accounts receivable in 2020 is an amount due from Carey of $nil (2019 – $nil).

Mr. Richard Hotchkiss is the President and CEO of Sunwest Aviation Ltd. ("Sunwest"). Sunwest leases land from the Authority to provide hangar space and aviation charter services. Sunwest made payments to the Authority in respect to the land lease and aeronautical fees in 2020 of $1,054 (2019 - $1,169), which are included in revenue on the Statement of Operations and Net Assets. Included in accounts receivable in 2020 is an amount due from Sunwest of $386 (2019 - $13). Mr. Hotchkiss ceased being a Director in August 2020.

Mr. Sheldon Schroeder is the majority owner of Bow West Management Corp. ("Bow West"). Bow West leases land from the Authority at Springbank Airport. Bow West made payments to the Authority in respect to the land lease in 2020 of $48 (2019 - $47), which are included in revenue on the Statement of Operations and Net Assets. Included in accounts receivable in 2020 is an amount due from Bow West of $nil (2019 - $nil).

Mr. Ken King was the Vice Chairman of The Calgary Flames ("Flames"). The Flames have a partnership with HMS Host to operate a Flames branded restaurant that opened at YYC Calgary International Airport in 2019. Mr. King ceased being a Director in March 2020.

18 SUPPLEMENTARY INFORMATION

			2020		2019
A)	**CASH INTEREST PAID AND RECEIVED**				
	Interest paid	$	33,146	$	101,054
	Penalty paid on prepayment of long-term debt		–		4,885
	Interest income received		329		779
B)	**INTEREST EXPENSE**				
	Interest on long-term debt	$	99,643	$	97,988
	Penalty on prepayment of long-term debt		–		4,885
	Operating facility interest		757		–
	Other interest expense		501		26
		$	**100,901**	**$**	**102,899**

19 COMMITMENTS AND CONTINGENCIES

The Authority is subject to legal proceedings and claims that arise in the ordinary course of business. While the final outcome with respect to these legal proceedings and claims cannot be predicted with certainty, management does not expect the outcome of any proceeding to have a material adverse effect on the financial position or results of operations of the Authority.

In June 2011, the Authority entered into a Tunnel Sublease and Licence (the "Tunnel Agreement") with the City of Calgary (the "City"). The Tunnel Agreement, which expires June 29, 2072, requires the City to extend Airport Trail east, across airport lands and, among other things, to construct, operate and maintain an associated tunnel under Runway 17L-35R. Under the terms of the Tunnel Agreement the Authority will provide all required airport lands at no cost to the City. The Tunnel Agreement also provides for a cost-sharing arrangement regarding future interchanges along Airport Trail at 19th Street and Barlow Trail. The first phase is for interchanges, which will enhance access to and egress from airport facilities and, at that time, the Authority agreed to contribute $20,000 towards the cost of this phase. The second phase of the interchanges, or components thereof, will be constructed when traffic volume service levels at the first phase of interchanges reach a proscribed level and, at that time, the Authority has agreed to contribute 50% towards the acquisition cost of the necessary third party land and the associated construction project. As the first phase of these interchanges are under construction and the second phase third party land has been acquired, the Authority has recognized an expense of $22,450 in the current year towards these obligations. The Authority and the City are currently negotiating the final contribution due. The Authority continues to have an obligation to contribute towards the second phase construction and additional land costs.

20 INCOME TAXES

Pursuant to the Airport Transfer (Miscellaneous Matters) Act, income that may reasonably be regarded as being derived from airport business is exempt from federal and provincial income taxes. All reported income in 2020 and 2019 is considered to be derived from airport business and therefore, exempt from income tax.

The Calgary Airport Authority

2000 Airport Road NE
Calgary, AB T2E 6W5
Tel 403 735 1200

YYC.com | YBW.ca

@FlyYYC

@FlyYYC

fly_YYC

YYC CALGARY AIRPORT AUTHORITY