



2014 ANNUAL REPORT

mission statement

The Gander International Airport Authority will operate a viable, safe and secure international airport.

vision

With our partners, we provide superior services to the aviation world.

01

YEAR IN REVIEW

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Des Dillon, Chairperson, Gander International Airport Authority

Message from the Chairperson of the Board

2014 was a year marked by great change at Gander International Airport. Last June, the airport authority's first and only President and CEO, Gary Vey, retired after a distinguished 17-year career. Three short months later, Fred Moffitt retired. Fred had served nine years with the airport authority's Board of Directors, the last six in the capacity of chairperson.

As we reflect on our 2014 performance, we owe both Fred and Gary a significant debt of gratitude. I know I also speak for our new President and CEO Reg Wright when I say that the successes of 2014 are very much a product of the hard work of our predecessors. Since assuming the position of President and CEO, Reg has made great strides in the further development of our airport. This is evident in the positive changes we have witnessed and the strengthening of relationships with our community partners.

2014 held a measure of success, and it is our belief the airport remains on course for a promising future. Like every business, the airport has challenges to surmount, but I am confident in our ability to execute our strategy.

The Gander International Airport Authority's Board of Directors provides the oversight, leadership and vision to guide the airport's planning, development and operations. Where possible, the GIAA uses a long-term planning window to ensure it not only meets the goals set out in its annual business plan, but establishes a strategy where the airport can thrive and sustain itself over the long-term. Our strategy is a simple one which focuses on managing costs, exploiting our competitive advantages and marshalling opportunities for growth.

Operating an airport is a very capital-intensive undertaking; a simple rehabilitation of a runway can cost upwards of \$15 million. Cost control has been a key guiding principle for the airport since its inception.



We are the caretakers of a powerful economic engine and strategic piece of transportation infrastructure for Central Newfoundland.





The most significant expense is associated with the airport's aging terminal building, which was built for a bygone era in aviation. Our current air terminal building has been a great servant for over 60 years, but now carries weighty operating costs and remains a significant capital liability. This agenda will be pursued with vigor in the coming years as we seek to leverage the public partnerships required to ensure the long-term sustainability of the airport. We are optimistic that these efforts will pay dividends if for no other reason than that they simply have to work.

For all the talk of austerity, no business saves its way to profitability. The onus is on the airport to grow sales and thicken its revenue stream, while at the same time insulating itself from the volatility of its traditional international fuel stop market. We believe the introduction of new travel choices in the coming years will help reposition the airport for the decades ahead.

2014 has fast receded in the rearview mirror and our focus is very much on

the road ahead. In the coming years, we are optimistic that the airport will maintain a trajectory of growth. We have always focused on a measured approach to managing the airport on behalf of the community we serve. All of us at the airport recognize that we are the caretakers of a powerful economic engine and a strategic piece of transportation infrastructure for Central Newfoundland.

A study undertaken in 2014 demonstrated that Gander International Airport has direct impacts of almost 1,300 jobs, most of them permanent and at a higher wage rate than the median income.

Airports are much more than a place that people and things fly from – they are economic enablers and instruments of commerce and trade in their own right. As we are fond of saying in the aviation business, a mile of road gets you a mile, but a mile of runway gets you the world. I'd venture that our runway is the most important main street in Central Newfoundland.

In closing, I extend my sincerest thanks to the many people who contributed to our performance in 2014 – our management team, our staff, and my peers on the board, who have put in a strong shift in the past year. Finally, gratitude is due to our key community partners for their unwavering support and commitment to our airport. I firmly believe you succeed together where you might fail alone. Productive partnerships are essential to the airport's future.

Together, we remain united under a common vision operating a secure and viable international airport on behalf and for the betterment of Central Newfoundland.

Des Dillon, Chairperson

Corporate VALUES

Our corporate values define who we are and what we stand for.

Integrity and Transparency

We conduct ourselves with integrity and a spirit of openness to the greater community we serve. We take ownership and are accountable for our decisions and actions. We keep our promises and demonstrate high ethical standards in everything we do.

Partnerships

We recognize that we succeed together where we fail alone. We establish true, productive partnerships where parties share resources, risk and reward. We build on each other's strengths and become stronger as a result.

Corporate Stewardship and Community Citizenship

We value the communities we serve and the people who live there. We contribute to the region as an economic generator and by providing leadership in social responsibility.

Efficiency

We recognize that the airport must run as a lean organization, one that provides cost leadership and recognizes the importance of maintaining a strong balance sheet.



Reg Wright, President and CEO

Message from the President and CEO

Back in September, our organization developed a strategic roadmap that outlined what we hoped Gander International Airport might be - and have achieved - by 2020. I believe we made solid progress toward those goals in 2014, and I am optimistic about where we are headed. There is a ways to go, but we believe the airport is headed in the right direction. There will challenges and more severe tests en route, but we have a growing confidence in our ability to navigate the future.

Operating results exceeded our budgeted forecast and the airport posted its 10th consecutive year of profit. Net operating income of \$1.4 million represented the second best financial performance in the airport's history.

The ongoing mission has been, and remains, to build lasting success for Gander International Airport. To achieve this, the airport needs to generate the revenue from operations to fund its capital works program. Only through this can the airport achieve true sustainability and be able to serve and contribute to the economic vibrancy of the region.

Airports are ultimately a bellwether for the local economy. Gander International Airport is not an economic iceberg adrift on its own. Ultimately, we are buffeted by fiscal currents in both positive and negative ways. Certainly the suppression in oil prices will continue to test many businesses and governments. Combined with the fall of the Canadian dollar, this will continue to impact trade-intensive economies and challenge the aviation industry. While faltering fuel prices will create a short term reprieve for energy-related expenses, adjustments in the mobile workforce in Western Canada have, and will continue to, impact passenger traffic across the country and we need to be prepared to mitigate the impacts of a slowing economy.

Since assuming operating responsibility of the airport from Transport Canada, the airport authority has made it a priority to reduce its dependency on volatile aviation business cycles and diversify its income streams. Our investment in a 150-acre business park located on a prime tract of land for retail opportunities bears witness to this direction.

Passenger services at Gander were well subscribed in 2014, allowing the airport to post a 6% growth in passenger traffic, marking the highest totals since 1981. The airport has devoted significant effort and resources to an air service development program designed to ensure the greatest probability of success. Route development priorities are aligned with both realistic market demand and revenue generated. This has continued to yield dividends.

Our forecast going forward with new travel choices scheduled to be introduced in 2015 is encouraging. Clearly, thanks are due to the airlines offering a service to our airport and region.

On the other side of the business, international widebody traffic increased 30% over 2013 levels. However, technical stops remain down significantly over historic levels. The aviation industry has undergone both significant rationalization and re-fleeting; the latter has brought to an abrupt end many of the older, fuel-inefficient aircraft types which were the cornerstone of international traffic at Gander. Reduced international flights have made the modern era a trying time for our many key tenants established primarily to service these operations. There are niches of international aviation that will continue to patronize Gander and show aggregate growth in the coming decades, but overall this market will not resume any significant ascendancy.

An airport is only as good as its people. Gander International Airport is extremely fortunate to employ an experienced, capable and committed staff. The operations team at Gander is both the spine and heart of our organization.

We have a culture in which our employees and partners strive to provide superior service that enhance Gander's reputation. Collectively, we maintain a key goal of ensuring great beginnings and ends to every customer's trip. Gander's brand worldwide has been built on warm hospitality and attentive service and we collectively need to continue to offer the customer convenience, amenities, and service to ensure a satisfying, easy and customer-centric experience. All of our customers – be they the passengers arriving from Buchans to catch a flight or the international 757 from Boston stopping for fuel – have a choice, and we need to ensure that they choose Gander.

I want to extend my sincere gratitude to my steadfast management and administrative team, staff, board and tenants. Whatever success the airport achieves is the product of the hard work, vision and the contributions of many.

Thank you to all of those who have entrusted their support as we operate Gander International Airport on their behalf. The future will tender new challenges and opportunities, and we will meet them as a community and region deeply committed to its airport.



Reg Wright, President and CEO



Gander International Airport Authority Management and Administration. From left, Stephen Burbridge, Manager of Infrastructure; Brian Hicks, Manager of Safety and Airside Operations; Tina Slade, Supervisor of Finance and Human Resources; Janice Bath, Executive Assistant; Darren Dalton, Vice President and Chief Financial Officer; Reg Wright, President and CEO,

Airport Impact and Output

A sparkplug for the regional economy

While many people view an airport simply as a facility from which they fly, Gander International Airport is an important economic enabler for the province.

The economic impact of the airport is felt far past the airport's runways, as evidenced by the findings of an economic impact study undertaken by InterVISTAS Consulting Inc. in 2014.

The study measured employment and spending related to the airport as it pertains to jobs, wages and economic output.

- Direct impacts included 1,260 full-time jobs, \$90 million in wages, \$140 million in gross domestic product (GDP) and \$240 million in economic impact.
- The study also considers indirect and induced impacts, which include downstream industries such as suppliers and contractors, as well as employment generated by employee spending. Total economic impacts were 1,940 full time jobs, \$210 million in GDP and \$360 million in economic output.
- Employment related to airport activity has grown 10% over the last eight years, with most gains in the airport support and airline services sectors.
- Average earnings per person year of employment have increased from \$61,000 to \$70,000 over that time, almost 35% higher than the median income for all employment in Gander.
- 95% of jobs directly related to airport activity are full-time positions.
- 20% of the total labour force in the Town of Gander can be attributed to direct airport activity.
- YQX is also an important generator of taxation revenues to all levels of government. Total taxes paid on an annual basis, by passengers, employers, and employees at YQX, are estimated at \$46 million per year, including \$27 million to the federal government and \$19 million to the provincial government.



PHOTO Derm Chafe

Business Development Overview

An agenda for growth

Passenger traffic grew 6% in 2014. These results are indicative of increased seat capacity at Gander and strong performance on existing routes. The market continues to enjoy an upward trend in passenger movements.

Air travel demand across Canada and globally is expected to continue to increase. Passenger traffic at Gander will continue to increase organically and at a greater pace as new seat capacity and travel choices are introduced in 2015.

In 2014, Sunwing announced its third winter destination from Gander – Orlando, Florida. The airport has gone from having a single daily destination in 2006 to offering year-round service to Halifax, St. John's and Goose Bay, with seasonal service to Toronto, Cuba, Florida and the Dominican Republic. Over that time, passenger numbers at Gander have doubled.

The airport has worked to stay front-of-mind with the Central Newfoundland traveling public by promoting the ease and convenience of flying from Gander. Currently, two of every three Central Newfoundland residents who travel by air fly from Gander Airport. This means there remains a large portion of the traveling public that drive to neighboring airports to fly. Stemming passenger bleed and ensuring local consumers look before they book a flight remains the GIAA's primary challenge.

While international traffic continued a downward trend, the GIAA and its

Air services at Gander were well subscribed in 2014, buoying passenger traffic.

partners continue efforts to promote Gander's capacity to accommodate international operations. Through this campaign, the airport and its partners reached a significant audience by exhibiting at key industry trade shows.

Technical stops are a business segment that Gander has actively promoted since its inception and that the target market is reasonably aware of. While the technical stop market for Gander is in a state of decline, it will continue to yield good business for the airport over the medium term. The competitive environment for a shrinking technical stop market has shifted importance to holding on to traditional customers in addition to prospecting for new ones. The airport aims to foster good

working relationships with its primary customers with a focus on retention.

The airport maintains a multi-media 'Fly Gander' marketing campaign which includes promotions, print, radio, earned media/public relations, public space advertising and an ever-growing focus on social media. The airport authority won three awards at the Airport Council International Marketing and Communications Awards, the second most of any airport in Canada, and has received six awards over the last two years.

Far Left:

The Boeing 787 Dreamliner being serviced at Gander.

Below:

The Gander Airport delegation, including representatives of Allied Aviation and Woodward Aviation, at a trade event in Nashville.

BUSINESS OBJECTIVES

Six key strategic objectives guide the airport authority's priorities:

- Improve financial operating results
- Maintain a high level of community support
- Expand commercial passenger service and retain international traffic
- Champion safety and productivity in all aspects of operations
- Foster a culture of superior service; and
- Address the airport's ongoing capital challenges





Financial Stewardship

2014 and Beyond

In 2014, the Gander International Airport Authority posted its tenth straight year of profitability despite a challenging year in the marketplace. The airport's core revenue increased \$1.1 million, primarily due to increased international traffic and stronger returns on its investments. This revenue performance was the second best in the airport's history.



While working to exploit opportunities to grow the airport, the authority has maintained a concerted focus on cost control. Cash expenses were virtually flat with the previous year. The airport continues to restructure its operations and service delivery model. One-time restructuring expenses incurred in 2014 will continue to provide long term, annualized savings of \$200,000 annually for the airport. Constant dollar wage increases have been limited to \$250,000 over 12 years, representing average annual increases of less than 1%. Expenses were flat with 2013 and lower than the provincial inflation rate of 2.4%.

Non-aeronautical revenue grew \$470,000 over the previous year. Non-aeronautical revenue now represents 39% of total revenue.

Since transfer in 2001, the airport has generated revenue of \$98 million, invested \$30 million in infrastructure and paid \$41 million in wages.

Uncertainties in the provincial and global economies, as always, suggest that the business environment for GIAA will remain volatile over the next several years.

The GIAA has operated in a conservative and fiscally responsible manner throughout its tenure. Management has focused on the diversification of operating revenues, maintained day-to-day control of operating costs, and limited the growth of personnel expenditures.

As a guiding principle, the airport must avoid debt that will stress its economic framework. The airport needs to remain cognizant of its cash reserves, debt covenants and emergency infrastructure needs. In 2014, the airport was able to pay down long-term debt and replenish a portion of its reserves.



Community Connections

The Gander International Airport Authority remains an active philanthropist, contributing to local non-profit causes including families in need, community festivals, the arts and youth sports.

The airport focuses primarily on children's charities with a mandate to help sick or underprivileged children.

The airport authority places great importance in staying connected with the community it serves. This takes many forms, from reading at elementary school classes at literacy events to holding networking events for key community leaders.



Above: the Gander International Airport focuses its community work on children's charities. Below, left: GIAA Mechanic Lyndon Lewis fronts the fish pond at the airport's annual Kid's Picnic. Below: Commander Gander is on hand to greet international visitors,

Giving Back *Support in 2014*

- Youth sports
- Arts and festivals
- Military charities
- School breakfast programs
- Hope Air





Top left: GIAA Executive Assistant Janice Bath and Supervisor of Finance and Human Resources Tina Slade ready gifts for the airport's annual Adopt-A-Family drive. Top right: Keith Kean and Bill Hunter man the barbecues. Below: The inaugural Gander Airport Charity Golf Tournament raised \$4,000 for Children's Charities.



\$15 Million

in capital works projects
completed over the
last three years

Phase I

of 150-acre Business
Park completed

Conceptual Design

for new \$40 Million
air terminal building
completed

Operational Overview

Reinvesting In Your Airport

Meeting the future needs and demands of
the airport requires sound planning

2014 focused on concluding the renewal of the airport's mobile fleet, which is now substantially complete with the addition of two new snowblowers. Many crucial vehicles were long past due date. The summer and fall saw the implementation of a progressive maintenance program, which addressed a backlog that had accrued over the last number of years.

Phase I of the airport's 150-acre business park development adjacent Cooper Blvd was completed in the fall of 2014. The airport now has a strategically located, high visibility tract of land in the heart of a \$2.5 billion regional retail sales market. While the regional economy has tapped the brakes somewhat, there are promising developments on the horizon for this space.

A major infrastructure focus has been the charting of a plan for a new air terminal building. The current 17,750m² terminal was built in 1957 and underwent expansions in the decades following. The terminal has exceeded its useful lifespan and is vastly overbuilt and misconfigured for the airport's needs, current and projected.

The expenses associated with a vast, antiquated facility, along with the risks that carries, are a serious concern and one the airport needs to address. The airport needs to be situated in a properly sized facility with reasonable operating costs. Gander's terminal heating bill alone is five times the amount of some comparable airports across Atlantic Canada. The forecasted escalation in energy costs over the short term poses a significant

threat to airport viability. Even modest increases in industrial electrical rates per kilowatt hour will have serious impacts on airport profitability and viability.

After a competitive bid process, Stantec Inc. was commissioned to produce a conceptual design and provide a Class C cost estimate for a new air terminal building. Options were reviewed by the airport's engineering team, external consultants and the authority's board of directors, weighing the pros and cons and addressing such parameters as anticipated annualized savings, risk/liability associated with the current building, capacity to finance a new build, usable lifespan and the alternatives, such as renovating the airport's current ATB.



At 8,200 m², the proposed new terminal building is half the size of the airport's current air terminal building. It provides full functionality to serve the all-important international technical stop market but also has three times the space allocated to passenger space. The total project cost, including contingencies, is \$40 Million.

The airport authority is hopeful that an adaptive re-use of the international lounge in the current ATB can be found, one that benefits the community or is complementary to aviation purposes. The airport authority will entertain all viable proposals for its reuse so long as they are cost neutral to the airport authority.

A new, efficient, right-sized air terminal building remains priority one for the airport authority.

Over the past three years, the airport authority completed \$15 million in capital works projects. In part, this was to clear off a “bow wave” of capital works requirements created by years of deferral. Modest capital works expenditures of are budgeted for the years through 2019, which includes

ongoing fleet renewal initiatives as well as the recapitalization of a number of taxiways and groundside roads deemed critical to airport operations.

It is important to note that infrastructure investment projections are predicated on medium-case traffic projections and economic factors tied to the airport's lifecycle management formula. The Authority can, and will, defer future infrastructure investments if they are not supported by solid economic fundamentals.

Safety Overview

Operational integrity, above all

The GIAA has maintained an ongoing commitment to foster a culture of safety and security. It is priority one that the airport provide a safe environment for its workers, travelers and airlines. The airport authority aims to exercise the highest levels of safe work practices and foster an environment of personal and professional development to build organizational capacity.

In 2014, Transport Canada auditors provided a strong endorsement of the airport's safety and security program.

All auditors, including aeronautical, safety and labour, found the airport to be a capable steward of airport operations.

Much work has focused on the Safety Management System (SMS) program. SMS is a comprehensive system that focuses on auditable and measured safety processes that identify hazards to ensure a proactive approach to preventing incidents and maintaining regulatory compliance.

**The airport authority
champions productivity
and safety in all of
its operations.**



Recurrent training and preparedness are crucial to the airport's emergency response function.

Corporate Governance

For the community, by the community

It is the policy of the Gander International Airport Authority Inc. to follow the governance practices of the Toronto Stock Exchange (TSX model). Accordingly, the GIAA has implemented the following guidelines.

The Board:

1. Assumes responsibility for stewardship of the Corporation and specifically for:

a) Adoption of a Strategic Planning Process of principal risks and implementing a Risk Management System

b) Succession planning and monitoring senior management

c) Communications Policy; and,

d) The integrity of internal controls and Management Information Systems

2. Ensures that the majority of directors are unrelated including committee members.

3. Ensures full disclosure is required to determine whether or not directors are related and how that conclusion was researched.

4. Appoints a committee responsi-

ble for the assessment of new directors. The committee makes recommendations to the Board of directors as to suitability according to the by-laws, and ensures that new directors meet the skill sets required by the authority.

5. Implements a process for assessing the effectiveness of the Board, its committee and individual directors.

6. Provides an orientation and education program for new directors.

7. Reviews, on an annual basis, the compensation of directors in light of risks and responsibilities.

8. Ensures all committees are comprised of unrelated non-management directors.

9. Has developed limits to management's responsibilities by developing mandates for the Board and CEO. The Board approves the CEO's corporate objectives.

10. Has established an audit and procedures committee. All voting members are unrelated and non-management.

The 2014 GIAA Board is composed of 13 directors, 10 nominated by the respective entities and three appointed by the Board itself. Directors are nominated/appointed by the following entities:

Federal Government	2 (1 vacant)
Provincial Government	1
Town of Gander	3
Gander and Area Chamber of Commerce	1
Lewisporte Area Chamber of Commerce	1
Exploits Regional Chamber of Commerce	1
GIAA Board of Directors	3 (2 vacant)
Town of New-Wes-Valley	1 (1 vacant)

A director may serve no more than a total of nine years. Collectively, directors are to possess knowledge relating to the aviation industry, air transportation, business, finance, administration, law, government, engineering, labour organizations and the interest of consumers.

As of December 31, 2014 the GIAA Board of Directors, their nominating entity and the term expiry were as follows:

Melvin Thorne, Town of Gander	Sept. 17, 2017
Desmond Dillon, Town of Gander	Sept. 8, 2014
George Innes, Federal Government	March 4, 2017
Bernice Walker, Exploits Chamber	March 7, 2015
Arthur Elliott, Lewisporte Chamber	July 7, 2016
Robert Downey, GIAA	Jan. 20, 2015
Donald Farrell, Gander Chamber	Feb. 18, 2015
Ted Mayo, Government of NL	April 17, 2016
Geraldine Blundon, Town of Gander	April 15, 2015

Contracts Not Tendered

Pursuant to the public accountability principles for Canadian airport authorities, general by-laws and the Authority's procurement policy for goods and services, all contracts valued at more than \$97,562 (\$75,000 2001 dollars) shall be awarded following a competitive public tendering process unless the Authority, for reasons of efficiency and practicality, decides otherwise.

Reasons for exceptions:

A. Whenever the Authority determines it more efficient to award a contract to an existing supplier, whenever services suppliers are deemed to have developed a specific skill set or knowledge base from a previous contract, or whenever exceptional circumstances of urgency require that work be undertaken immediately to avoid compromising the safety of people or premises.

B. Whenever a supplier is the owner, patentee or licensee of technology being acquired, whenever supplier experience and expertise are deemed to be quasiexclusive, or whenever the maintenance of a supply source is essential given the extent of investments already made to establish a standard.

Contracts under \$1 million:

- Commissionaires, security
- G&M Enterprises Ltd., janitorial

Committees

There are four permanent committees of the Board of Directors. Committees are only empowered to make recommendations to the Board unless directed otherwise by the Board. Whenever possible, all Board decisions involve the entire Board.

Committees and their chairs include: Executive Committee, chaired by Desmond Dillon; Finance and Audit Committee, chaired by Donald Farrell; Environmental Committee, chaired by Ted Mayo and the Governance Committee, chaired by George Innes.

Senior Officers

Reg Wright, President and CEO
Darren Dalton, Vice President and Chief Financial Officer
Brian Hicks, Manager of Safety and Airside Operations
Stephen Burbridge, Manager of Infrastructure

Senior Officer Compensation

The remuneration paid to executive officers during 2014 was \$689,820. Officers were also eligible for performance-based pay that is included above. Gary Vey, the former President and CEO, retired at the end of June 2014.

Corporate Governance *(cont)*

Board Compensation

In establishing appropriate compensation for directors, GIAA's Governance Committee conducted a compensation survey, which is reviewed regularly to ensure it is comparable to similar markets.

Directors Total Compensation 2014

George Innes	\$ 6,925
William Jones	1,290
Don Manuel	8,040
Fredrick Moffitt	20,025
Robert Downey	6,850
Arthur Elliott	6,170
Melvin Thorne	1,750
Donald Farrell	5,463
Nick Connolly	1,373
Desmond Dillon	14,200
Bernice Walker	4,101
Geraldine Blundon	2,975
Debby Yannakidis	1,125
TOTAL	\$ 80,289

Code of Conduct for Directors

All directors of the Authority are required to comply with a Code of Conduct and Rules Concerning Conflict of Interest. These require that directors avoid and refrain from involvement in conflict of interest situations. All directors are in compliance with this code.

Highlights and Required Declarations

Capital Initiatives

During the past year, the authority invested \$2,264,208 in capital improvements:

Heavy Equipment (snowclearing)	\$ 1,023,145
Land development	949,453
Light duty vehicles	69,106
Air Terminal Building design	136,500
Miscellaneous capital expenditures	86,004
	\$ 2,264,208

GLAA Board of Directors (as of Feb, 2015)



Front row, from left: Queen Blundon, Chairperson Des Dillon, President and CEO Reg Wright. **Back, from left:** Rev Arthur Elliott, Winston Carter, Bob Downey, Mel Thorne and Ted Mayo. **Missing from photo:** George Innes, Rebecca Redmond Maclean, Don Farrell and Bernice Walker.

Highlights and Required Declarations

A focus on cost management and growth

BUSINESS PLAN

	ACTUAL	BUDGETED	DIFFERENCE	EXPLANATION
REVENUE	\$ 9,399,137	7,863,200	\$1,474,898	Increased international traffic; stronger returns on investments
EXPENSES, EXCLUDING DEPRECIATION	\$ 7,506,822	6,797,100	(709,722)	Higher maintenance costs, staff restructuring, increased professional fees
CAPITAL EXPENDITURES	\$ 2,264,208	1,073,000	(1,191,208)	Replacement of two snowblowers

5 YEAR FORECAST

	2015	2016	2017	2018	2019
REVENUE	\$ 9,027,000	9,527,000	9,717,000	9,911,000	10,110,000
EXPENSES, EXCLUDING DEPRECIATION	\$ 7,635,000	7,977,000	7,937,000	8,096,000	8,258,000
CAPITAL EXPENDITURES	\$ 3,200,000	1,040,000	21,105,000	21,150,000	1,215,000

\$9,399,137

Total revenue generated in 2013.

13%

*Increase in revenue
over 2013 performance.*

1 in 5

*jobs in the Town of Gander
are tied to aviation.*

6%

*growth in passenger traffic
over 2013 levels.*

\$360

*million in economic output
created annually by Gander's
aviation and aerospace industry.*

02

FINANCIAL REPORT



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Amidst headwinds and tailwinds, **the GIAA** recorded its **10th year** of profitability.

Blair J. Jewer
Chartered Accountant

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***To the Members
Gander International Airport Authority Inc.***

I have audited the accompanying financial statements of Gander International Airport Authority Inc., which comprise the statement of financial position as at December 31, 2014, and the statements of operations, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion the financial statements present fairly, in all material respects, the financial position of Gander International Airport Authority Inc. as at December 31, 2014, and its financial performance and its cash flows for the year then ended in accordance with Canadian generally accepted accounting standards for not for profit organizations.

Blair J. Jewer

Chartered Professional Accountant

April 1, 2015
Grand Falls-Windsor, NL



2000
He AROUND the WORLD in 80 days
Bel... mal... ws

FIRST-EVER AROUND THE WORLD RALLY

**GANDER INTERNATIONAL AIRPORT AUTHORITY INC.
STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2014**

	<u>2014</u>	<u>2013</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 44,490	\$ -
Guaranteed Investment Certificates	-	257,683
Short term investments	6,266,146	5,806,035
Accounts receivable (Note 3)	905,238	1,573,561
Inventory of consumable supplies (Note 4)	554,076	464,133
Prepaid expenses	91,982	97,596
	<u>7,861,932</u>	<u>8,199,008</u>
EMPLOYEE FUTURE BENEFITS (Note 9)	951,000	741,000
PROPERTY, PLANT AND EQUIPMENT (Note 5)	<u>20,038,784</u>	<u>19,249,317</u>
	<u>\$ 28,851,716</u>	<u>\$ 28,189,325</u>
LIABILITIES		
CURRENT LIABILITIES		
Bank indebtedness (Note 6)	\$ -	\$ 1,210,415
Accounts payable (Note 7)	536,541	553,190
Deferred revenue	101,087	101,087
Employee termination benefits	-	345,039
Accrued severance pay	-	66,729
Current maturity on long-term debt	639,303	506,220
Long term debt within one year in excess of regular payments	<u>1,959,996</u>	<u>-</u>
	3,236,927	2,782,680
LONG TERM DEBT (Note 8)	2,766,981	2,886,440
ACCRUED SEVERANCE PAY	225,884	240,855
UNAMORTIZED CAPITAL GRANTS (Note 10)	<u>10,971,645</u>	<u>11,965,745</u>
	<u>17,201,437</u>	<u>17,875,720</u>
NET ASSETS		
INVESTED IN CAPITAL ASSETS (Note 11)	3,700,859	2,940,912
EXTERNALLY RESTRICTED – EMPLOYEE FUTURE BENEFITS (Note 11)	951,000	741,000
UNRESTRICTED (Note 11)	<u>6,998,420</u>	<u>6,631,693</u>
	<u>11,650,279</u>	<u>10,313,605</u>
	<u>\$28,851,716</u>	<u>\$ 28,189,325</u>

Signed on behalf of the Board,

Des Dilla, Director

Michael J. Farrell, Director

The accompanying notes form an integral part of this financial statement.

**GANDER INTERNATIONAL AIRPORT AUTHORITY INC.
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>2014</u>	<u>2013</u>
REVENUE (Note 12)	\$ 9,399,137	\$ 8,311,940
EXPENSES		
Advertising and promotion	273,363	204,584
Bad debt expense	2,991	(11,505)
Board remuneration and travel	98,350	81,535
Communications	55,867	53,006
Equipment and vehicle operating	391,485	383,419
Insurance	197,619	166,608
Interest and bank charges	181,537	140,790
Licences and fees	36,598	28,156
Maintenance contracts	264,166	255,346
Materials and supplies	529,260	548,013
Office and administration	82,072	49,863
Payment in lieu of taxes	146,880	135,067
Professional fees	181,346	99,008
Repairs and maintenance	511,375	328,231
Security contracts	235,228	237,648
Travel and entertainment	192,357	96,200
Utilities	932,594	918,566
Wages and employee benefits	3,186,029	3,399,074
Termination benefits	-	390,468
Carbon neutrality	7,705	26,518
Depreciation, net of grant amortization \$994,100 (2013 - \$1,107,830)	480,641	274,824
	<u>7,987,463</u>	<u>7,805,419</u>
EXCESS OF REVENUE OVER EXPENDITURES	\$ 1,411,674	\$ 506,521

The accompanying notes form an integral part of this financial statement.

**GANDER INTERNATIONAL AIRPORT AUTHORITY INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>2014</u>	<u>2013</u>
CASH WAS PROVIDED BY (USED FOR)		
<i>Operating</i>		
Net excess of revenue over expenditures	\$1,411,674	\$ 506,521
Non-cash items, depreciation, net of grant amortization	480,641	274,824
Gain on disposal of property, plant, and equipment	(61,039)	(492,839)
	<u>1,831,276</u>	<u>288,506</u>
<i>Changes in non-cash working capital</i>		
Current assets (Note 13)	583,994	222,317
Current liabilities (Note 13)	(361,688)	(1,455,311)
	<u>2,053,582</u>	<u>(944,488)</u>
<i>Investing</i>		
Proceeds from sale of property, plant and equipment	61,039	492,839
Purchase of property, plant and equipment	(2,264,208)	(2,067,640)
Employee future benefit asset, including prior period adjustment	(285,000)	(398,000)
	<u>(2,488,169)</u>	<u>(1,972,801)</u>
<i>Financing</i>		
Accrued severance pay	(81,700)	(30,882)
Repayment of long-term debt	(1,095,113)	(506,220)
Proceeds from long-term debt	3,068,733	-
Deferred restricted government assistance	-	188,344
	<u>1,891,920</u>	<u>(348,758)</u>
INCREASE (DECREASE) IN CASH	<u>1,457,333</u>	<u>(3,266,047)</u>
CASH, BEGINNING	<u>4,853,303</u>	<u>8,119,350</u>
CASH, ENDING	<u><u>\$ 6,310,636</u></u>	<u><u>\$ 4,853,303</u></u>
CASH CONSISTS OF:		
Cash on hand	\$ 2,000	\$ 2,000
Current account (overdraft) - operating	42,490	(262,415)
Land development overdraft	-	(950,000)
Guaranteed Investment Certificates	-	257,683
Short term investments	6,266,146	5,806,035
	<u><u>\$ 6,310,636</u></u>	<u><u>\$ 4,853,303</u></u>

The accompanying notes form an integral part of this financial statement.

**GANDER INTERNATIONAL AIRPORT AUTHORITY INC.
NOTES TO FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2014**

1. NATURE OF OPERATIONS

The Gander International Airport Authority Inc. (GIAA) was incorporated as a not for profit Corporation without share capital by Letters Patent under the Canada Corporations Act and is Exempt from income tax.

The GIAA is governed by the Board of Directors whose members are nominated by various regional Stakeholders.

The objectives of the GIAA are:

- to manage operate and develop the Gander International Airport in a safe, secure, efficient, cost effective and financially viable manner with reasonable airport user charges and equitable access to all carriers;*
- to undertake and promote the development of the Airport lands, for which it is responsible, for uses compatible with air transportation activities;*
- to expand transportation facilities and generate economic activity in ways which are compatible with air transportation activities.*

In executing its objectives, the Authority shall confer regularly with governments and community entities on matters affecting the operation and development of the Airport and shall engage only in those activities that are consistent with its objectives.

Gander International Airport (CYQX) is a member of the Canadian National Airport System. While a member of this system GIAA is required to operate as a not for profit corporation.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements were prepared in accordance with Canadian generally accepted accounting standards for not-for-profit organizations and include the following significant accounting policies:

(a) Cash and cash equivalents

The entity's policy is to disclose bank balances under cash and cash equivalents, including bank overdrafts with balances that fluctuate frequently from being positive to overdrawn and term deposits cashable within three months or less.

(b) Financial instruments

The entity initially measures its financial assets and liabilities at fair value.

The entity subsequently measures all its financial assets and financial liabilities at amortized cost, except for investments in equity instruments that are quoted in an active market, which are measured at fair value.

Changes in fair value are recognized in net income.

Financial assets measured at amortized cost include cash, term deposits, and accounts receivable.

Financial liabilities measured at amortized cost include the accounts payable and long-term debt.

The entity's financial assets measured at fair value include a number of other investments, i.e. quoted shares.

Financial assets measured at cost are tested for impairment when there are indicators of impairment. The amount of the write-down is recognized in net income. The previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in net income.

The entity recognizes its transaction costs in net income in the period incurred. However, financial instruments that will not be subsequently measured at fair value are adjusted by the transaction costs that are directly attributable to their origination, issuance or assumption.

**GANDER INTERNATIONAL AIRPORT AUTHORITY INC.
NOTES TO FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2014**

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) Depreciation

Depreciation was provided on property, plant and equipment using the straight line method at the following rates per annum:

<i>Runway</i>	<i>5%</i>	<i>Vehicles</i>	<i>10%</i>	<i>Roads</i>	<i>6.67%</i>
<i>Approach lighting</i>	<i>5%</i>	<i>Software</i>	<i>10%</i>	<i>Equipment</i>	<i>10%, 20%</i>
<i>Leasehold improvements</i>	<i>10%, 20%</i>				

(d) Property, plant and equipment is recorded at cost.

(e) Inventory

The inventory of consumable supplies is recorded at the lower of cost and estimated net realizable value. Inventory cost is calculated on the first in first out basis. Net realizable value is the replacement cost of consumable supplies.

(f) Facilities Lease

The lease of the International Airport Facilities from the Government of Canada (the "Landlord") is accounted for as an operating lease.

(g) Deferred government assistance

Government assistance received for the purpose of acquiring property, plant, and equipment is accounted for as deferred government assistance and amortized on the same basis as the related property, plant, and equipment.

(h) Pension Plan

The Authority has entered into a defined benefit pension plan for its employees whereby retirement benefits are based on the average earnings of last five years prior to retirement. The defined benefit pension cost is charged to salaries and benefits as employees render services. The Authority's approach to account for pension costs is the going concern funding basis.

The accrued benefit obligation, as presented in Note 9 of the financial statements, is measured using an actuarial valuation versus a funding valuation. The actuarial costing method used is Projected Unit Credit pro-rated over credited service.

(i) Revenue Recognition

Revenue is recognized using the deferral basis of accounting.

Airport improvement fee revenue is recognized as income in the periods passengers depart from the airport.

Landing fees, terminal fees, aviation fuel fees and miscellaneous revenue is recognized as airport facilities are utilized.

Rental revenue and concession revenue is recognized over the lives of the respective tenant's leases for land, buildings and space.

**GANDER INTERNATIONAL AIRPORT AUTHORITY INC.
NOTES TO FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2014**

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(j) Foreign currency transactions

The entity uses the temporal method to translate its foreign currency transactions.

Monetary assets and liabilities are translated at the exchange rate in effect at the balance sheet date.

Other assets and liabilities are translated at the exchange rate in effect at the transaction date. Items appearing in the current year's income statement, except for the cost of inventories and depreciation translated at historic rate, are translated at average year rates. Exchange gains and losses are included in the income statement.

(k) Accounting estimates

The preparation of the financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future periods could be significant.

	<u>2014</u>	<u>2013</u>
3. ACCOUNTS RECEIVABLE		
Trade	\$ 850,860	\$ 1,587,627
Recoverable costs	70,500	-
Employee advances	935	-
	<hr/> 922,295	<hr/> 1,587,627
Allowance for doubtful accounts	17,057	14,066
	<hr/> <hr/> \$ 905,238	<hr/> <hr/> \$ 1,573,561

4. INVENTORY

Inventory consists of consumable supplies.

The carrying amount of inventories carried at other than cost is \$Nil.

The amount of any write-down recognized as an expense in the period is \$Nil.

The amount of reversal of any write-down recognized in the period is \$Nil.

The carrying amount of inventory pledged as security for bank indebtedness is \$ Nil .

GANDER INTERNATIONAL AIRPORT AUTHORITY INC.
NOTES TO FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2014

			<u>2014</u>	<u>2013</u>
5. PROPERTY, PLANT AND EQUIPMENT				
	<u>Cost</u>	<u>Accumulated Depreciation</u>		
Runway	\$16,461,703	\$4,564,046	\$11,897,657	\$12,725,749
Approach Lighting	1,608,757	854,139	754,618	835,054
Equipment	1,517,585	726,603	790,982	817,150
Vehicles	5,639,091	3,057,703	2,581,388	1,674,981
Software	62,560	33,822	28,738	34,445
Leasehold improvements	1,446,062	733,742	712,320	670,161
Land development	1,206,076	-	1,206,076	-
Roads	2,059,717	592,712	1,467,005	1,230,987
Water and sewer Infrastructure	600,000	-	600,000	-
	<u>30,601,551</u>	<u>10,562,767</u>	<u>20,038,784</u>	<u>17,988,527</u>
Assets under construction	-	-	-	1,260,790
	<u>\$30,601,551</u>	<u>\$10,562,767</u>	<u>\$20,038,784</u>	<u>\$19,249,317</u>

6. BANK INDEBTEDNESS

GIAA has an operating line of credit of \$1,500,000 bearing interest at Scotiabank prime which is secured by a general security agreement and a collateral security agreement. Investments in an amount equal to outstanding principal have also been pledged as security for the operating line of credit and long term debt.

Operating	\$ -	\$ 260,415
Land development	-	950,000
	<u>\$ -</u>	<u>\$ 1,210,415</u>

7. ACCOUNTS PAYABLE

Trade	\$ 335,990	\$ 418,757
Accrued wages	16,733	11,956
Government remittances	93,423	3,070
Accrued vacation pay	90,395	119,407
	<u>\$ 536,541</u>	<u>\$ 553,190</u>

**GANDER INTERNATIONAL AIRPORT AUTHORITY INC.
NOTES TO FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2014**

	<u>2014</u>	<u>2013</u>
8. LONG-TERM DEBT		
<i>Bank of Nova Scotia</i>		
<i>Prime plus 0.5% term loan, repaid in year</i>	\$ -	\$ 366,660
<i>Prime plus 0.5% term loan, repaid in year</i>	-	193,500
<i>Prime plus 0.5% term loan, repayable by monthly instalments of \$6,812, secured by specific vehicles and an assignment of insurance coverage, due 2019</i>	340,623	-
<i>Prime plus 0.5% term loan, repayable by monthly instalments of \$4,500, secured by specific vehicles and an assignment of insurance coverage, due 2019</i>	423,157	-
<i>1.50% Banker's Acceptance, repayable by monthly installments of \$11,667, due December 2015, amortized to 2029</i>	2,100,000	-
<i>1.52% Interest Rate Swap term loan, repayable by monthly instalments of \$27,500, secured by Hypothecation Agreement (with Power of Attorney) over short term investments, amortized to 2022, due 2017</i>	2,502,500	2,832,500
	<hr/> 5,366,280	<hr/> 3,392,660
<i>Current maturity</i>	639,303	506,220
<i>Amounts due within one year in excess of regular payments</i>	1,959,996	-
	<hr/> \$ 2,766,981	<hr/> \$ 2,886,440

Future payments on long term debt for the next five years are as follows:

<i>2015 - \$639,303</i>	<i>2017 - \$639,303</i>	<i>2019 - \$556,587</i>
<i>2016 - \$639,303</i>	<i>2018 - \$639,303</i>	

The bank indebtedness and long term debt is secured by additional security of a general security agreement over present and future personal property.

Until all debts have been extinguished, the following covenants apply:

The ratio of EBITDA (as defined by the Bank to interest expense plus current maturity on long term debt must be 1.25:1.

Cumulative capital expenditures are not to exceed \$2,600,000.

The Authority was compliant with the required covenants.

**GANDER INTERNATIONAL AIRPORT AUTHORITY INC.
NOTES TO FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2014**

20142013**9. EMPLOYEE FUTURE BENEFITS**

The Authority has a defined benefit and defined contribution plan providing pension benefits to most of its employees. The defined benefit plan is based on years of service and final average salary. Pension benefits will increase annually by 50% of the rate of inflation. The authority measures its accrued benefit obligation and the fair value of plan assets for accounting purposes as at January 1 of each year. The most recent actuarial valuation of the pension plans for funding purposes was January 1, 2014 and the next required valuation will be as of January 1, 2015. The reported amounts are based on the January 1, 2014 valuation as extrapolated to December 31, 2014, after adjusting for changes in assumptions.

(a) The net expense for the Authority's defined benefit Pension plan is as follows:

Net plan expenses	\$ 79,000	\$ 127,000
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(b) Information about the Authority's defined benefit Pension plan is at December 31 is as follows:

Plan assets

Fair market value beginning	\$ 5,292,000	\$ 4,244,000
Expected return on assets	296,000	245,000
Employer contributions	364,000	525,000
Employee contributions	19,000	44,000
Benefits paid	(197,000)	(157,000)
Actuarial gain on plan assets	232,000	391,000
Market value ending	6,006,000	5,292,000

Plan obligations

Benefit obligation, beginning	4,551,000	4,773,000
Transition to funding basis	-	(481,000)
Current service cost	143,000	176,000
Interest cost	251,000	240,000
Transfers in	-	-
Benefits paid	(197,000)	(157,000)
Actuarial (gains) losses	307,000	-
Benefit obligation, ending	5,055,000	4,551,000

Valuation allowance asset (obligation)

Funded status	\$ <u>951,000</u>	\$ <u>741,000</u>
Economic benefit	\$ <u>971,000</u>	\$ <u>1,166,000</u>
Valuation allowance adjustment	\$ <u>Nil</u>	\$ <u>Nil</u>

GANDER INTERNATIONAL AIRPORT AUTHORITY INC.
NOTES TO FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2014

	<u>2014</u>	<u>2013</u>
9. EMPLOYEE FUTURE BENEFITS (CONT'D)		
(c) <i>Schedule of unamortized net actuarial gains</i>		
Unamortized net actuarial gain, beginning	\$(1,354,000)	\$(1,516,000)
Actuarial gain/ (loss) due to change in accounting policy	778,000	481,000
Recognition of unamortized amounts to net assets		
January 1, 2013	1,354,000	1,516,000
Adjustment to actuarial basis	(778,000)	(481,000)
Unamortized net actuarial gain, ending	\$ <u>Nil</u>	\$ <u>Nil</u>
(d) <i>Remeasurment and other items</i>		
Gain/ (loss) on PBO	\$(307,000)	\$ -
Gain/ (loss) on assets	<u>232,000</u>	<u>391,000</u>
Total	\$(<u>75,000</u>)	\$ <u>391,000</u>
(e) <i>Reconciliation of funded status to amounts recorded in financial statements</i>		
Fair value of plan assets	\$ 6,006,000	\$ 5,292,000
Accrued benefit obligation	<u>5,055,000</u>	<u>4,551,000</u>
Funded status of plan – surplus (deficit)	\$ <u>951,000</u>	\$ <u>741,000</u>
Accrued benefit obligation – beginning	\$ 1,317,000	\$ 987,000
Immediate recognition of unamortized gains (losses)	(1,354,000)	(1,516,000)
Adjustment to actuarial basis	<u>778,000</u>	<u>481,000</u>
	741,000	(48,000)
Pension cost for the period	(79,000)	(127,000)
Contributions by Authority	364,000	525,000
Other re-measurement items (charge to net assets)	(<u>75,000</u>)	<u>391,000</u>
Accrued benefit asset	\$ <u>951,000</u>	\$ <u>741,000</u>

**GANDER INTERNATIONAL AIRPORT AUTHORITY INC.
NOTES TO FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2014**

	<u>2014</u>	<u>2013</u>
9. EMPLOYEE FUTURE BENEFITS (CONT'D)		
(f) The weighted average actuarial assumptions are as follows:		
Discount rate	5.50%	5.50%
Rate of compensation increase	4%	4%
YMPE Escalation rate	3.50%	3.50%
Indexation rate	2.50%	2.50%
Mortality table used for 2014 was the CPM (Combined) and 2013 was the UP 1994 generational		
(g) The assets of the plan are invested by a third party administrator and have the following asset mix		
Equity Securities	61.8%	62.4%
Fixed Income Securities	30.6%	29.9%
Other	7.6%	7.7%
	<hr/> 100.0%	<hr/> 100.0%

Measured as of the measurement date of December 31 of each year

10. UNAMORTIZED CAPITAL GRANTS, NET BOOK VALUE		
Balance beginning of year	\$11,965,745	\$12,885,231
Add: Infrastructure grant – Government of Newfoundland and Labrador	-	188,344
	<hr/> 11,965,745	<hr/> 13,073,575
Less: Amortization	994,100	1,107,830
	<hr/> \$10,971,645	<hr/> \$11,965,745

GANDER INTERNATIONAL AIRPORT AUTHORITY INC.
NOTES TO FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2014

	<u>2014</u>		<u>2013</u>	
11. NET ASSETS				
	<u>Externally</u>	<u>Invested in</u>	<u>Unrestricted</u>	
	<u>Restricted</u>	<u>Capital assets</u>		
Balance, beginning of year				
As previously reported	\$ 741,000	\$2,940,912	\$ 6,631,693	\$10,313,605
Prior period adjustment (Note 17)	-	-	-	-
Balance, beginning of year				
As previously reported	741,000	2,940,912	6,631,693	10,313,605
Excess of revenue				
over expenditure	(79,000)	(419,602)	1,910,276	1,411,674
Transfers				
- Pension re-measurement items	(75,000)	-	-	(75,000)
- Pension plan contributions	364,000	-	(364,000)	-
- Proceeds from long term debt	-	(3,068,733)	3,068,733	-
- Repayment of short term debt	-	950,000	(950,000)	-
- Repayment of long-term debt	-	1,095,113	(1,095,113)	-
- Proceeds from sale of property, and equipment	-	(61,039)	61,039	-
- Purchase of property, plant and equipment	-	2,264,208	(2,264,208)	-
	<u>\$ 951,000</u>	<u>\$3,700,859</u>	<u>\$6,998,420</u>	<u>\$11,650,279</u>
				<u>\$10,313,605</u>
12. REVENUE				
Landing fees			\$ 1,039,571	\$ 966,362
Terminal fees			294,331	267,241
Aviation fuel fees			2,786,424	1,970,241
Concessions			962,780	910,899
Rentals			1,593,458	1,486,480
Sale of quarry material			57,631	82,750
Royalties from forest harvesting			-	-
Miscellaneous			477,760	476,131
Investment income			172,057	146,653
Gain on disposal of property, plant, and equipment			61,039	492,839
Change in fair value of short term investments			344,652	35,316
Foreign exchange gain (loss)			3,797	1,543
			<u>7,793,500</u>	<u>6,836,455</u>
Airport improvement fees			1,605,637	1,475,485
			<u>\$ 9,399,137</u>	<u>\$ 8,311,940</u>

GANDER INTERNATIONAL AIRPORT AUTHORITY INC.
NOTES TO FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2014

	<u>2014</u>	<u>2013</u>
13. CHANGES IN NON-CASH WORKING CAPITAL		
<i>The effect on cash of changes in non-cash working capital is as follows:</i>		
<i>Current assets</i>		
<i>Accounts receivable, trade</i>	\$ 739,758	\$(692,985)
<i>Employee advances</i>	(935)	1,000
<i>Recoverable costs</i>	(70,500)	-
<i>Government grants receivable operating</i>	-	14,685
<i>Government grants receivable – restricted capital</i>	-	659,999
<i>Inventory</i>	(89,943)	225,100
<i>Prepaid expenses</i>	5,614	14,518
	<u>583,994</u>	<u>222,317</u>
<i>Current liabilities</i>		
<i>Accounts payable</i>	(16,649)	(1,800,350)
<i>Deferred revenue</i>	-	-
<i>Employee termination benefits</i>	(345,039)	345,039
	<u>(361,688)</u>	<u>(1,455,311)</u>
 <i>Net effect on cash</i>	 <u>\$ 222,306</u>	 <u>\$(1,232,994)</u>

**GANDER INTERNATIONAL AIRPORT AUTHORITY INC.
NOTES TO FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2014**

	<u>2014</u>	<u>2013</u>
14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT		

(a) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The entity's main credit risks relate to its accounts receivables and concentration of cash and short term investments.

The Authority provides credit to its clients in the normal course of its operations. It carries out, on a continuing basis, credit checks on its clients and maintains provisions for contingent credit losses which, once they materialize, are consistent with management's forecasts. The Authority does not normally require a guarantor.

Concentration of credit risk arises when a group of clients having a similar characteristic such that their ability to meet their obligations is expected to be affected similarly by changes in economic or other conditions. The Authority is exposed to credit risk on accounts receivable.

The Authority maintains cash with Canadian chartered banks in excess of federally insured limits and is exposed to credit risk from this concentration of cash.

During 2013 the Authority placed material amounts of cash with the Investment Account Manager, Scotiabank. The investment account manager has funds invested primarily in Scotia mutual funds. At December 31, 2014 the investment mix was Scotia Money Market 7.9% (2013 – 34.0%), Scotia Fixed Income Mutual Funds, 39.4% (2013 – 51.1%), and other equities 52.7% (2013 -15.9%). During 2014 the investment mix changed. This represents a change in credit risk during 2014.

(b) Currency risk

The Authority realizes a minimal amount of its revenue in foreign currency. Consequently, some assets and revenues are exposed to foreign exchange fluctuations.

(c) Interest rate risk

The Authority maintains cash in GIC's with maturity dates not exceeding one year. Consequently the Authority is exposed to interest rate risk as re-investment rates vary upon maturity of the GIC's.

Certain components of long term debt bear interest at rates tied to a prime rate as established by its creditor. Consequently, the Authority is exposed to interest rate risk as prime rate varies.

The Authority minimizes its exposure to credit risk by entering into Interest Rate Swap agreements with its creditor, the Bank of Nova Scotia.

**GANDER INTERNATIONAL AIRPORT AUTHORITY INC.
NOTES TO FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2014**

20142013**15. CONTRACTUAL OBLIGATIONS**

The Authority operates under the terms of a Ground Lease with Transport Canada. The Ground Lease provides for lease of the Airport real estate. The Ground Lease and Canadian Airports Act impose restrictions on the authority's activities and provide the framework under which the Authority must operate. The lease agreement requires the payment of rent commencing January 1, 2016.

16. HEDGE ACCOUNTING

During 2012 the year the Authority borrowed funds under an Interest Rate Swap hedge transaction from the Bank of Nova Scotia (see Note 8). The contract expires on July 17, 2017. The Authority has chosen not to apply the optional Hedge Accounting standards found in Section 3856 of the CICA Handbook.

17. PRIOR PERIOD ADJUSTMENTSUBSEQUENT EVENTS

The Canadian Accounting Standards Board (AcSB) has revised the accounting standards with respect to defined benefit pension plans effective January 1, 2014. The new standards remove the option to defer actuarial gains and losses (corridor method) and remove the use of an expected rate of return on assets (the accounting policy presently followed by the Authority). The change in accounting policy has been applied retrospectively in accordance with Accounting Standards Section 1506 "Accounting Changes".

The financial statements for 2013, which are presented for comparative purposes only, have been restated to reflect the change in accounting policy. Impacted items are as follows:

Statement of financial position

<i>Employee future benefits</i>	<i>\$(576,000)</i>
<i>Net assets – externally restricted</i>	<i>\$(576,000)</i>

Statement of operations

<i>Wages and employee benefits</i>	<i>\$(68,000)</i>
<i>Excess of revenue over expenses</i>	<i>\$ 68,000</i>

Note 11 Net Assets

<i>Balance beginning of year</i>	<i>\$(1,035,000)</i>
<i>Other pension re-measurement items</i>	<i>391,000</i>

18. ASSET RETIREMENT OBLIGATIONS

During 2013 the Authority was required to retire its fire training area assets due to newly enacted regulations. The Authority anticipates no responsibility for costs associated with this asset retirement because it has been determined that the contamination arose prior to the Authority assuming operations of the airport. Consequently, remediation costs, if any, will be responsibility of the landlord, Transport Canada.

**GANDER INTERNATIONAL AIRPORT AUTHORITY INC.
NOTES TO FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2014**

2014**2013****19. SUBSEQUENT EVENTS**

Subsequent to year end, the Authority committed to borrowing \$1,200,000 to fund parking area expansion and for the development and planning phases for replacement of the air terminal building.





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