



2016 ANNUAL REPORT





Dedication

The airport community lost two crucial leaders with the passing of Fred Moffitt and Gary Vey.

Fred Moffitt, a lifelong aviator and entrepreneur, served on the Gander International Airport Authority's board for nine years, including a six-year stint as Chairperson. Fred was a great ambassador for Gander Airport throughout his career, remembered for his influential brand of leadership.

Gary Vey served a distinguished 17-year career as CEO of Gander International Airport, retiring in July of 2014 at the age of 63. He guided the airport through the all-important process of transfer from government.

While each their own man, both Gary and Fred were both staunch champions of YQX who cared deeply about the airport and its future. Both were fearless, decisive, good-natured men of character who were dedicated to family and community. Above all, they were committed to a shared vision of Gander International Airport.

We wish their time with us were longer, but their legacy forever endures. Together, their mark on Gander International Airport is indelible.

Fred, Gary, thank you.

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Message from the Chairperson of the Board

It was a great honour to serve as Chairperson of the Board of Directors of the Gander International Airport Authority in 2016. Gander International Airport remains a crucial asset for Central Newfoundland, connecting our citizens with the world.

Gander International Airport Authority is tasked with the management, development and operation of Gander International Airport. We all share a common goal – to build lasting success for the airport and ensure YQX remains strong, safe and viable.

Without a doubt, 2016 will go down as a very difficult period in our province's history. That the airport was able to post its twelfth consecutive year of profit while being buffeted by fiscal headwinds is rewarding. The coming years will wheel out more challenges, but they also hold opportunity. With a coordinated and strategic approach, we can continue to drive success. Correctly or incorrectly, we need to assume the economy is at its low water mark and will rise, albeit slowly, in the coming years.

There is no secret sauce to our strategy. There are only three prongs in the trident: manage costs, diversify revenue streams and remain good airport custodians for our customers and stakeholders. This simple strategy has served us well for the last fifteen years.

I have served as the Chairperson since 2015, and it is a pleasure to be surrounded by the diverse group of professionals who make up our board. Our directors understand that we manage an important public trust, and we approach our work with integrity and transparency. I would like to thank my colleagues for their professionalism and dedication to the task at hand.



Our board is undergoing substantial turnover at this juncture, and we have made it a priority to work with our nominators to ensure the GIAA can continue to recruit and retain top talent. We aim to maintain a high functioning board that is reflective of the region it serves. As with any board, director terms end, and we say farewell to familiar faces and welcome new blood. In particular, I would like to thank George Innes, who chaired our Governance Committee for nine distinguished years, as well as our colleague Ted Mayo, who chaired our Environment Committee.

The airport community was deeply saddened by the passing of two of its most revered leaders, former President and CEO Gary Vey and Chairperson Fred Moffitt. Both made an indelible mark on the airport and together they developed a sturdy foundation to build upon. Fred and Gary both were colorful individuals filled with conviction. Their legacy extends far past our runways.

Our board buys into good governance, and we did a lot of work in that vein over 2016 in sharpening our framework. This includes adopting an aforementioned proactive recruiting process, developing new terms of reference for committees and directors, undertaking a board self-evaluation, revisiting our enterprise risk management policy and devoting time for strategic planning.

The GIAA is focused on driving economic activity and growth, and increasing the prosperity of the communities we serve. We are not a government entity, and thereby do not receive government funding. At day's end, we need to continue to strive to generate the surplus from operations to plough back into the airport.

While the board is the primary instrument of corporate governance, it functions to support the work of the CEO and senior management team. The success of our airport during the past year amid a slow economy can certainly be attributed to the strong leadership of our CEO Reg Wright, his management team and our devoted staff. I know many airport authorities envy our financial results, the result of good management and hard work. Our Board of Directors wish to congratulate them on their excellent performance over the past year.

We will continue to invest strategically and take measured risks for the greater good of the airport and region we serve.



Des Dillon / Chairperson



**The coming years
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more challenges,
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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.

Message from the President and CEO

Preparing this annual message always brings me a moment of retrospection. Quietly and with little fanfare, 2016 held an important milestone – 15 years since the Gander International Airport Authority assumed the operation and management of YQX from the Federal Government.

It was in 2001 that our regional community made an important pact – to accept transfer of our airport from Transport Canada. Hand in hand, we made a leap of faith with the hope we could build lasting success for our airport.

Fifteen years later, our calling remains the same – to operate and maintain a strong, safe, and viable airport for the betterment of Central Newfoundland. Nothing has changed over that time – we come to work in the morning aligned by that common mission.

Gander International Airport is the rebar in the regional economy. It might not always be clearly seen or evident, but the airport provides strength and bonds our communities with the global village. It facilitates exports, supports meaningful jobs and spreads economic benefit across our region.

While 2016 represented the airport's twelfth consecutive year of profit, it also represented a significant test of our tensile strength. The airport was buffeted by strong economic headwinds in the confluence of a perfect storm – a provincial economy in crisis, the proliferation of the Zika virus impacting demand for travel to tropical destinations, the drawdown in the commuting workforce to Alberta, the sagging Canadian dollar, soft commodity prices, political uncertainty in Britain and the United States, and horrible acts of terrorism in Europe further impacting travel demand.

Through it all, the airport managed to maintain a strong footing and, face to the wind, record a fair performance under trying circumstances.

We are trying to run a new kind of Gander Airport, one that respects and builds on our rich past, but recognizes that change is required to carve out a sustainable future. No longer can the airport or its partners count on the robust patronage of international fuel stops



to buoy revenue. It has been a quarter century since the last commercial airliner that required a fuel stop rolled off the assembly line. That market has contracted at a remarkable pace and it is clear to those who understand our operating constraints that the future lies in an airport that has a decent domestic market and steady streams of non-aeronautical revenue.

Any success 2016 held is always the product of the hard work of many.

I would extend our thanks to our airlines partners – Air Canada, WestJet, Provincial Airlines and Sunwing. Without airlines, airports are simply big buildings with a long, empty driveway.

As well, our sincere thanks go to each and every person who made Gander International Airport part of their travel plans. Flying local is buying local. Every ticket purchased to or from YQX is a vote for the local economy and jobs. Make no mistake – our ability to retain air service in a trying economic climate is all down to whether people choose to Fly Gander. One telling statistic is that the average fares from Gander to the top Canadian destinations in 2016 were half of the average paid 10 years ago.

With attractive pricing throughout the market, more convenient flight times and more choice, those who spurn YQX and take their money to other airports are running short on excuses. This is a pivotal time for the airport. Now, more than ever, we need Central Newfoundlanders to patronize the airport which is maintained for their use.

It remains a major focus of the airport community to maintain a high standard of customer service, especially on the front line. The airport and its partners share a goal of ensuring great beginnings and endings to every guest's trip. We understand our customers have choices and are ever grateful when they choose Gander International Airport as part of their travel plans.

It is important to remember why airports were transferred from government in the first place – to deliver value for taxpayers and place strategic assets in the hands of the community. Under this model, citizens have a voice in how airports are operated and developed.

Under government rule, Gander was an outstanding operation, driven by a great group of professionals who cared deeply about the airport. Unfortunately, airports were cost centers for government and were transferred to the community in advance of a cresting bow wave of aging capital.

Under the GIAA's mandate, we have doubled revenue, doubled passenger throughput and doubled the investment in capital since assuming operations. Over the period from 1996-2000, the airport under government management posted cumulative operating deficits of nearly -\$10 Million. Under GIAA management between 2012-2016, the airport posted profits of nearly \$7 Million, a variance of \$17 Million. The work once undertaken by Transport in 1995 required 97 full-time equivalents. While the airport has changed profoundly, that work is now done by a staff of 32.

This is all to say, the current model of airport governance has created value for taxpayers. It has given citizens a voice in the airport. It is accountable to the most importer shareholders – the regional community.

The GIAA has consistently demonstrated it is capable of covering its operating costs. For all its progress, the major challenge for Gander International Airport remains to access adequate, predictable funding for major capital undertakings and essential safety-related capital projects such as runway resurfacing. The GIAA only wants to be able to compete for funding like every other small airport in Canada, and this remains our white whale.

An airport, like any business, is only as good as its people. Gander International Airport is extremely fortunate to employ outstanding people. I come to

work each day surrounded by top talent, whether it is my colleagues on our senior leadership team, our administrative staff or our ever-resourceful operations and emergency response professionals.

What our small team has been able to achieve at one aviation's most challenging operating environments is a constant source of pride. We will continue to work together to distinguish the GIAA as an employer of choice; a team that staff don't want to leave and others want to join. We continue to strive to be The Best Damn Airport Team on the North Atlantic.

I pass along my gratitude to my colleagues on our Board of Directors and our Chairperson, Des Dillon, a strong advocate for our airport. They have the coveted traits of courage and conviction.

Finally, thanks are due to our stakeholders, supporters and the outstanding partner companies at the airport. We are bound together by a common goal and vision – a viable, safe and strong YQX. We look forward to building lasting success for Gander International Airport.



Reg Wright / President and CEO



OUR TEAM

Airfield Maintenance Specialists

Greg Dwyer	Mike Foley
Claude Gill	Steve Holden
Joey Hunt	Peter Kearley
Scott Penney	Colin Pope
Adam Roberts	Bob Simpson
Frazer Snow	Jason Timmons
Darrell Whitt	Jason Sweetapple
Travis Bauld	Thomas Newman
Jeff King	

Electrical/Mechanical

Alonzo Burry	Keith Elliott
Boyde Freake	Garrett Watton

Firefighters

Robert Brown	Greg Mesh
Wayne Mercer	Barry Torraville

Mechanics

Lyndon Lewis	Corey Winter
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Labourer

Shannon Gillingham

Carpenter

Bill Hunter

Administration

Janice Bath	Tina Slade
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Management

Reg Wright, President and CEO
Darren Dalton, Vice President/CFO
Brian Hicks, Director of Safety and Aviation
Stephen Burbridge, Director of Infrastructure & Operations



PHOTOS, top: snowclearing Runway 13/31. Middle: Travis Bauld, Greg Dwyer and Jason Sweetapple share a laugh. Bottom: Colin Pope and Steve Holden at work.

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 region.

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.
- 35 new positions were created at Gander International Airport in 2015.
- 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.
- The airport authority is a regional employer. Over 50% of the airport authority's staff reside in communities outside of Gander.



Business Development Overview

An agenda for growth

The underlying economic conditions in the province and further abroad made for a difficult year as collapsing commodity prices continued to take a toll.

Passenger traffic fell -2.5% over 2015 levels, largely as a result of reduced capacity as airlines rationed seats and routes due to softening demand for travel.

Nonetheless, some airline routes continue to perform well above expectation, and there is every reason to expect growth to resume after a stagnant period.

Airfares out of Gander have fallen between 30 and 50% over the last three years due to increased competition, the relative decline in the value of the Canadian dollar and lower prices for jet fuel.

While passenger volumes did not reach the heady heights of 2015, 2016 still represented the fourth best year for traffic at Gander International Airport. Future growth in passengers will very much depend on the level of patronage that our airlines – Air Canada, WestJet, Provincial Airlines and Sunwing – receive.

Diversifying revenue remains a critical part of the airport's strategy.

The airport's ability to retain routes and airlines, and thereby passengers, will influence its overall success. This means the airport's long-term prospects are tied to the region's appetite to fly Gander rather than competing airports.

Retraining traditional travel habits to ensure Central Newfoundlanders use their local airport will require patience, as many people are still habituated to drive to fly. However, great headway has been made.

Since assuming operating responsibility of the airport from Transport Canada, the airport authority has made it a priority to reduce its dependency on unpredictable aviation business cycles. The airport's investment in a 150-acre business park located on a prime tract of land for retail opportunities bears witness to this direction. Gander is the

epicenter of a \$2.5 Billion retail market, and the GIAA has every confidence going forward of securing greater occupancy and lease revenues.

It has been more than 70 years since the first transatlantic commercial flight arrived at Gander. While this market continues to be a crucial generator business line for the airport and its partners – accounting for over 40 per cent of total revenues - it is a shadow of what it was historically. It has been clear for some time that the airport can no longer lean heavily on international technical stops to sustain its operations. The strategy is to retain our Blue Chip international customers.

We have also focused on non-aeronautical revenues – comprised of such things as passenger parking, land lease, concessions and resource sales. Again, this is in keeping with a greater goal of establishing a risk-reduced portfolio of diverse income streams that are not tethered to the aviation industry itself.

Technical stops are a business segment that Gander has actively promoted since its inception. While the technical stop market for Gander remains well below historic performance, it remains a crucial business line. The competitive environment for a shrinking technical stop market has shifted importance to holding onto traditional customers in addition to prospecting for new ones.

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.





Financial Stewardship

Toward a strong, viable Gander Airport

Though fiscal headwinds blew strong, the Gander International Airport Authority posted its twelfth straight year of profitability in 2016. Core revenue decreased by \$400,000 over the prior year but ahead of budget based on strong performance in key revenue areas. Net operating income of \$1.8 million represents among the best financial performances in the airport's history.

Non-aeronautical revenue (exclusive of investment returns) grew slightly over the previous year. Non-aeronautical revenue, defined as revenues gained from non-aviation operations, now represents 40% of total revenue. Investment returns were 9.2% for the year, well above the airport's historical average of 4.5% and target of 5%. A low risk and balanced profile has served the airport well through continued market volatility.

Earnings before interest, taxes, depreciation and amortization (EBITDA) declined from \$3.7 million to \$2.7 million for 2016. The GIAA's debt coverage ratio for the year was 2.63:1, well above the required covenant of 1.25:1.

Since the transfer in 2001, the airport has generated revenue of \$119 million, invested \$34 million in infrastructure and paid \$48 million in wages and benefits.

While no business saves its way to profitability, the GIAA has operated in a fiscally responsible manner throughout its tenure. Management has focused on the diversification of operating revenues, cost control and operational efficiency.

Wages constitute the largest percentage of total operating costs. However, the airport has already undergone significant change and there is little room left for cost transformation. However, there are exciting opportunities to grow revenue while continuing to be good fiscal stewards.

As a foundational principle, the airport must avoid debt that will stress its economic framework. It needs to remain cognizant of its cash reserves, debt covenants and emergency infrastructure needs.

As stewards of an essential piece of enabling transportation infrastructure, the GIAA works to ensure the airport is a financially sustainable enterprise. Operating surpluses are reinvested in the airport to benefit all stakeholders. As is typical, the surplus generated in 2016 was deployed in infrastructure improvements and the retirement of debt. While the airport has important priorities beyond the balance sheet, the airport's financial sustainability is paramount.



Community Engagement

The airport authority and its employees recognize the importance of giving back to the community that contributes so much to the airport. Community engagement remains a key goal of the airport authority so the GIAA can build bridges with the regional community it serves.

The airport 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 values its connections with the community. This takes many forms, from hosting networking events for key community leaders to providing a venue for a number of community-led charitable events such as the Rotary's Wine Auction and the Slabfest outdoor concert.

The airport authority's second Run the Runway for the Janeway was held in conjunction with the Janeway Telethon. Almost 100 participants took to Runway 13/31 to traverse a five-kilometer course and raise funds for a worthy cause.

To draw upon more expert feedback and better engage the region, the GIAA formed two external committees. The first, the Community Consultative Committee, is a sounding board on all airport matters and provides vital feedback on operations, economic development and planning.

One of the GIAA's core mandates is to establish and sustain the timely, affordable air travel linkages our region requires. Air service connects our region with the world and supports economic growth, jobs, trade and tourism. To that end, it formed an Air Service Advisory committee, comprising a group of business, tourism and economic development stakeholders to help shape strategy on the airport's air service development goals.

- 1 Motorcade as the Stephen Siller Foundation bestowed a piece of World Trade Center steel upon the airport.
- 2 Participants enjoy the Kid's Picnic at the Airport.
- 3 Allied Aviation staff having fun with Flush Rivet, the airport Christmas Elf.





4 Participants at the 2nd Annual Run the Runway for the Janeway

5 GIAA Chairperson Des Dillon (left) and grandson Josh man the grill.

6 GIAA Vice-President/CFO Darren Dalton at the Fish Pond.

7 Members at the inaugural meeting of the GIAA Community Consultative Committee. Back, left: Rod French, Fergus O'Brien, Dr. Peter Blackie, Sonja Maloney, Debbie Yannakidis and Geraldine Squire. Front, left: Dean Cull, Stan Singh, Sarah McBriarty and Linda White.

8 GIAA Supervisor of Finance and Human Resources (left) and Executive Assistant Janice Bath ready gifts for the airport's annual Christmas drive.

\$20 Million in capital works projects completed over the last five years	25,806 total aircraft movement	\$1.3 Million capital investment completed in 2016
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Infrastructure and Operations

Reinvesting In Your Airport

In 2016, the airport completed important upgrades to its facilities, including shifting to a less intrusive side-of-house baggage screening system, renovating airline check-in counters, adding departures lounge seating capacity, modernizing washrooms, constructing a new 200-vehicle long-term parking lot and heavy fleet renewal.

By traditional capital expenditure standards, 2016 was a subdued year, focused primarily on enhancements to electrical, mechanical and septic systems. Pre-engineering work was undertaken on aprons, runways and taxiways. 2016 also held acquisitions and renewal in the snow maintenance and emergency response fleet as well as unforeseen repairs required in the air terminal building.

The modest \$1.3 M total investment in 2016 is in part due to more significant capital projects on the horizon. Over the past five years, the airport authority completed nearly \$20 million in capital works projects. The GIAA maintains a progressive maintenance program, which has addressed much of the backlog that had accrued over many years. The coming years will require the recapitalization of a Runway 13-31, Taxiway C, Apron 1 and groundside roads, such as James Blvd., deemed critical to airport operations.

The GIAA has consistently demonstrated it is capable of covering its operating costs. For all its growth, the fundamental challenge for Gander International Airport is access to adequate, predictable funding for major capital undertakings and essential, safety-related capital projects such as runway resurfacing and firefighting equipment.

The GIAA's 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.

In terms of operations, it is the GIAA's goal to ensure a seamless, efficient passenger experience that ensures great beginnings and endings to everyone's trip. In the Spring of 2016, the GIAA led a working group of partners, suppliers and airlines to improve passenger throughput and resolve choke or

slow points in passenger processing. Through a team approach, significant improvements were recognized in on-time performance.

The airport authority's hardworking operational team is the lifeblood of YQX. These airport professionals work in one of the aviation world's most challenging operating environments, maintaining a massive and dated infrastructure that is open 24/7/365, without abatement. It is a multi-talented, motivated group, with over 75% of operational staff being cross-functional or holding multiple trades and certifications. Their skill, expertise and dedication to the task continue to drive the airport's success.

This airport will focus on maintaining an engaged, productive team, which means recruiting and retaining the top talent we require – good people capable of great things. There is also a generational hand-off occurring among our staff through attrition, so the challenge going



forward will be to replace the airport's experienced retiring workers with the right young people through the talent pipeline. Like all employees, they will require the tools, trust, training and resources to do an admittedly challenging job.

As part of its Human Resources Plan, the airport undertook a confidential Employee Engagement Survey with all of its staff providing feedback on their perspective of the workplace. The results were encouraging. A full 100% of employees said they were proud to work for Gander Airport and 96% said they would recommend the airport as a good place to work for others. 96% said they felt a strong sense of commitment to the airport and 100% indicated they were prepared to go beyond traditional job

descriptions to ensure the airport succeeds.

An airport is only as good as its people. Gander International Airport is extremely fortunate to employ an experienced, capable and committed staff.

Environment

The GIAA is committed to minimizing its environmental impact. The authority's Environmental Management Strategy ensures that the GIAA complies with all applicable environmental laws and regulations.

The Contaminated Site Program assesses and remediates historically-contaminated sites on airport lands. The program objectives are to identify these sites and their potential to contaminate ground and surface waters and fresh water ecosystems.

There are two known sites located on aerodrome lands contaminated with hydrocarbons, one of which is currently under remediation. The other site is a known contamination which occurred prior to the lease commencement with Transport Canada. This will be remediated on a priority basis when the airport authority receives direction from Transport Canada.

Safety Overview

Championing safety first

The airport strives provide a safe environment for its workers, travelers and airlines. The GIAA aims to exercise the highest levels of safe work practices. This is achieved by fostering an environment of personal and professional development which in turn builds organizational capacity.

Gander Airport operates in a closely regulated environment, and all aeronautical, safety and labour auditors found the airport to be a capable steward of airport operations. In 2016, auditors endorsed the airport's safety and security program.

Much of the GIAA's effort has focused on its 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. The airport authority has completed its Safety Management System (SMS) in accordance with Transport Canada's SMS Phased Implementation schedule.

The GIAA and its staff have maintained an ongoing commitment to foster a culture of safety and security. As of the end of fiscal year 2016, GIAA staff had eclipsed 1,300 days without a lost time accident.

Of note in 2016, the continued proliferation in recreational drones and UAVs represents one of the greatest shifts in aviation since the development of the helicopter in 1940. Reckless or negligent drone use endangers crucial airspace. There were three significant drone incidents in the province in 2015; two of them within

the Gander aerodrome. In conjunction with community partners, the airport authority executed a responsible drone usage awareness campaign to highlight responsible and safe drone usage. There were no drone violations reported in the aerodrome in 2016.

Other core areas of ongoing focus include reducing runway incursions, wildlife control/minimizing the threat of bird strikes and ensuring operating surfaces are free of foreign object debris (FOD).

Over 2016, safety and security staff responded to incidents of varying severity. These include responding to routine medical and security incidents and accommodating distressed and diverted aircraft. In responding to all matters of distress, emergency response personnel demonstrated poise and professionalism.



Corporate Governance

Managed 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 for managing 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 responsible 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.



Corporate Governance *(cont)*

The 2016 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
Provincial Government	1 (vacant)
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

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, 2016 the GIAA Board of Directors, their nominating entity and the term expiry were as follows:

Melvin Thorne, Town of Gander	Sept. 18, 2017
Desmond Dillon, Town of Gander	Sept. 7, 2017
George Innes, Federal Government	March 3, 2017
Bernice Walker, Exploits Chamber	March 7, 2018
Arthur Elliott, Lewisporte Chamber	July 6, 2019
Robert Downey, GIAA	Jan. 19, 2018
Donald Farrell, Gander Chamber	Feb. 17, 2018
Geraldine Blundon, Town of Gander	April 15, 2017
Anne Manning, Federal Government	Sept 16, 2018
Winston Carter, Town of New-Wes-Valley	Feb 9, 2019

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 \$104,847 (\$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 quasi-exclusive, 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 are: Executive Committee, chaired by Desmond Dillon; Finance and Audit Committee, chaired by Donald Farrell; Environmental Committee, chaired by Bernice Walker and the Governance Committee, chaired by Mel Thorne.

Senior Officers

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

Senior Officer Compensation

The remuneration paid to executive officers during 2016 was \$656,094. Officers were also eligible for performance-based pay that is included above.

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 for 2016 was \$67,691.

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 \$1,173,956 in capital improvements:

Building upgrades	\$ 303,459
Engineered wetlands	281,975
Apron/Taxiway Reconstruction	247,020
Snow Clearing Equipment	131,716
Electrical Equipment	80,795
Emergency Response vehicles	61,500
Light duty vehicles	35,202
Miscellaneous capital expenditures	32,289
	\$ 1,173,956

External Committees

The GIAA has constituted two committees which operate at arm's length from the board itself.

Community Consultative Committee

Genevieve Squire	Debby Yannakidis
Rod French	Linda White
Fergus O'Brien	Stan Singh
Dr. Peter Blackie	Sonja Maloney
Sarah McBreairty	

Air Service Development Advisory Committee

Chris Tuck, Department of Business, Tourism, Culture and Rural Development
Deborah Bourden, Anchor Inn
Hazel Bishop, Gander and Area Chamber of Commerce
Pauline Payne, Shorefast Foundation
Rex Avery, Steele Hotels/HNL
Judy Jenkins, Legrow's Travel
Caroline Swan, Adventure Central
Derm Chafe, Town of Gander
Denise Wilkins, Atlantic Canada Opportunities Agency

GLAA Board of Directors



Top row, from left: Chairperson Des Dillon, Vice Chairperson Bob Downey, Secretary/Treasurer Don Farrell and Mel Thorne. **Middle, from left:** Geraldine Blundon, George Innes, Rev. Arthur Elliott and Winston Carter. **Bottom, from left:** Anne Manning and Bernice Walker.

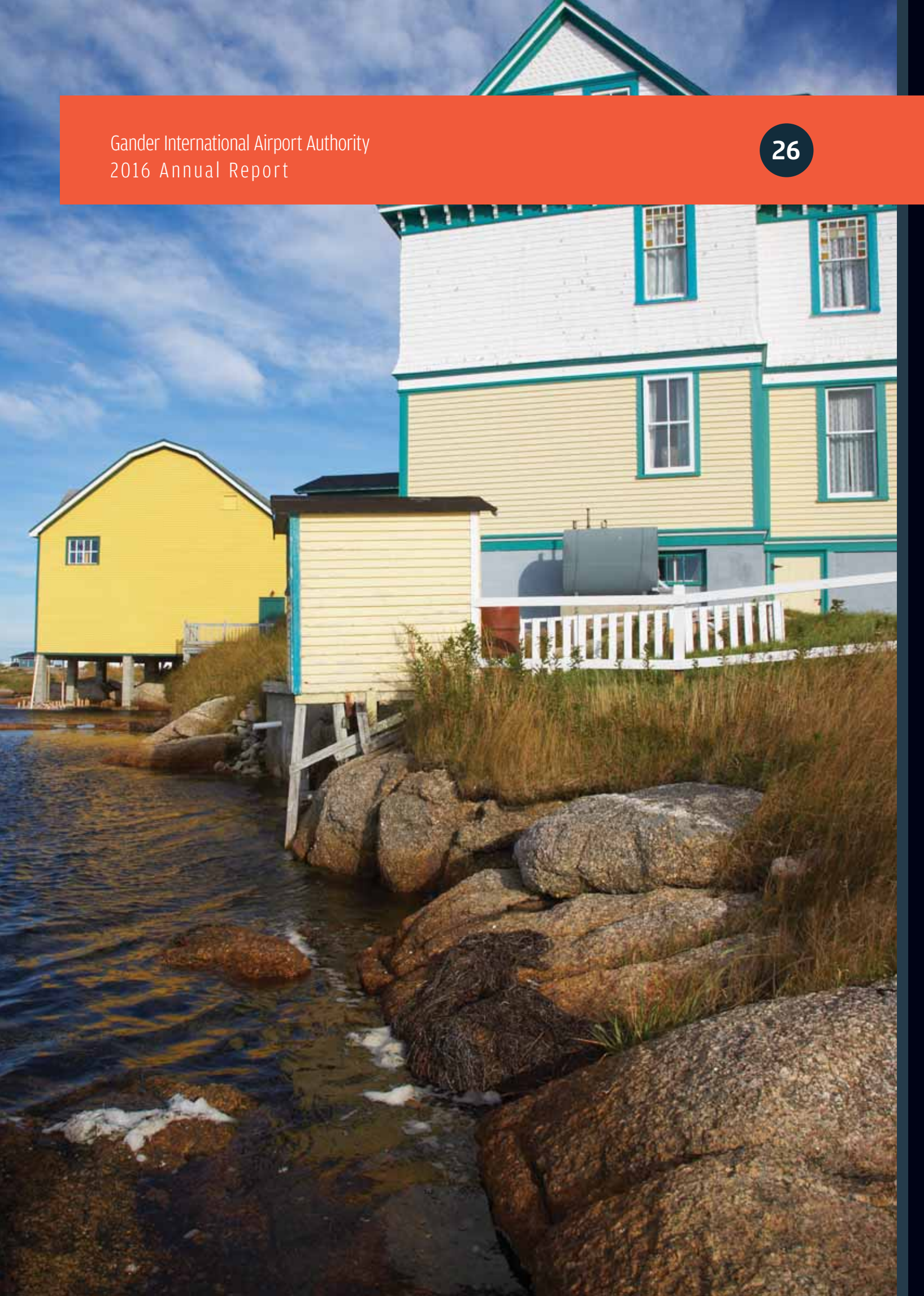
Highlights and Required Declarations

BUSINESS PLAN

	ACTUAL	BUDGETED	DIFFERENCE	EXPLANATION
REVENUE	\$ 10,298,766	9,347,300	\$951,466	Increased international traffic, increased concessions, stronger returns on investments
EXPENSES, EXCLUDING DEPRECIATION	\$ 7,793,502	7,946,900	153,398	Lower wage costs
CAPITAL EXPENDITURES	\$ 1,173,956	1,166,000	(7,956)	

5 YEAR FORECAST

	2017	2018	2019	2020	2021
REVENUE	\$ 9,634,800	9,827,000	10,024,000	10, 255,000	10,429,000
EXPENSES, EXCLUDING DEPRECIATION	\$ 7,828,400	7,985,000	8,145,000	8,308,000	8,473,000
CAPITAL EXPENDITURES	\$ 2,790,000	2,015,000	1,765,000	4,600,000	2,150,000



02

FINANCIAL REPORT



Amidst strong headwinds, **the GIAA** recorded its **12th** **year** of profitability.

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Blair J. Jewer **Chartered Accountant**

2A Bank Road
P.O. Box 471
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Phone 709-489-7755 Fax 709-489-8646

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, 2016, and the statements of operations, net assets, 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

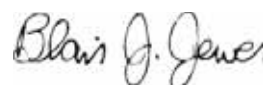
My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance 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, 2016, 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.



Chartered Professional Accountant
Chartered Accountant

April 19, 2017
Grand Falls-Windsor, NL

GANDER INTERNATIONAL AIRPORT AUTHORITY INC.
STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2016

	<u>2016</u>	<u>2015</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 898,803	\$ 1,159,920
Short term investments	6,854,659	6,330,438
Accounts receivable (Note 3)	835,979	1,014,404
Inventory of consumable supplies (Note 4)	526,405	564,134
Prepaid expenses	98,094	83,124
	<u>9,213,940</u>	<u>9,152,020</u>
EMPLOYEE FUTURE BENEFITS (Note 10)	397,000	408,000
TANGIBLE CAPITAL ASSETS (Note 5)	<u>20,644,928</u>	<u>21,132,117</u>
	<u>\$30,255,868</u>	<u>\$ 30,692,137</u>
LIABILITIES		
CURRENT LIABILITIES		
Bank indebtedness (Note 6)	\$ -	\$ -
Accounts payable (Note 7)	744,738	777,759
Customer deposits	-	281,700
Deferred revenue	269,759	188,642
Current maturity on capital lease	2,379	-
Current maturity on long-term debt	841,380	838,572
Long term debt within one year in excess of regular payments	<u>836,498</u>	<u>1,208,576</u>
	2,694,754	3,295,249
LONG TERM DEBT (Note 8)	3,192,488	3,662,492
OBLIGATION UNDER CAPITAL LEASE (Note 9)	8,664	-
ACCRUED SEVERANCE PAY	224,094	231,647
UNAMORTIZED CAPITAL GRANTS (Note 11)	<u>8,986,904</u>	<u>9,979,676</u>
	<u>15,106,904</u>	<u>17,169,064</u>
NET ASSETS		
INVESTED IN CAPITAL ASSETS	6,776,337	5,442,801
EXTERNALLY RESTRICTED – EMPLOYEE FUTURE BENEFITS	397,000	408,000
UNRESTRICTED	<u>7,975,627</u>	<u>7,672,272</u>
	<u>15,148,964</u>	<u>13,523,073</u>
	<u>\$30,255,868</u>	<u>\$ 30,692,137</u>

CONTRACTUAL OBLIGATIONS (NOTE 15)

Signed on behalf of the Board,

Des Dilla, Director Kevin 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, 2016

	<u>2016</u>	<u>2015</u>
REVENUE (Note 12)	\$10,298,766	\$10,691,623
EXPENSES		
Advertising and promotion	224,475	304,562
Bad debt expense	11,198	(2,285)
Board remuneration and travel	77,029	110,102
Communications	51,159	53,679
Equipment and vehicle operating	371,877	358,035
Insurance	166,386	168,084
Interest and bank charges	176,634	232,380
Licences and fees	40,047	36,214
Maintenance contracts	288,035	292,057
Materials and supplies	729,588	752,711
Office and administration	84,979	81,489
Payment in lieu of taxes	166,399	148,370
Professional fees	67,207	134,523
Repairs and maintenance	519,562	378,289
Security contracts	301,981	247,765
Travel	167,231	101,950
Utilities	672,312	756,569
Wages and employee benefits	3,461,297	3,091,703
Termination benefits	143,506	-
Carbon neutrality	-	4,347
Ground lease	72,600	-
Depreciation, net of grant amortization \$992,772 (2015 - \$991,969)	668,373	574,730
	<u>8,461,875</u>	<u>7,825,274</u>
EXCESS OF REVENUE OVER EXPENSES	\$ 1,836,891	\$ 2,866,349

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

GANDER INTERNATIONAL AIRPORT AUTHORITY INC.

STATEMENT OF NET ASSETS

AS AT DECEMBER 31, 2016

				<u>2016</u>	<u>2015</u>
	<i>Externally Invested in</i>	<i>Capital assets</i>	<i>Unrestricted</i>		
	<i>Restricted</i>				
<i>Balance, beginning of year</i>	\$ 408,000	\$5,442,801	\$ 7,672,272	\$13,523,073	
<i>Excess of revenue over expenses</i>	(107,000)	(668,373)	2,612,264	1,836,891	
<i>Transfers</i>					
- <i>Pension re-measurement items</i>	(211,000)	-	-	(211,000)	
- <i>Pension plan contributions in excess of actuarial expense</i>	307,000	-	(307,000)	-	
- <i>Proceeds from long term debt and capital leases</i>	-	(12,137)	12,137	-	
- <i>Repayment of long-term debt</i>	-	840,368	(840,368)	-	
- <i>Proceeds from sale of tangible capital assets</i>	-	(-)	-	-	
- <i>Purchase of tangible capital assets</i>	-	1,173,678	(1,173,678)	-	
	<u>\$397,000</u>	<u>\$6,776,337</u>	<u>\$7,975,627</u>	<u>\$15,148,964</u>	
	<i>Externally Invested in</i>	<i>Capital assets</i>	<i>Unrestricted</i>		
	<i>Restricted</i>				
<i>Balance, beginning of year</i>	\$ 951,000	\$3,700,859	\$ 6,910,865		\$11,562,724
<i>Excess of revenue over expenses</i>	(68,000)	(575,585)	3,509,934		2,866,349
<i>Transfers</i>					
- <i>Pension re-measurement items</i>	(906,000)	-	-		(906,000)
- <i>Pension plan contributions in excess of actuarial expense</i>	431,000	-	(431,000)		-
- <i>Proceeds from long term debt</i>	-	(2,257,482)	2,257,482		-
- <i>Repayment of long-term debt</i>	-	1,914,121	(1,914,121)		-
- <i>Proceeds from sale of tangible capital assets</i>	-	(9,500)	9,500		-
- <i>Purchase of tangible capital assets</i>	-	2,670,388	(2,670,388)		-
	<u>\$408,000</u>	<u>\$5,442,801</u>	<u>\$7,672,272</u>		<u>\$13,523,073</u>

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, 2016

	<u>2016</u>	<u>2015</u>
CASH WAS PROVIDED BY (USED FOR)		
<i>Operating</i>		
<i>Net excess of revenue over expenses</i>	\$1,836,891	\$ 2,866,349
<i>Non-cash items, depreciation, net of grant amortization</i>	668,373	574,730
<i>Gain on disposal of property, plant, and equipment</i>	-	855
	<u>2,505,624</u>	<u>3,441,934</u>
<i>Changes in non-cash working capital</i>		
<i>Current assets (Note 13)</i>	201,184	(110,366)
<i>Current liabilities (Note 13)</i>	(233,604)	522,918
	<u>2,472,844</u>	<u>3,854,486</u>
<i>Investing</i>		
<i>Proceeds from sale of tangible capital assets</i>	-	9,500
<i>Purchase of tangible capital assets</i>	(1,173,956)	(2,670,388)
<i>Employee future benefit asset, including prior period adjustment</i>	(200,000)	(363,000)
	<u>(1,373,956)</u>	<u>(3,023,888)</u>
<i>Financing</i>		
<i>Proceeds from capital lease</i>	12,137	-
<i>Repayment of capital lease</i>	(1,094)	-
<i>Accrued severance pay</i>	(7,553)	5,763
<i>Repayment of long-term debt</i>	(839,274)	(1,914,121)
<i>Proceeds from long-term debt</i>	-	2,257,482
	<u>(835,784)</u>	<u>349,124</u>
INCREASE IN CASH	<u>263,104</u>	<u>1,179,722</u>
CASH, BEGINNING	<u>7,490,358</u>	<u>6,310,636</u>
CASH, ENDING	<u>\$ 7,753,462</u>	<u>\$ 7,490,358</u>
CASH CONSISTS OF:		
<i>Cash on hand</i>	\$ 2,000	\$ 2,000
<i>Current account (overdraft) - operating</i>	896,803	1,157,920
<i>Short term investments</i>	6,854,659	6,330,438
	<u>\$ 7,753,462</u>	<u>\$ 7,490,358</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, 2016

1. NATURE OF OPERATIONS

The Gander International Airport Authority Inc. (GLAA) 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 GLAA is governed by the Board of Directors whose members are nominated by various regional Stakeholders.

The objectives of the GLAA 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 GLAA 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 short term investments 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, 2016

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) Depreciation

Depreciation was provided on tangible capital assets 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) Tangible capital asset additions are 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 tangible capital assets is accounted for as deferred government assistance and amortized on the same basis as the related tangible capital assets.

(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 10 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.

In accordance with Part III, Section 3463 of the Chartered Professional Accountants of Canada Handbook – Accounting, Remeasurement and other items impacting the accrued benefit asset are recognized directly in the Statement of Net Assets rather than in the Statement of Operations.

(i) Revenue Recognition

Revenue is recognized using the deferral basis of accounting.

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of activities. Revenue is shown net of value added tax, rebates and discounts.

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, 2016

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.

3. ACCOUNTS RECEIVABLE

	<u>2016</u>	<u>2015</u>
Trade	\$ 801,763	\$ 1,011,806
Recoverable costs	10,500	10,500
Government assistance	26,724	-
	<u>838,987</u>	<u>1,022,306</u>
Allowance for doubtful accounts	3,008	7,902
	<u>\$ 835,979</u>	<u>\$ 1,014,404</u>

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, 2016

			<u>2016</u>	<u>2015</u>
5. TANGIBLE CAPITAL ASSETS				
	<u>Cost</u>	<u>Accumulated Depreciation</u>		
Runway	\$16,796,047	\$6,227,323	\$10,568,724	\$11,168,493
Approach Lighting	1,648,932	1,015,184	633,748	674,178
Equipment	1,862,924	992,662	870,262	783,758
Vehicles	6,189,258	3,552,461	2,636,797	2,801,827
Software	62,560	45,236	17,324	23,030
Leasehold improvements	2,976,404	979,494	1,996,910	1,850,611
Land development	1,206,076	-	1,206,076	1,206,076
Roads	2,620,935	923,462	1,697,473	1,872,203
Water and sewer Infrastructure	912,416	31,302	881,114	615,441
	<u>34,275,552</u>	<u>13,767,124</u>	<u>20,508,428</u>	<u>20,995,617</u>
Assets under development	136,500	-	136,500	136,500
	<u>\$34,412,052</u>	<u>\$13,767,124</u>	<u>\$20,644,928</u>	<u>\$ 21,132,117</u>

6. BANK INDEBTEDNESS

GLAA 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	\$	-	\$	-
Land development		-		-
	\$	<u>-</u>	\$	<u>-</u>

7. ACCOUNTS PAYABLE

Trade	\$	477,504	\$	383,010
Accrued wages		30,001		142,693
Government remittances		67,099		148,024
Accrued vacation pay		170,134		104,032
	\$	<u>744,738</u>	\$	<u>777,759</u>

GANDER INTERNATIONAL AIRPORT AUTHORITY INC.

NOTES TO FINANCIAL STATEMENTS

AS AT DECEMBER 31, 2016

	<u>2016</u>	<u>2015</u>
8. LONG-TERM DEBT		
<i>Bank of Nova Scotia</i>		
<i>Prime rate term loan, repayable by monthly installments of \$30,714, due 2020</i>	\$1,207,874	\$1,577,144
<i>1.50% Banker's Acceptance, repaid in year</i>	-	
<i>0.91% Interest Rate Swap term loan, repayable by monthly instalments of \$11,667, secured by Hypothecation Agreement (with Power of Attorney) over short term investments, amortized to 2029, due 2019</i>	1,819,992	1,959,996
<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>	1,842,500	2,172,500
	<hr/>	<hr/>
	4,870,366	5,709,640
<i>Current maturity</i>	841,380	838,572
<i>Amounts due on demand in excess of regular payments</i>	836,498	1,208,576
	<hr/>	<hr/>
	\$ 3,192,488	\$ 3,662,492
	<hr/>	<hr/>

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

2017 - \$841,380	2019 - \$841,380	2021 - \$470,004
2018 - \$841,380	2020 - \$563,750	

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.

9. OBLIGATION UNDER CAPITAL LEASE

Bluechip Leasing Corporation

11.18% capital lease repayable by blended monthly payments of \$291, secured by equipment with net book value of \$14,089, due 2020

Current maturity

\$	11,043	\$	-
	2,379		-
	<hr/>		<hr/>
\$	8,664	\$	-
	<hr/>		<hr/>

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

2017 - \$2,379	2019 - \$2,972
2018 - \$2,660	2020 - \$3,032

GANDER INTERNATIONAL AIRPORT AUTHORITY INC.

NOTES TO FINANCIAL STATEMENTS

AS AT DECEMBER 31, 2016

	<u>2016</u>	<u>2015</u>
10. EMPLOYEE FUTURE BENEFITS		
<i>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, 2016 and the next required valuation will be as of January 1, 2017. The reported amounts are based on the January 1, 2016 valuation as extrapolated to December 31, 2016, after adjusting for changes in assumptions.</i>		
<i>(a) The net expense for the Authority's defined benefit Pension plan is as follows:</i>		
<i>Current service cost</i>	\$ 97,000	\$ 124,000
<i>Provision for non-investment expenses</i>	37,000	-
<i>Finance costs (return on plan assets in excess of interest incurred on plan obligations)</i>	(27,000)	(56,000)
<i>Net plan expenses</i>	<u>\$ 107,000</u>	<u>\$ 68,000</u>
<i>(b) Information about the Authority's defined benefit Pension plan at December 31 is as follows:</i>		
<i>Plan assets</i>		
<i>Fair market value beginning</i>	\$6,644,000	\$6,006,000
<i>Return on plan assets</i>	317,000	399,000
<i>Administrative expenses</i>	(37,000)	-
<i>Employer contributions</i>	307,000	431,000
<i>Employee contributions</i>	19,000	24,000
<i>Benefits paid</i>	(235,000)	(216,000)
<i>Market value ending</i>	<u>7,015,000</u>	<u>6,644,000</u>
<i>Plan obligations</i>		
<i>Benefit obligation, beginning</i>	5,282,000	5,055,000
<i>Current service cost</i>	97,000	124,000
<i>Employee contributions</i>	19,000	24,000
<i>Interest cost</i>	277,000	280,000
<i>Benefits paid</i>	(235,000)	(216,000)
<i>Actuarial (gains) losses</i>	6,000	15,000
<i>Benefit obligation, ending</i>	<u>5,446,000</u>	<u>5,282,000</u>
<i>Surplus</i>	\$1,569,000	\$1,362,000
<i>Valuation allowance adjustment</i>	<u>(1,172,000)</u>	<u>(954,000)</u>
<i>Accrued benefit asset (liability)</i>	<u>\$ 397,000</u>	<u>\$ 408,000</u>

GANDER INTERNATIONAL AIRPORT AUTHORITY INC.

NOTES TO FINANCIAL STATEMENTS

AS AT DECEMBER 31, 2016

	<u>2016</u>	<u>2015</u>
10. EMPLOYEE FUTURE BENEFITS (CONT'D)		
(c) <i>Reconciliation of the funded status of the benefit plan to the amounts recorded in the financial statements</i>		
<i>Fair value of plan assets</i>	\$ 7,015,000	\$6,644,000
<i>Accrued benefit obligation</i>	(5,446,000)	(5,282,000)
<i>Funded status of plan</i>	1,569,000	1,362,000
<i>Valuation adjustment allowance</i>	(1,172,000)	(954,000)
	<u>\$ 397,000</u>	<u>\$ 408,000</u>
 <i>Accrued benefit asset, beginning</i>	\$ 408,000	\$ 951,000
<i>Prior period adjustment (change in accounting policy)</i>	-	-
<i>Accrued benefit asset, beginning as restated</i>	408,000	951,000
<i>Pension cost for the period</i>	(107,000)	(68,000)
<i>Contributions by the Authority</i>	307,000	431,000
<i>Valuation allowance adjustment</i>	(218,000)	(954,000)
<i>Other remeasurment items charged to net assets</i>	7,000	48,000
<i>Accrued benefit asset, ending</i>	<u>\$ 397,000</u>	<u>\$ 408,000</u>
(d) <i>Remeasurment and other items</i>		
<i>Gain/ (loss) on PBO</i>	\$(6,000)	\$(15,000)
<i>Gain/ (loss) on Assets</i>	(37,000)	63,000
<i>Change in impact of valuation allowance</i>	(218,000)	(954,000)
<i>Interest on impact of valuation allowance</i>	50,000	-
<i>Total</i>	<u>\$(211,000)</u>	<u>\$(906,000)</u>
(e) <i>Accumulated Remeasurement Gain (Loss)</i>		
<i>Balance, beginning of year</i>	\$(981,000)	\$(75,000)
<i>Remeasurment Gain (Loss) for current period</i>	(191,000)	(906,000)
<i>Balance, end of year</i>	<u>\$(1,172,000)</u>	<u>\$(981,000)</u>
(f) <i>The weighted average actuarial assumptions are as follows:</i>		
<i>Discount rate</i>	4.75%	5.25%
<i>Rate of compensation increase</i>	2.50%	3%
<i>YMPE Escalation rate</i>	2.50%	3%
<i>Indexation rate</i>	2%	2.50%
<i>Mortality table used for 2016 and 2015 was the CPM (Combined)</i>		
(g) <i>The assets of the plan are invested by a third party administrator and have the following asset mix</i>		
<i>Equity Securities</i>	56.0%	59.2%
<i>Fixed Income Securities</i>	34.9%	32.8%
<i>Other</i>	9.1%	8.0%
	<u>100.0%</u>	<u>100.0%</u>

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

GANDER INTERNATIONAL AIRPORT AUTHORITY INC.

NOTES TO FINANCIAL STATEMENTS

AS AT DECEMBER 31, 2016

	<u>2016</u>	<u>2015</u>
10. EMPLOYEE FUTURE BENEFITS (CONT'D)		
<i>The net expense for the Authority's defined contribution pension plan is \$142,105.</i>		
<i>The expenses for defined benefit and defined contribution plans are included in wages and employee benefits on the statement of operations.</i>		
11. UNAMORTIZED CAPITAL GRANTS, NET BOOK VALUE		
<i>Balance beginning of year</i>	\$ 9,979,676	\$10,971,645
<i>Less: Amortization</i>	992,772	991,969
	<u>\$8,986,904</u>	<u>\$ 9,979,676</u>
12. REVENUE		
<i>Landing fees</i>	\$1,023,890	\$ 1,198,765
<i>Terminal fees</i>	355,067	376,749
<i>Aviation fuel fees</i>	3,003,983	3,816,754
<i>Concessions</i>	1,277,172	1,271,854
<i>Rentals</i>	1,647,563	1,641,054
<i>Sale of quarry material</i>	44,682	-
<i>Miscellaneous</i>	601,668	502,110
<i>Investment income</i>	106,417	226,239
<i>Gain on disposal of property, plant, and equipment</i>	-	(855)
<i>Change in fair value of short term investments</i>	429,687	(102,914)
<i>Foreign exchange gain (loss)</i>	(860)	3,311
	<u>8,489,269</u>	<u>8,933,067</u>
<i>Airport improvement fees</i>	1,809,497	1,758,556
	<u>\$10,298,766</u>	<u>\$10,691,623</u>

GANDER INTERNATIONAL AIRPORT AUTHORITY INC.

NOTES TO FINANCIAL STATEMENTS

AS AT DECEMBER 31, 2016

	<u>2016</u>	<u>2015</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>	\$ 205,149	\$(170,101)
<i>Government assistance</i>	(26,724)	-
<i>Employee advances</i>	-	935
<i>Recoverable costs</i>	-	60,000
<i>Inventory</i>	37,729	(10,058)
<i>Prepaid expenses</i>	(14,970)	8,858
	<u>201,184</u>	<u>(110,366)</u>
<i>Current liabilities</i>		
<i>Accounts payable</i>	(33,021)	241,218
<i>Customer deposits</i>	(281,700)	281,700
<i>Deferred revenue</i>	81,117	-
	<u>(233,604)</u>	<u>522,918</u>
 <i>Net effect on cash</i>	 <u><u>\$(32,420)</u></u>	 <u><u>\$ 412,552</u></u>

14. FINANCIAL 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.

GANDER INTERNATIONAL AIRPORT AUTHORITY INC.

NOTES TO FINANCIAL STATEMENTS

AS AT DECEMBER 31, 2016

2016

2015

14. FINANCIAL RISK MANAGEMENT (CONT'D)

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, 2016 the investment mix was Scotia Money Market 2.3% (2015 - 3.1%), Scotia Fixed Income Mutual Funds, 41.0% (2015 - 42.7%), and other equities 56.7% (2015 - 54.2%). During 2016 the investment mix changed. This represents a change in credit risk during 2016.

(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.

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. Lease amounts are calculated as a percentage of revenue and hence future Payments under the terms of the lease are not determinable.

16. HEDGE ACCOUNTING

During 2012 and again in 2015 the year the Authority borrowed funds under an Interest Rate Swap hedge transaction from the Bank of Nova Scotia (see Note 8). The contracts expire on July 17, 2017 and December 31, 2019 respectively. The Authority has chosen not to apply the optional Hedge Accounting standards found in the Chartered Professional Accountants of Canada Handbook - Accounting.

who we are

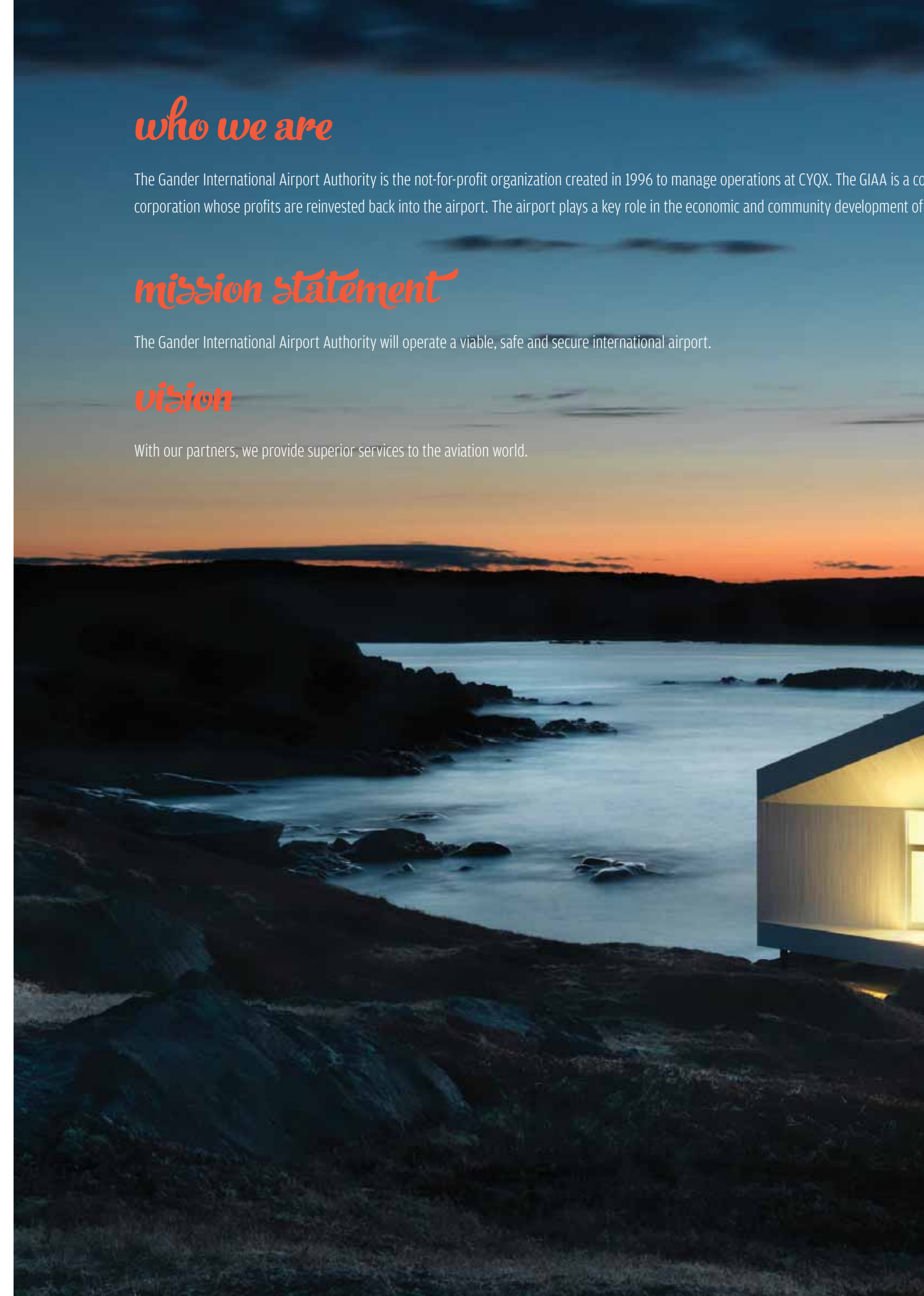
The Gander International Airport Authority is the not-for-profit organization created in 1996 to manage operations at CYQX. The GIAA is a corporation whose profits are reinvested back into the airport. The airport plays a key role in the economic and community development of

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.



s a community-based, non share capital
ent of the Central Newfoundland region.







Sunrise at Long Point | Twillingate



CONTACT DETAILS

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