



2018 ANNUAL REPORT 

GANDER

INTERNATIONAL AIRPORT  CYQX

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 community-based, non share capital corporation whose profits are reinvested back into the airport. The airport plays a key role in the economic and community development of the Central Newfoundland region.

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.

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Message from the Chairperson of the Board

As Chair of the Gander International Airport Authority's Board of Directors, I have the privilege of working with an incredible group of Directors who give their time and talent for the benefit of the airport and the region it serves.

Airports are a place of arrivals and departures. In 2018, we said farewell to many cherished colleagues as our board went through a significant period of renewal. Directors Arthur Elliott, Don Farrell and Bob Downey, all of whom served the maximum of nine years, departed last year. We also welcomed new board directors Gary Aucoin, Bob Daye, Peggy Bartlett and Randall Mercer to the fold.

It is my belief, and one shared with my colleagues, that board quality and composition is the bulwark of good governance. Our board has spent a lot of time working to recruit capable directors committed to the task at hand.

As is our habit, the board devoted significant time and resources to strategic planning in the last year. Our board has remained alert to the changing world around us, and put in place a solid risk management framework. In my eight years of serving on the board, there has always been a recognition that the airport needs to transform itself in the face of competitive, political, technological and economic pressures.

The traditional order of aviation is quickly unraveling as technology grows exponentially. The world has been rewritten around us. Part of our planning demands that we disassemble the airport as we traditionally know it, then inspect it anew.



One constant at our airport and in the wider aviation industry is change. Change always demands a rethink and our board has embraced change as an agent for improvement. By approaching the airport through a long-term planning window, we remain deeply plugged into our most pressing issues.

Our sole purpose is not like that of other corporate boards, which is to produce a return on shareholder investment. Rather, we serve stakeholders in Central Newfoundland with the aim of ensuring we operate a viable, strong and safe international airport for their benefit, as well as that of our customers.

While I believe there are promising prospects for growth on the horizon, 2018 was a difficult year economically in the province. The airport does not have the choice of dropping anchor in the midst of a storm – the airport must operate and capital must be attended to. Despite soft financial results, we are pleased with our progress on many fronts.

We have every confidence that we can continue to drive success and navigate the challenges which await us. Our simple strategy – diversify revenue, contain costs and grow where there is reasonable probability for growth – has served us well over our 17 years. As stewards of the aerodrome, we work to ensure YQX remains strong, safe and viable.

I am proud to serve with the diverse group of professionals who comprise our board. Our directors understand that we manage an important public trust. We believe in good governance and continue to sharpen our governance framework and take the time to evaluate our effectiveness.

The board provides policy and supports the work of management. We would like to commend our President and CEO Reg Wright, his senior management team and all of our devoted staff for their hard work during the past year. The continued success of our airport is attributed to the great teamwork of all staff in providing an excellent service to our customers.

It is my belief we have proven responsible caretakers of the powerful economic engine that is Gander International Airport. Our governance model gives the community voice in how the airport is managed and developed. That model, with a critical asset managed by the community, for the benefit of the community, continues to pay dividends.



Des Dillon / Chairperson

“
**Our board
embraces
change as
an agent for
improvement.**
”

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

2018 was a substantial test of the airport's tensile strength. Market volatility and a subdued economy created significant headwinds with the end result being the airport's first accounting loss in 15 years, despite a positive cashflow of \$600,000.

Passenger volumes dropped -4%, the result of thinning numbers of commuting workers to Labrador as Muskrat Falls nears first power, as well as service cuts to the winter seasonal schedule.

That confluence of factors, combined with an uncertain geopolitical climate characterized by whipsaw foreign policy, roiled markets and impacted the airport's financial performance. This is not a specific Gander problem – all of the major airports in the province, transportation providers and retailers are experiencing, to some extent, the impacts of an economy trying to regain its footing.

Quite frankly, I think airport operators take too much credit when things are good and too much blame when things are bad. There are fundamental underlying economic principles which contribute to airport performance that are beyond our control.

The red sock in the laundry from a financial perspective in 2018 was an \$600,000 change in the fair value of the airport's savings due to a wild market fluctuation in the fourth quarter. It should be noted that, by the end of the first quarter of 2019, that money has recovered.

At day's end, 2018, while disappointing, is just another year in the airport's nearly 80-year history. As with any difficult year, you ingest these kinds of disappointments, accept a measure of responsibility and outline a path with clear progression to a solution. In this case, I am not certain what kind of remedial measures could have reasonably been taken to address the external inputs which contributed to poor performance. In this case, it simply underscores the airport's ongoing challenge in that its primary revenue streams cannot be depended upon. We all know international aviation was the heartbeat of Gander Airport. It has not flatlined by any stretch, but it just doesn't pump at the same rate as it did, nor do we expect it to.



We are working to build a more resilient Gander Airport that is better positioned to weather these kinds of fluctuating revenues. Our aspirational model, while not glamorous, is that of a camel – that the airport be able to survive and flourish on next to nothing.

The strategy is to continue to focus on establishing new, predictable revenue streams and shoring up the ones we have. We will continue to sand away at our inefficiencies and work to contain costs. We will work to monetize the airport's valuable assets and eliminate those surplus to need.

Beyond the bottom line, the airport enjoyed a very strong year operationally and made great progress in addressing its capital needs.

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 jobs and spreads economic benefit across our region.

An airport is only as good as its people. I have the pleasure of coming to work each day in a workplace brimming with talent, from my capable senior leadership and operations team to the proud professionals at the partner companies who make up the Gander Airport community.

I pass along my gratitude to my colleagues on our Board of Directors and our Chairperson, Des Dillon, a steadfast and committed champion for our airport.

For the last 16 years, the airport has remained on mission: that Gander International Airport be a vibrant and self-sustaining enterprise accountable to the region it serves.

It is forecast that 2019 will hold lingering cloudy skies from an economic perspective. Our strategy provides a path to navigate expected turbulence and restore the year-over-year results required to fund our growth agenda.

A handwritten signature in black ink, appearing to read "Reg Wright". The signature is fluid and cursive, with the first name "Reg" being more prominent than the last name "Wright".

Reg Wright / President and CEO

OUR TEAM

Airfield Maintenance Specialists

Dale Bath	Mike Foley
Claude Gill	Steve Holden
Joey Hunt	Scott Penney
Colin Pope	Adam Roberts
Greg Mesh	Jason Timmons
Darrell Whitt	Jason Sweetapple
Travis Bauld	Thomas Newman
Jeff King	Jody Shea

Supervisor of Airfield Maintenance

Corey Winter

Electrical/Mechanical

Alonzo Burry	Stephen Fleming
Boyde Freake	Garrett Watton

Firefighters

Robert Brown	
Wayne Mercer	Barry Torraville

Mechanics

Lyndon Lewis
Owen Hodder

Trades Helpers

Shannon Gillingham
Matthew Edison

Carpenter

Bill Hunter

Administration

Janice Bath
Tina Slade

Management

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



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 \$18 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 GIAA is working to run the airport as a diverse business rather than a simple provider of aviation infrastructure.

Today, Gander International Airport is run principally upon air service development, operational efficiency, service quality, revenue diversification and sustainable investments.

Passenger traffic in Gander declined -4% in 2018, with the major driver being the reduced demand for commuting workers to Labrador as the Muskrat Falls project nears first power. In addition, Air Canada's decision to reduce its Halifax service to a single daily flight for the Winter reduced off-peak capacity and passenger totals.

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

The GIAA and its stakeholders continue to pursue new routes and capacity to ensure the region's travel needs are met. However, future growth in passengers will very much depend on the level of patronage that our airlines – Air Canada, WestJet, Provincial Airlines and Sunwing – receive. No airline will serve a market unless it can do so profitably. The calling card for the airport over the next few years be the retention of Blue Chip customers and airline partners.

The airport is forecasting flat passenger performance in the next few years, as the economy slowly regains strength.

Land leasing provides a sheltered source of stable income.

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 bears witness to this direction. Gander is the epicenter of a \$2.5 Billion retail market and the airport manages some of the highest visibility acreage in the community. Commercial development provides a host of benefits, including generating employment and strengthening the community as a retail hub. Land leasing revenue the airport generates is invested back into the airport and provides a largely sheltered source of stable income in challenging times.

The airport and its partners continue to execute an international campaign to recruit and retain international technical stops traffic. 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.

Our focus on thickening non-aeronautical revenue streams, defined as income earned from outside of traditional aviation activities, continues to pay dividends, as we secured several new leases for our business park. This will provide a strong leg to stand on in the years to come.





Financial Stewardship

Toward a strong, viable Gander Airport

Volatile fourth quarter market performance contributed to the Airport's first accounting loss in fourteen years of \$303,000. In the first quarter of 2019, the market corrected and the \$303,000 was recovered plus another \$450,000 thus maintaining the long-term goal of a 4% to 5% return on the investment portfolio. The actual return for the past five years is 6.2%.

With wide variances in revenue, the GIAA has worked to control expenditures over the long term.

Over the past fifteen years, expenditures have been held to a total increase of 26%, for an average annual increase of 1.8%; 20% below inflation. 78% of the increase is represented by wages and benefits. The GIAA continues to work to drive efficiencies in its operation.

Excluding investment income, revenue from non-aviation operations declined by 2%, due primarily to limited cost recoveries from the prior year. Airport concessions revenue and rentals increased by 2% and 1.2 % respectively.

Earnings before interest, taxes, depreciation and amortization (EBITDA) declined from \$2.2 to \$937K for 2018. The GIAA's debt coverage ratio for the year was 1.03, just slightly below the required covenant of 1.1. Reserve cash of \$9.3 million is the compensating factor in this regard.

Since transfer in 2001, the airport has generated revenue of \$137 million, invested \$45 million in infrastructure and invested \$55 million in wages. 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.

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.



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 region 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 and assisting non-profit groups with numerous campaigns.

Our annual Kid's Picnic At The Airport, held during the Festival of Flight Celebration, continues to be a wonderful way to engage young people and their families.

The GIAA partnered with the Central Division of the Gander Public Library to launch the YQX Flybrary, which offers free gently-used books from travelers.

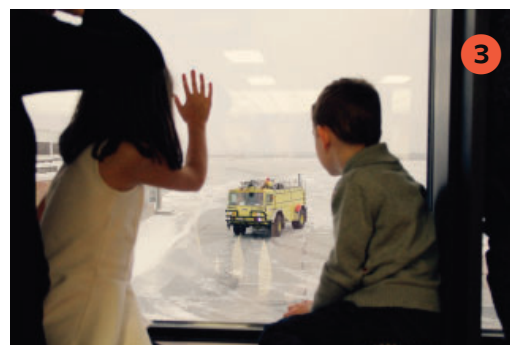
To draw upon more expert feedback and better engage the region, the GIAA maintains two external committees. The first, the Community Consultative Committee, is a sounding board on all airport matters and provides vital feedback on operations, economic development and planning.

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, the GIAA's Air Service Advisory committee, comprising business, tourism and economic development stakeholders, provides guidance on the airport's air service development goals.

1 Coordinating the annual Airport Adopt-A-Family Christmas Campaign. Pictured are, from left, Wanda Batten, Senior Meteorologist with Environment Canada; Boyde Freake, GIAA Supervisor of Mechanical Maintenance, and our coordinating airport elves, Janice Bath and Tina Slade.

2 Manning the grill at the annual Kid's Picnic at the Airport. From left, Des Dillon, Brian Hicks, Jeanne Dillon and Mel Thorne.

3 Children await Santa's arrival at our annual Christmas party.



\$45 Million

in capital works projects
completed over the
last five years

41,699

total aircraft
movements

\$8.3 Million

capital investment
completed in 2018

Infrastructure and Operations

Reinvesting In Your Airport

2018 was a robust year for capital improvements at Gander International Airport, with \$8.3 Million invested in critical safety-related capital infrastructure.

The GIAA commenced a milestone project in 2018 with the rehabilitation of Runway 13-31, Taxiway D, Taxiway E, and Apron 1. The majority of this project was completed in 2018, with all remaining works scheduled for completion by July 2019. Once completed, this \$10 Million capital investment will represent a significant step toward the long-term sustainability of airport infrastructure.

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.

The GIAA recognizes that a positive, productive work culture is a key contributor to airport success. As such, we work to foster an environment that allows for creativity and employee-driven solutions to often difficult challenges.

This airport needs an engaged, productive team, which means recruiting and retaining the top talent we require – good people capable of great things. Over the last five

years, a generational hand-off has occurring among our staff. However, we have been able to replace the airport's experienced retiring workers with the right young people coming through the talent pipeline.

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

In 2018, the GIAA ratified a new five-year contract with Public Service Alliance of Canada Local 90901, providing cost and labour certainty for the next half decade.

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 and will be remediated on a priority basis when the airport authority receives direction from Transport Canada.

Safety

The airport strives to 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.

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



✕ Dion Faulkner Photo

approach to preventing incidents. The airport authority has completed its Safety Management System (SMS) in accordance with Transport Canada's 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 2018, GIAA staff had eclipsed 628 days without a lost time accident.

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. 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 over the last three years.

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 2018, airport emergency services 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.

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

The 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
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
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.

Corporate Governance *(cont)*

As of December 31, 2018, the GIAA Board of Directors, their nominating entity and the term expiry were as follows:

Melvin Thorne, Town of Gander	Sept. 17, 2020
Desmond Dillon, Town of Gander	Sept. 7, 2020
Bernice Walker, Exploits Chamber	March 6, 2021
Gary Aucoin, Lewisporte Chamber	Aug. 23, 2021
Dean Cull, GIAA	Feb. 22, 2020
Rod French, Gander Chamber	Feb. 17, 2021
Gene Hedges, Town of Gander	April 15, 2020
Anne Manning, GIAA	Sept. 17, 2021
Winston Carter, Town of New-Wes-Valley	Feb. 10, 2021
Rose Bungay, Provincial Government	Feb. 22, 2020
Randell Mercer, Federal Government	Sept. 16, 2021
Peggy Bartlett, Federal Government	Aug. 23, 2021
Bob Daye, GIAA	Jan. 18, 2021

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 \$110,799 (\$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 skillset 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:

<i>Supplier</i>	<i>Service</i>	<i>Contract Value</i>	<i>Code</i>
Canadian Corps of Commissionaires	Security	\$264,216	A
G&M Enterprises	Janitorial	\$267,416	A

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.

In 2018, committees and their chairs were: Executive Committee, chaired by Desmond Dillon; Finance and Audit Committee, chaired by Rod French; Infrastructure and Development 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 2018 was \$642,594. 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 2018 was \$90,408.

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 \$8,306,646 in capital improvements:

Runway/taxiway rehabilitation	\$ 8,030,792
Terminal building renovation design	140,500
Light duty vehicles	87,485
Miscellaneous capital expenditures	17,869
	\$ 8,306,646

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
Linda White	Stan Singh
Fergus O'Brien	Percy Farwell
Dr. Peter Blackie	Sonja Maloney
Sarah McBreairty	

Air Service Development Advisory Committee

Chris Tuck, Department of Tourism,
Culture, Industry and Innovation
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 Cornish, Atlantic Canada Opportunities Agency

2018 GIAA Board of Directors



Top row, from left: Bob Daye, Dean Cull, Winston Carter, Vice-President & CFO Darren Dalton, Gene Hedges, Randall Mercer, Rod French and President & CEO Reg Wright

Front, from left: Vice-Chairperson Anne Manning, Peggy Bartlett, Chairperson Des Dillon, Rose Bungay and Bernice Walker

Missing from photo: Gary AuCoin, Secretary/Treasurer Mel Thorne.

Highlights and Required Declarations

BUSINESS PLAN

	ACTUAL	BUDGETED	DIFFERENCE	EXPLANATION
REVENUE	\$ 8,320,679	9,345,200	(\$1,024,521)	Lower investment returns, reduced aeronautical revenue
EXPENSES, EXCLUDING DEPRECIATION	\$ 7,621,994	8,043,800	(421,806)	Higher maintenance, pension, financing and professional fees
CAPITAL EXPENDITURES	\$ 8,306,646	\$11,625,000	3,318,354	Apron work delayed until 2019

5 YEAR FORECAST

	2019	2020	2021	2022	2023
REVENUE	\$ 9,743,900	9,929,600	10,128,200	10,330,800	10,537,400
EXPENSES, EXCLUDING DEPRECIATION	\$ 8,145,700	8,308,600	8,474,700	8,644,200	8,871,100
CAPITAL EXPENDITURES	\$ 5,455,000	5,803,000	5,495,000	5,315,000	5,700,000

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FINANCIAL REPORT

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To the Members

Gander International Airport Authority Inc.

Opinion

I have audited the financial statements of Gander International Airport Authority Inc. (the Organization), which comprise the statement of financial position as at December 31, 2018, and the statement of operations, statement of net assets and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at December 31, 2018, and its financial performance and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinion

I conducted my audit in accordance with Canadian generally accepted auditing standards. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am independent of the Organization in accordance with the ethical requirements that are relevant to my audit of the financial statements in Canada, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Organization's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Organization or to cease operations, or has no realistic alternative but to do so.

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

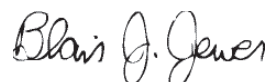
Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Gander International Airport Authority's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Gander International Airport Authority's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause Gander International Airport Authority to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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



Chartered Professional Accountant
Chartered Accountant

May 1, 2019
Grand Falls-Windsor, NL

GANDER INTERNATIONAL AIRPORT AUTHORITY INC.
STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2018

	<u>2018</u>	<u>2017</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 76,726	\$ 3,263
Short term investments	9,282,159	7,076,911
Accounts receivable (Note 3)	1,627,212	1,069,506
Inventory of consumable supplies (Note 4)	492,524	552,575
Prepaid expenses	125,859	98,779
	<u>11,604,480</u>	<u>8,801,034</u>
EMPLOYEE FUTURE BENEFITS (Note 9)	381,000	599,000
TANGIBLE CAPITAL ASSETS (Note 5)	<u>28,235,116</u>	<u>21,855,673</u>
	<u>\$40,220,596</u>	<u>\$ 31,255,707</u>
LIABILITIES		
CURRENT LIABILITIES		
Bank indebtedness (Note 6)	\$ -	\$ 955,888
Accounts payable (Note 7)	1,656,115	1,160,881
Customer deposits	180,226	244,773
Deferred revenue	185,369	182,204
Current maturity on capital lease	3,130	2,801
Current maturity on long-term debt	852,564	841,380
Long term debt within one year in excess of regular payments	<u>10,204,181</u>	<u>465,122</u>
	13,081,585	3,853,049
LONG TERM DEBT (Note 8)	-	2,722,484
OBLIGATION UNDER CAPITAL LEASE (Note 10)	1,513	4,642
ACCRUED SEVERANCE PAY	332,347	221,388
UNAMORTIZED CAPITAL GRANTS (Note 11)	<u>11,056,465</u>	<u>8,034,944</u>
	<u>24,471,910</u>	<u>14,836,507</u>
NET ASSETS		
INVESTED IN TANGIBLE CAPITAL ASSETS	6,117,263	9,784,300
EXTERNALLY RESTRICTED - EMPLOYEE FUTURE BENEFITS	381,000	599,000
UNRESTRICTED	<u>9,250,423</u>	<u>6,035,900</u>
	<u>15,748,686</u>	<u>16,419,200</u>
	<u>\$40,220,596</u>	<u>\$ 31,255,707</u>

CONTRACTUAL OBLIGATIONS (NOTE 15)
Signed on behalf of the Board,

 , Director  , Director

GANDER INTERNATIONAL AIRPORT AUTHORITY INC.

STATEMENT OF OPERATIONS

FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>2018</u>	<u>2017</u>
REVENUE (Note 12)	\$ 8,320,679	\$ 9,362,707
EXPENSES		
Advertising and promotion	190,747	22
Bad debt expense	39,842	2,667
Board remuneration and travel	120,440	118,246
Communications	53,120	53,959
Equipment and vehicle operating	459,804	371,276
Insurance	179,366	189,942
Interest and bank charges	238,285	140,322
Licences and fees	30,145	48,250
Maintenance contracts	306,760	307,326
Materials and supplies	511,749	643,321
Office and administration	97,185	74,262
Payment in lieu of taxes	182,977	172,774
Professional fees	278,452	82,915
Repairs and maintenance	273,042	473,530
Security contracts	286,656	283,917
Travel	115,345	140,994
Utilities	750,620	685,898
Wages and employee benefits	3,486,012	3,226,185
Ground lease	21,447	48,891
Depreciation, net of grant amortization \$924,825 (2017 - \$951,960)	1,002,199	769,954
	<u>8,624,193</u>	<u>8,063,988</u>
EXCESS OF REVENUE OVER EXPENSES	\$(303,514)	\$ 1,298,719

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

GANDER INTERNATIONAL AIRPORT AUTHORITY INC.
STATEMENT OF NET ASSETS
AS AT DECEMBER 31, 2018

				<u>2018</u>	<u>2017</u>
	<u>Restricted</u>	<u>Externally Invested in Capital assets</u>	<u>Unrestricted</u>		
Balance, beginning of year	\$ 599,000	\$9,784,300	\$6,035,900	\$16,419,200	
Excess of revenue over expenses	(78,000)	(1,002,199)	776,685	(303,514)	
Transfers					
- Pension re-measurement items	(367,000)	-	-	(367,000)	
- Pension plan contributions in excess of actuarial expense	227,000	-	(227,000)	-	
- Contribution agreement funding		(3,946,346)	3,946,346	-	
- Proceeds from long term debt and capital leases	-	(7,799,506)	7,799,506	-	
- Repayment of long-term debt	-	774,548	(774,548)	-	
- Proceeds from sale of tangible capital assets	-	-	-	-	
- Purchase of tangible capital assets	-	8,306,466	(8,306,466)	-	
	<u>\$381,000</u>	<u>\$ 6,117,263</u>	<u>\$9,250,423</u>	<u>\$15,748,686</u>	
	<u>Restricted</u>	<u>Externally Invested in Capital assets</u>	<u>Unrestricted</u>		
Balance, beginning of year					
As previously reported	\$ 397,000	\$ 6,776,615	\$ 7,975,349		\$15,148,964
Prior period adjustment (Note 17)	-	-	(77,483)	(77,483)	
As restated	397,000	6,776,615	7,897,866		15,071,481
Excess of revenue over expenses	(113,000)	(745,954)	2,157,673		1,298,719
Transfers					
- Pension re-measurement items	49,000	-	-		49,000
- Pension plan contributions in excess of actuarial expense	266,000	-	(266,000)		-
- Proceeds from long term debt and capital leases	-	(-)	-		-
- Repayment of long-term debt	-	844,980	(844,980)		-
- Proceeds from sale of tangible capital assets	-	(24,000)	24,000		-
- Purchase of tangible capital assets	-	2,932,659	(2,932,659)		-
	<u>\$599,000</u>	<u>\$9,784,300</u>	<u>\$6,035,900</u>		<u>\$16,419,200</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, 2018

	<u>2018</u>	<u>2017</u>
CASH WAS PROVIDED BY (USED FOR)		
<i>Operating</i>		
<i>Net excess of revenue over expenses</i>	\$(303,514)	\$ 1,298,719
<i>Non-cash items, depreciation, net of grant amortization</i>	1,002,199	769,954
<i>Gain on disposal of property, plant, and equipment</i>	-	(24,000)
	<u>698,685</u>	<u>2,044,673</u>
<i>Changes in non-cash working capital</i>		
<i>Current assets (Note 13)</i>	(524,735)	(80,861)
<i>Current liabilities (Note 13)</i>	433,852	316,357
	<u>607,802</u>	<u>2,280,169</u>
<i>Investing</i>		
<i>Proceeds from sale of tangible capital assets</i>	-	24,000
<i>Purchase of tangible capital assets</i>	(8,306,646)	(2,932,659)
<i>Employee future benefit asset, including adjustment to net assets</i>	(149,000)	(153,000)
	<u>(8,455,466)</u>	<u>(3,061,659)</u>
<i>Financing</i>		
<i>Repayment of capital lease</i>	(2,800)	(3,600)
<i>Accrued severance pay</i>	110,959	(2,706)
<i>Repayment of long-term debt</i>	(771,748)	(841,380)
<i>Proceeds from long-term debt</i>	7,799,506	-
<i>Contribution agreement funding</i>	3,946,346	-
	<u>11,082,263</u>	<u>(847,686)</u>
INCREASE (DECREASE) IN CASH	<u>3,234,599</u>	<u>(1,629,176)</u>
CASH, BEGINNING	<u>6,124,286</u>	<u>7,753,462</u>
CASH, ENDING	<u>\$ 9,358,885</u>	<u>\$ 6,124,286</u>
CASH CONSISTS OF:		
<i>Cash on hand</i>	\$ 76,726	\$ 3,263
<i>Current account (overdraft) - operating</i>	-	(955,888)
<i>Short term investments</i>	9,282,159	7,076,911
	<u>\$ 9,358,885</u>	<u>\$ 6,124,286</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, 2018

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, 2018

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 9 of the financial statements, is measured using an actuarial valuation prepared for funding purposes. 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, 2018

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>2018</u>	<u>2017</u>
3. ACCOUNTS RECEIVABLE		
Trade	\$ 925,176	\$ 1,044,507
Recoverable costs	-	30,674
Government assistance	742,557	-
	<u>1,667,733</u>	<u>1,075,181</u>
Allowance for doubtful accounts	40,521	5,675
	<u>\$ 1,627,212</u>	<u>\$1,069,506</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, 2018

			<u>2018</u>	<u>2017</u>
5. TANGIBLE CAPITAL ASSETS				
	<u>Cost</u>	<u>Accumulated Depreciation</u>		
Runway	\$26,091,556	\$8,149,846	\$17,941,710	\$10,963,285
Approach Lighting	1,676,742	1,181,699	495,043	578,880
Equipment	1,902,516	1,195,621	706,895	787,301
Vehicles	6,540,437	4,060,906	2,479,531	2,649,834
Software	62,560	56,031	6,529	11,865
Leasehold improvements	3,171,261	1,332,008	1,839,253	2,003,156
Land development	1,219,573	-	1,219,573	1,206,076
Roads	3,578,601	1,347,405	2,231,196	2,469,768
Water and sewer Infrastructure	912,416	92,546	819,870	860,492
	<u>45,155,662</u>	<u>17,416,062</u>	<u>27,739,600</u>	<u>21,530,657</u>
Assets under development	495,516	-	-	495,516
	<u>\$ 45,651,178</u>	<u>\$17,416,062</u>	<u>\$28,235,116</u>	<u>\$21,855,673</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.

GLAA also has available a line of credit of \$2,000,000 to finance tangible capital assets which is unused at year end.

Operating	\$	-	\$	955,888
Tangible capital assets		-		-
	\$	<u>-</u>	\$	<u>955,888</u>

7. ACCOUNTS PAYABLE

Trade	\$	1,725,982	\$	824,194
Accrued wages		130,237		112,932
Government remittances	(380,506)		31,616
Accrued vacation pay		180,402		192,139
	\$	<u>1,656,115</u>	\$	<u>1,160,881</u>

**GANDER INTERNATIONAL AIRPORT AUTHORITY INC.
NOTES TO FINANCIAL STATEMENTS**

AS AT DECEMBER 31, 2018

	<u>2018</u>	<u>2017</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>	\$ -	\$ 836,498
<i>Prime rate term loan, repayable by monthly installments of \$3,125 due 2038</i>	737,500	-
<i>Prime rate term loan, repayable by monthly installments of \$1,046, due 2038</i>	246,862	-
<i>Prime rate term loan, repayable by monthly installments of \$3,125, due 2038</i>	737,500	-
<i>Prime rate term loan, repayable by monthly installments of \$2,084, due 2038</i>	493,748	-
<i>Prime rate term loan, repayable by monthly installments of \$5,417, due 2038</i>	1,289,167	-
<i>Prime rate term loan, repayable by monthly installments of \$56,250, due 2038</i>	3,857,724	-
<i>1.79% Partial Interest Rate Swap demand term loan, repayable by monthly interest only payments, secured by Hypothecation Agreement (with Power of Attorney) over short term investments.</i>	3,694,244	-
<i>1.79% Interest Rate Swap term loan, repaid during year</i>	-	1,679,988
<i>1.98% Interest Rate Swap term loan, repaid during year</i>	-	1,512,500
	<hr/>	<hr/>
	11,056,745	4,028,986
<i>Current maturity</i>	852,564	841,380
<i>Amounts due on demand in excess of regular payments</i>	10,204,181	465,122
	<hr/>	<hr/>
	\$ -	\$ 2,722,484
	<hr/>	<hr/>

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

<i>2019 - \$852,564</i>	<i>2021 - \$852,564</i>	<i>2023 - \$852,564</i>
<i>2020 - \$852,564</i>	<i>2022 - \$852,564</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 1:1.

The Authority was compliant with the required covenants.

At year end, the Swap amount of the Partial Interest Rate Swap loan was \$2,722,484 and the Swap amount decreases by \$39,167 monthly.

At year end the Authority has authorized approved borrowing of \$2,443,255 which it has not drawn down.

GANDER INTERNATIONAL AIRPORT AUTHORITY INC.

NOTES TO FINANCIAL STATEMENTS

AS AT DECEMBER 31, 2018

	<u>2018</u>	<u>2017</u>
9. 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, 2018 and the next required valuation will be as of January 1, 2018. The reported amounts are based on the January 1, 2018 valuation as extrapolated to December 31, 2018, after adjusting for changes in assumptions.</i>		
<i>(a) The net expense for the Authority's defined benefit Pension plan is as follows:</i>		
Current service cost	\$ 73,000	\$ 101,000
Provision for non-investment expenses	37,000	37,000
Finance costs (return on plan assets in excess of interest incurred on plan obligations)	(32,000)	(25,000)
Net plan expenses	<u>\$ 78,000</u>	<u>\$ 113,000</u>
<i>(b) Information about the Authority's defined benefit Pension plan at December 31 is as follows:</i>		
<i>Plan assets</i>		
Fair market value beginning	\$ 7,557,000	\$ 7,015,000
Return on plan assets	(66,000)	540,000
Administrative expenses	(31,000)	(34,000)
Employer contributions	227,000	266,000
Employee contributions	14,000	12,000
Benefits paid	(231,000)	(242,000)
Market value ending	<u>7,470,000</u>	<u>7,557,000</u>
<i>Plan obligations</i>		
Benefit obligation, beginning	5,839,000	5,446,000
Current service cost	73,000	101,000
Employee contributions	14,000	12,000
Interest cost	258,000	253,000
Benefits paid	(231,000)	(242,000)
Actuarial (gains) losses	(311,000)	269,000
Benefit obligation, ending	<u>5,642,000</u>	<u>5,839,000</u>
Surplus	1,828,000	\$ 1,718,000
Valuation allowance adjustment	<u>(1,447,000)</u>	<u>(1,119,000)</u>
Accrued benefit asset (liability)	<u>\$ 381,000</u>	<u>\$ 599,000</u>

GANDER INTERNATIONAL AIRPORT AUTHORITY INC.

NOTES TO FINANCIAL STATEMENTS

AS AT DECEMBER 31, 2018

	<u>2018</u>	<u>2017</u>
9. 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>	\$ 7,470,000	\$ 7,557,000
<i>Accrued benefit obligation</i>	(5,642,000)	(5,839,000)
<i>Funded status of plan</i>	1,828,000	1,718,000
<i>Valuation adjustment allowance</i>	(1,447,000)	(1,119,000)
	<u>\$ 381,000</u>	<u>\$ 599,000</u>
<i>Accrued benefit asset, beginning</i>	\$ 599,000	\$ 397,000
<i>Prior period adjustment (change in accounting policy)</i>	-	-
<i>Accrued benefit asset, beginning as restated</i>	599,000	397,000
<i>Pension cost for the period</i>	(78,000)	(113,000)
<i>Contributions by the Authority</i>	227,000	266,000
<i>Valuation allowance adjustment</i>	(328,000)	(53,000)
<i>Other remeasurment items charged to net assets</i>	(39,000)	-
<i>Accrued benefit asset, ending</i>	<u>\$ 381,000</u>	<u>\$ 599,000</u>
(d) <i>Remeasurment and other items</i>		
<i>Actuarial gain/ (loss)</i>	\$ 311,000	\$(26,000)
<i>Interest less net return on assets</i>	(406,000)	206,000
<i>Gain/ (loss) on non-investment expenses</i>	6,000	3,000
<i>Change in valuation allowance</i>	(328,000)	53,000
<i>Effect of valuation allowance on finance cost</i>	50,000	56,000
<i>Total</i>	<u>\$(367,000)</u>	<u>\$ 49,000</u>
(e) <i>Accumulated Remeasurement Gain (Loss)</i>		
<i>Balance, beginning of year</i>	\$(1,119,000)	\$(1,172,000)
<i>Remeasurment Gain (Loss) for current period</i>	(328,000)	53,000
<i>Balance, end of year</i>	<u>\$(1,447,000)</u>	<u>\$(1,119,000)</u>
(f) <i>The weighted average actuarial assumptions are as follows:</i>		
<i>Discount rate</i>	4.50%	4.50%
<i>Rate of compensation increase</i>	2.50%	2.50%
<i>YMPE Escalation rate</i>	2.50%	2.50%
<i>Indexation rate</i>	2%	2%
<i>Mortality table used for 2018 and 2017 was the CPM (Combined), projection scale CPM-B</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>	58.8%	56.3%
<i>Fixed Income Securities</i>	38.0%	34.5%
<i>Other</i>	3.2%	9.2%
	<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, 2018

20182017**9. EMPLOYEE FUTURE BENEFITS (CONT'D)**

The net expense for the Authority's defined contribution pension plan is \$170,423.

The expenses for defined benefit and defined contribution plans are included in wages and employee benefits on the statement of operations.

10. 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 \$11,123, due 2020\$*

Current maturity

4,643 \$ 7,443

3,130 2,801

\$ 1,513 \$ 4,642

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

2019 - \$3,130

2020 - \$1,513

11. UNAMORTIZED CAPITAL GRANTS, NET BOOK VALUE

Balance beginning of year

\$8,034,944 \$8,986,904

Add: Contribution funding received

3,946,346 -

Less: Amortization

924,825 951,960

\$11,056,465 \$8,034,944

12. REVENUE

Landing fees

\$ 1,005,327 \$ 1,018,466

Terminal fees

427,898 383,006

Aviation fuel fees

1,529,690 1,709,859

Concessions

1,269,380 1,231,394

Rentals

1,895,087 1,872,323

Sale of quarry material

16,567 20,000

Miscellaneous

562,543 684,825

Investment income

325,463 310,855

Gain on disposal of property, plant, and equipment

- 24,000

Change in fair value of short term investments

(613,130) 212,932

Foreign exchange gain (loss)

1,186 (574)

6,420,011 7,467,086

1,900,668 1,895,621

Airport improvement fees

\$8,320,679 \$9,362,707

GANDER INTERNATIONAL AIRPORT AUTHORITY INC.

NOTES TO FINANCIAL STATEMENTS

AS AT DECEMBER 31, 2018

	<u>2018</u>	<u>2017</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>		
Accounts receivable, trade	\$ 154,177	\$(60,556)
Government assistance	(742,557)	26,724
Recoverable costs	30,674	(20,174)
Inventory	60,051	(26,170)
Prepaid expenses	(27,080)	(685)
	<u>(524,735)</u>	<u>(80,861)</u>
<i>Current liabilities</i>		
Accounts payable	495,234	\$ 65,252
Customer deposits	(64,547)	(87,555)
Deferred revenue	3,165	(87,555)
	<u>433,852</u>	<u>316,357</u>
 <i>Net effect on cash</i>	 <u>\$(90,883)</u>	 <u>\$ 235,496</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, 2018

2018

2017

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, 2018 the investment mix was Scotia Money Market 4.5% (2017 - 4.2%), Scotia Fixed Income Mutual Funds, 37.4% (2017 - 38.0%), and other equities 58.1% (2017 - 57.8%). During 2018 the investment mix changed. This represents a change in credit risk during 2018.

(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

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. Lease amounts are calculated as a 1% of revenue (as defined) in the Range \$5,000,001 to \$10,000,000 and 5% of revenue (as defined) in excess of \$10,000,000. The exact amount of future payments under the terms of the lease are not determinable.

16. HEDGE ACCOUNTING

The Authority has borrowed funds under an Interest Rate Swap hedge transaction from the Bank of Nova Scotia (see Note 8). The contracts expire on December 31, 2019 and July 17, 2022 respectively. The Authority has chosen not to apply the optional Hedge Accounting standards found in the Chartered Professional Accountants of Canada Handbook - Accounting.

GANDER INTERNATIONAL AIRPORT AUTHORITY INC.

NOTES TO FINANCIAL STATEMENTS

AS AT DECEMBER 31, 2018

17. PRIOR PERIOD ADJUSTMENT

The financial statements for 2017, which are presented for comparative purposes only, have been restated to correct an error in accrued wages. The impact on the financial statements for 2017 is as follows:

	<i>Increase (Decrease)</i>
<i>Statement of financial position</i>	
<i>Accounts payable (accrued wages)</i>	<i>79,354</i>
<i>Unrestricted surplus</i>	<i>(79,354)</i>
<i>Statement of operations</i>	
<i>Wages and employee benefits</i>	<i>1,871</i>
<i>Total expenses</i>	<i>1,871</i>
<i>Excess of revenue over expenses</i>	<i>(1,871)</i>
<i>Statement of net assets</i>	
<i>Unrestricted net assets, beginning</i>	<i>(77,483)</i>
<i>Excess of revenue over expenses</i>	<i>(1,871)</i>
<i>Unrestricted net assets, ending</i>	<i>(79,354)</i>