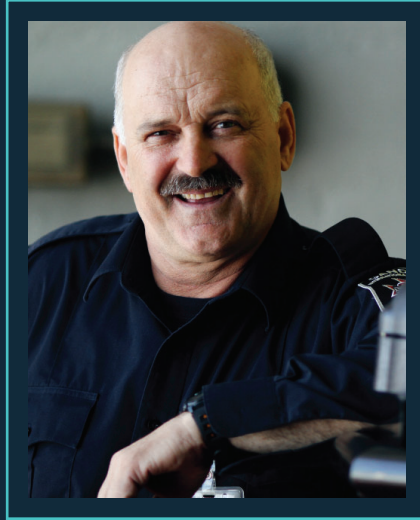


YORK  
SCOW

2020 ANNUAL REPORT





For Kev.  
You were the best of us.

KEVIN FREAKE  
1956-2020

## *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.

# 01

## *YEAR IN REVIEW*

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# Message from the Chairperson of the Board

When I accepted the position as the GIAA Chair in September, it was with a recognition that tough times were in store.

As much as I try to avoid that tired word, *unprecedented*, that's what 2020 was. Personally and professionally, the Pandemic has left no one untouched.

Beyond the health and societal impacts, it was the worst year in the history of commercial aviation and a severe test for the Gander International Airport.

The aviation sector was often villainized as a "vector" of COVID. However, aviation provides critical and strategic infrastructure and service, even more so in times of crisis.

When stranded Canadians needed to be repatriated home during the onset of the Pandemic, we were there.

When vaccines and supplies had to be delivered with pace and precision, we were there.

When a public safety crisis arose, be it a raging forest fire or listing ship offshore needing rescue, we were there.

Aviation was there to provide the connections and services that we need when we needed them most. That's what aviation does – it moves the people and things at an unrivalled speed. It connects business, families, and our country.

I do hope this remains the memory – that the airport was there, even when the support to be there wasn't.

Even as we preside over empty terminals, runways and hangars, we understand that aviation does matter, and Gander International Airport matters.

I am proud of how our management, staff and airport partners rose to the occasion under challenging circumstances in 2020. They continued to come to work so the airport can fulfill its essential functions. That demanded courage and commitment.

During a crisis, you fast learn who your most faithful allies are. The GIAA is grateful for the continued support of its community partners in Gander and throughout Central Newfoundland that came together and coalesced around a common goal. We are indebted to the Mayors, Chambers, industry associations and entrepreneurs who joined us to make a compelling case that aviation is worth fighting for.

The power of partnerships is more important now more than ever. Together, we will succeed where we might fail alone.

**It is a long road to  
recovery, and things  
will not be the same  
when we get there.**





I am privileged to serve alongside a fantastic group of Directors, present and past. We all believe strongly that good Governance is the bulwark of success. Our goal is 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 usher in new blood. In 2020, two members of our executive - Chairperson Des Dillon and Secretary/Treasurer Mel Thorne - departed after nine distinguished years of service. We are indebted to both for their service.

Over the last 20 years, Gander International Airport has evolved into a self-sustaining enterprise, and the market has enjoyed growth in travel choices. Restoring those routes is now priority one.

Airports and air service have a solid connection to economic vitality and quality of life. Air access helps us attract new residents, workers, tourists, and investment. Airports and air service connect us - culturally, economically, and socially.

Gander is a town founded on aviation; built on the sky. The Pandemic has badly clipped our community's wings, with nearly 300 jobs lost in the aviation sector. Recovery is a daunting challenge.

We need to fight for the kind of Gander and Gander Airport we want. We need to aspire to a shared vision of a progressive, welcoming region. A place where people love to live.

With an indomitable spirit, committed crew and strong partners, we look forward and with confidence to better days.

*Anne Manning-Moffitt*

**Anne Manning-Moffitt / Chairperson**



# Corporate VALUES

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

## **Integrity and Transparency**

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

## **Partnerships**

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

## **Corporate Stewardship and Community Citizenship**

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

## **Efficiency**

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

# Message from the President and CEO

2020 was the year that was, though we all probably wish it wasn't.

COVID-19 created a massive system shock across the world. The Pandemic has touched all of us in varying ways, affecting both lives and livelihoods. In some ways, it was a year of losses – lost lives, lost time, and lost business.

Even in a year where there was little to celebrate, we should stop and salute the frontline and essential workers for their work to keep us safe. Many of those individuals work here in our airport community.

The Pandemic hit and hurt many industries, but none were more impacted than airports, airlines and the aviation community. For us, COVID-19 constitutes an existential crisis.

## Aviation Impacts

As businesses desperately reset and redesign for an unknown future, airports remain particularly vulnerable. Airports are complex, diverse economic entities; however, at their simplest, airports are in the business of moving people and goods by air. We pride ourselves on our airport's agility and resilience, but we don't have the option to move online, shift to take-out, repurpose purpose-built facilities, or pivot to a new product offering. Nor do we have the choice to drop anchor, stick up the closed sign and ride out the storm. Airports provide an essential service, even more so in times of crisis. Over 70% of our expenses are fixed and need to be paid whether we have seven passengers or 750,000.

Once the Pandemic hit, we moved to reframe our outlook. There were two goals for the GIAA in 2020. The first goal was to ensure the safety of the travelling public, our tenants and the airport team. We achieved this by implementing proper health measures and policies at the airport. The second goal was to reconfigure operations to ensure the airport did not have to take on untenable debt. We implemented 30 core cost-saving measures to achieve this.

I view 2020 performance as the best possible result in the worst possible situation. Our sector has amassed catastrophic losses and debt over the last year, so the airport's financial performance – achieved without having raised user fees or issue layoffs at this juncture – is acceptable under the circumstances.



While our actions in 2020 helped mollify the impact, it was the ongoing efforts to fortify the airport over the last 20 years that provided the broad revenue base and cost structure required to limit losses. We've always emulated the Camel Model for Gander International Airport. Most don't consider the camel an aspirational creature, but the camel can survive on next to nothing in the most barren environments. The Camel Model has helped us over many humps, though none as high as the one COVID presents.

## Long Road to Recovery

Regardless of 2020's outcomes, it's a long road back. Uncertainty is measured using two elements—duration and magnitude—both of which have reached historical peaks this year. The shape of recovery and the future is unknown at best.

Demand for air travel will remain soft. We also currently have a supply deficit in terms of available seats, routes and airlines. At this time of writing, the airport has gone from a peak of 12 daily departures with four airlines to non-daily intraprovincial service with one airline. The route network at Gander will have to be entirely rebuilt and under challenging circumstances.

We'd all agree we won't restore air service without passengers to fill planes or airplanes for passengers to fill. We continue to encourage urgency in terms of a safe restart to travel. A vigorous vaccine program is one thing, but there will have to be a more permanent approach to viral security, which likely means testing and immunity credentials.

We have forcefully advocated for assistance for our ailing sector with government policymakers and elected officials. We conveyed the ask, the need and the stakes. We have sustained this campaign for 14 months and do remain optimistic that meaningful supports will come.

If we want to support the recovery of aviation, travel and the rural economy, we will need a clear plan to get there. That means a science-supported recovery plan. We need to brook public health and economic survival. Moreover, government will have to take an active role in catalyzing recovery.

### **Resilient Staff and Stakeholders**

For any positives 2020 did hold, we are indebted to our staff, stakeholders and supporters who rose to the occasion to keep the airport functioning under trying and often scary circumstances. Together, they ensured those passengers, goods, and aircraft kept moving.

The GIAA is very fortunate to have a competent, skilled and motivated team. They don't need my encouragement, but I often remind them to take care of themselves, the airport, its customers, and each other. There are no remote work options for many of our staff, and we are indebted for their work and resilience, especially under the Pandemic's dark cloud.

Likewise, I tip my hat to our airline and aviation support service companies and agencies, many of them badly battered by lost business and stripped out by layoffs.

We are also grateful for the incredible support that the airport's allies and ambassadors showed under the circumstances.

Finally, I thank my colleagues on the Board of Directors, who provide a high standard of corporate governance. Under the leadership of Chairperson Anne Manning-Moffitt, they are committed to acting in the best interests of the airport and the communities we serve. Together, we will maintain a vital and vibrant airport for our region.

We won't spend, save or borrow our way through this crisis. It's going to take some of each, and plenty of patience and support to boot.

A handwritten signature in black ink, appearing to read "Reg Wright". The signature is fluid and cursive, with a large initial "R" and a stylized "W".

**Reg Wright** / President and CEO

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## **OUR 2020 TEAM** (as of Dec. 31, 2020)

### **Airfield Maintenance Specialists**

Mike Foley	Steve Holden
Joey Hunt	Scott Penney
Colin Pope	Adam Roberts
Jason Timmons	Darrell Whitt
Travis Bauld	Thomas Newman
Jeff King	Jason Sweetapple

### **Airfield Operations and Maintenance**

Corey Winter, Supervisor of Airfield Maintenance

### **Electrical/Mechanical**

Boyde Freake, Supervisor of Mechanical Maintenance  
Garrett Watton, Lead Electrician  
Stephen Fleming, Electrician  
Alonzo Burry, Power Engineer

### **Firefighters**

Robert Brown  
Barry Torraville

### **Mechanics**

Lyndon Lewis, Lead Mechanic  
Owen Hodder, Mechanic

### **Trades Helpers**

Shannon Gillingham  
Matthew Edison

### **Carpenter**

Bill Hunter

### **Administration**

Janice Bath, Executive Assistant  
Tina Slade, Supervisor of Finance and Human Resources

### **Management**

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

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# 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 community, region and Province.

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

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

- Direct impacts included 1,260 full-time jobs, \$90 million in wages, \$140 million in gross domestic product (GDP) and \$240 million in economic impact.
- The study also considers indirect and induced impacts, which include downstream industries such as suppliers and contractors, as well as employment generated by employee spending. Total economic impacts were 1,940 full time jobs, \$210 million in GDP and \$360 million in economic output.
- Employment related to airport activity has grown 10% over the last eight years, with most gains in the airport support and airline services sectors.
- 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

### Braced for a protracted recovery in demand

Passenger traffic at Gander was down -70% over 2019 levels and -83% over the COVID-19 impacted months of April-December.

In early 2021, the airport lost its last linkage to Mainland Canada, as Air Canada suspended all passenger operations at Gander International Airport. From an airport perspective, in Pre-pandemic years, Air Canada carried 70% of all passengers at YQX, and accounted for \$2.5M, or 25% of airport revenues.

It is a significant blow that hurts our region's competitiveness, sustainability and prosperity, particularly for our trade-dependent business community. Our region's most strategic sectors – agrifoods, aquaculture, aviation, fishing, forestry, mining, professional services and tourism – depend on flow and mobility.

The GIAA's ability to restore lost routes in a manner profitable for airline partners is the primary challenge going forward.

Since the beginning of the COVID-19 Pandemic, there have been 295 job losses in Gander's once robust aviation sector, representing the loss of \$25 Million in wages in the Town of Gander and surrounding communities.

Aviation and aerospace employ one in five workers in the Town of Gander, commanding salaries 20% above the mean earnings average for the community. Gander's aviation/aerospace sector produces \$400 Million in total direct and indirect economic output annually.

The job losses span across the aviation section, with 60% involving airline employees. The remainder are from companies that provide direct airline support services, such as ground handlers, aircraft refuelers, and air navigation service providers. These 295 job losses do not account for downstream or spin-off impacts, such as reduced demand for taxis, hotel rooms or spending in the community. Three airport tenants ceased operations in 2020.

On the international side of the business, technical stops also fell significantly as the Pandemic gripped the world. North Atlantic traffic flows have still not recovered beyond a third of 2019 levels.

The Department of National Defence implemented a requirement that military aircraft are restricted to Goose Bay or Comox, British Columbia for technical stops. This was devastating for both the airport and its partners who serve military aviation, costing millions in revenue and forcing dozens of layoffs for workers who work directly to serve military customers. In peak pre-Pandemic years, YQX accommodated upwards of 1,500 military flights annually and held the highest share of military heavylift on the Eastern Seaboard.

The airport authority's work to reopen the famed international lounge to Gander and its guests continues in earnest. The \$1.5 million project focuses on the preservation, restoration and adaptive reuse of the space, which experts consider the best-preserved Modernist room in Canada. New interpretive components and programming will provide a compelling visitor experience. The Pandemic has hindered the project, but a soft opening is planned for 2021. While primarily a tourism-motivated project, waking up the lounge and returning access to residents and the world will be an exercise in placemaking.

In terms of airport concessions, the new Gander Goods gift shop and Union East + Drinks restaurant expect to open in earnest so soon as restrictions lift.







# Financial Stewardship

## Positioned to weather the storm

The Pandemic and resulting travel restrictions on both Provincial and International borders significantly impacted the GIAA's revenue performance. Flight activities and passenger volumes hit historic lows, with volumetric impacts on other airport revenue sources.

In the face of an existential challenge, the airport adopted a survivalist mindset to weather the current storm until calmer waters allow growth to resume. The GIAA focused on guarding resources and working to minimize the burn of cash reserves.

### Total Revenue

As passenger and aircraft counts cratered, revenue declined \$3.8 million or 37% from pre-pandemic levels.

Federal Governments Emergency Wage and Rent Subsidy Programs provided nearly \$750,000 in support.

### Operating Expenses

Austerity measures included 30 specific initiatives to reduce or contain costs. Overall, operational expenses were reduced \$1.9 million.

### Capital Expenditures

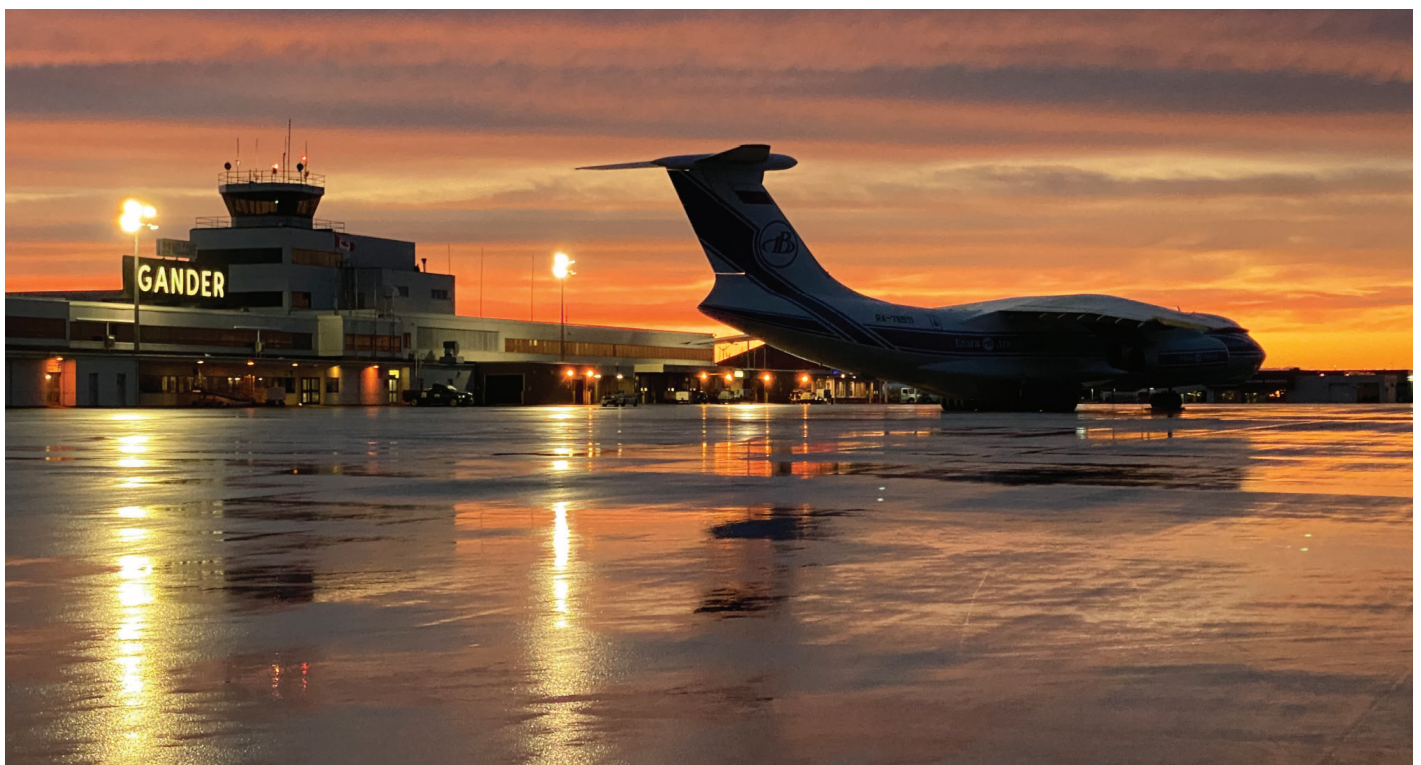
Over \$5M in capital expenditures was deferred, except for those substantially completed prior to the Pandemic or undertaken on a cost-shared basis.

### Overall Performance

Net income fell from a \$981,000 profit in 2019 to a loss of \$1,122,000 in 2020. The GIAA still managed a positive operational cash flow for 2020. EBITDA was \$931,000, versus \$2.9 million for 2019.

The GIAA has sought to operate in a fiscally responsible manner throughout its tenure. Management has focused on the diversification of operating revenues, cost control and operational efficiency.

This strategy has paid dividends as the GIAA navigates the Pandemic. With the support of lenders and the Federal Government, the GIAA has maintained the strength of its financial framework, at least for 2020. To date, the airport has not added additional debt to its balance sheet. Those results are unlikely to continue, as it is doubtful the airport will look anything like the YQX of 2019 for a half-decade, if ever.





# Community Engagement

Community engagement remains a crucial 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 community-led charitable events and assisting non-profit groups with numerous campaigns.

No doubt, 2020 was a time when reaching out, making connections and offering a helping hand was suddenly a bit more complicated.

The GIAA looks forward to restoring and strengthening its connections in safer times.

## **Community Consultative Committee**

To draw upon more expert feedback and better engage the region, the GIAA maintains a Community Consultative Committee, which offers a sounding board on all airport matters and provides vital input on operations, economic development and planning.



**\$50 Million**

in capital works  
projects completed over  
the last 20 years

**41,588**

total aircraft  
movements

**832 days**

achieved without a  
lost time accident

## Infrastructure and Operations

The Pandemic created a parallel health and economic crisis which demanded that the GIAA revisit its services and the infrastructure it maintains. There was minimal capital work undertaken in 2020, as the GIAA suspended all non-cost-shared capital as an austerity measure. Total capital expenditures were \$600,000 and include pre-Pandemic projects.

Passenger and landing volumes plummeted. As a result, air terminal access was restricted to airport workers, customers and consultants. This allowed the closure of many terminal areas to allow for more focused cleaning of high-traffic areas.

The airport also closed nearly 60 percent of its airside operating surface for winter operations, including most of Runway 13/31, taxiways, and aprons. The 255-space long-term parking lot was closed for the winter. These seasonal closures produced nearly \$400,000 in winter maintenance savings.

Airport infrastructure investment projections are typically based on economic factors tied to the airport's lifecycle management formula. As the GIAA navigates a protracted path to recovery, thinning revenues will substantially impact the airport's ability to finance capital. The GIAA has already undertaken a detailed triage of its 20-year capital plan. The airport has, and will, defer future infrastructure investments unless safety-critical or supported by solid economic fundamentals.

An airport is only as good as its people. Gander International Airport is exceptionally fortunate to employ skilled, savvy, capable and committed staff. The GIAA team showed tremendous resiliency over the last year under evolving circumstances.

### 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 freshwater 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 contamination that occurred before the lease commencement with Transport Canada, which will be remediated on a priority basis when the airport authority receives direction from Transport Canada.

Glycol testing across five sample areas did not return any results exceeding Federal Environmental Glycol Guidelines.

### Pandemic Response

The GIAA strives to provide a safe environment for its workers, travellers and airlines. This requires exercising the highest levels of safe work practices.

The COVID-19 Pandemic has been a severe test of that capacity. The Pandemic has required the development and implementation of policies and procedures to ensure the traveller's safety, complicated by an ever-changing crisis.

At the airport, a COVID Compliance Plan was executed. This included investments in a robust new approach to cleaning, including new tools and technology to achieve medical-grade sanitization. Passenger flows and seating was reconfigured to support social distancing and safe travel. New facility policies limited public access while a broad education campaign, including signage and media, was rolled out to support current public health guidance.

The GIAA worked very closely with its key partners, including Central Health and the Town of Gander, to ensure protocols and policies were well aligned.

The GIAA also worked with its staff to ensure COVID safety in the workplace and at home, including guidance on identifying workplace sickness and recalibrating duties and facilities. The GIAA has mandated all its employees receive the vaccine. At this time of writing, half of GIAA staff have received their initial vaccine.



The GIAA expects this to be a prolonged and ever-evolving crisis. We must use this window to create a sustainable framework for healthy travel and restore traveller confidence as guests return to the airport and the skies.

## Safety Management

Gander Airport operates in a strictly regulated environment, and all aeronautical, safety and labour auditors found the airport to be a capable steward of airport operations in 2020.

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 completed its Safety Management System (SMS) per Transport Canada's schedule, and SMS is an integrated component of airport operations.

The GIAA and its staff have maintained an ongoing commitment to foster a culture of safety and security. As of the end of 2020, GIAA staff had surpassed 832 days without a lost-time accident.

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 2020, 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 (2 vacant)
Gander and Area Chamber of Commerce	1
Lewisporte Area Chamber of Commerce	1
Exploits Regional Chamber of Commerce	1
GIAA Board of Directors	3 (1 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.

# Corporate Governance *(cont)*

As of December 31, 2020, the GIAA Board of Directors, their nominating entity and the term expiry were as follows:

Bernice Walker, Exploits Chamber	March 6, 2021
Gary Aucoin, Lewisporte Chamber	Aug. 23, 2021
Rod French, Gander Chamber	Feb. 17, 2021
Gene Hedges, Town of Gander	April 15, 2023
Anne Manning-Moffitt, 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 \$113,798 (\$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	\$250,781	A
G&M Enterprises	Janitorial	\$243,464	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. Committees and their chairs include: Executive Committee, chaired by Anne Manning-Moffitt; Finance and Audit Committee, chaired by Rod French; Infrastructure and Development Committee, chaired by Bernice Walker and the Governance Committee, chaired by Gene Hedges.

## Senior Officers

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

## Senior Officer Compensation

The remuneration paid to executive officers was \$532,507. 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 2020 was \$77,583.

## 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 \$599,120 in capital improvements:

Approach lighting retrofit	\$	69,540
Mobile vehicles/equipment		84,753
Miscellaneous capital expenditures		444,827
	\$	599,120

### Community Consultative Committee

The Community Consultative Committee (CCC) is a communication conduit to and from the community on airport matters that affects the region.

The CCC acts as an arms-length advisory body for the GIAA President & Chief Executive Officer.

### Community Consultative Committee Members

Chris Tuck	Deborah Bourden
Hazel Bishop	Pauline Payne
Rex Avery	Judy Jenkins
Caroline Swan	Derm Chafe
Denise Cornish	Sonja Maloney
Genevieve Squire	Debby Yannakidis
Linda White	Stan Singh
Fergus O'Brien	Percy Farwell
Dr. Peter Blackie	

### Business Plan

	Actual	Budgeted	Difference	Explanation
Revenue	\$6,635,619	10,053,400	( 3,417,781 )	COVID-19 impacts
Expenses, excluding depreciation	\$6,161,922	8,022,200	1,860,278	Austerity measures
Capital Expenditures	599,120	6,343,500	5,774,380	Austerity measures

### Forecast for next five years

	2021	2022	2023	2024	2025
Revenue	\$4,803,000	5,430,000	6,183,000	6,396,000	6,587,000
Expenses, excluding depreciation	\$5,649,000	6,461,000	6,559,000	7,981,000	6,663,000
Capital Expenditures	890,000	1,000,000	1,000,000	1,000,000	1,000,000

Due to the uncertainty surrounding recovery in the aviation sector as a whole, the next five years cannot be relied upon for medium or long-term planning.



# 2020 GIAA Board of Directors

As of Dec. 31, 2020

## Board of Directors

**Anne Manning-Moffitt**  
Chairperson

**Rod French**  
Vice Chairperson

**Gene Hedges**  
Secretary/Treasurer

**Gary Aucoin**  
**Peggy Bartlett**  
**Rose Bungay**  
**Winston Carter**  
**Bob Daye**  
**Randell Mercer**  
**Benice Walker**

## Corporate Officers

**Reg Wright**  
President and Chief Executive Officer

**Darren Dalton**  
Vice-President and Chief Financial Officer



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*FINANCIAL REPORT*

Blair J. Jewer  
Chartered Professional Accountant

2A Bank Road  
P.O. Box 471  
Grand Falls-Windsor, NL A2A 2J9  
Phone 709-489-7755 Fax 709-489-8646

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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, 2020, 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, 2020, 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.

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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.



**Grand Falls-Windsor, NL**  
**April 21, 2021**

**Chartered Professional Accountant**  
**Chartered Accountant**

GANDER INTERNATIONAL AIRPORT AUTHORITY INC.

## STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2020

	2020	2019
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash \$	13,126	\$ 777,926
Short term investments	11,076,068	10,440,190
Accounts receivable (Note 3)	587,924	728,309
Inventory of consumable supplies (Note 4)	564,429	542,990
Prepaid expenses	109,146	99,993
	<u>12,350,693</u>	<u>12,589,408</u>
EMPLOYEE FUTURE BENEFITS (Note 9)	691,000	329,000
TANGIBLE CAPITAL ASSETS (Note 5)	<u>27,940,752</u>	<u>30,108,511</u>
	<u>\$ 40,982,445</u>	<u>\$ 43,026,919</u>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Bank indebtedness (Note 6)	\$ 125,000	\$ -
Accounts payable (Note 7)	666,520	978,801
Customer deposits	366,683	380,030
Deferred revenue	179,848	197,369
Current maturity on capital lease	-	1,513
Accrued severance pay	-	102,794
Current maturity on long-term debt	<u>12,955,007</u>	<u>477,536</u>
	14,293,058	2,138,043
LONG TERM DEBT (Note 8)	34,583	12,828,247
OBLIGATION UNDER CAPITAL LEASE (Note 10)	-	-
ACCRUED SEVERANCE PAY	599,175	477,873
UNAMORTIZED CAPITAL GRANTS (Note 11)	<u>10,204,117</u>	<u>10,966,171</u>
	<u>25,130,933</u>	<u>26,410,334</u>
<b>NET ASSETS</b>		
INVESTED IN TANGIBLE CAPITAL ASSETS	4,747,045	5,834,864
EXTERNALLY RESTRICTED - EMPLOYEE FUTURE BENEFITS	691,000	329,000
UNRESTRICTED	<u>10,413,467</u>	<u>10,452,721</u>
	<u>15,851,512</u>	<u>16,616,585</u>
	<u>\$ 40,982,445</u>	<u>\$ 43,026,919</u>

CONTRACTUAL OBLIGATIONS (NOTE 15)

Signed on behalf of the Board,


, Director


, 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, 2020**

	<u>2020</u>	<u>2019</u>
<b>REVENUE</b> (Note 12)	\$ 6,635,619	\$ 10,484,422
<b>EXPENSES</b>		
Advertising and promotion	48,114	141,939
Bad debt expense	11,929	27,688
Board remuneration and travel	79,240	99,673
Communications	59,093	58,862
Equipment and vehicle operating	273,315	376,104
Insurance	219,026	230,251
Interest and bank charges	458,024	416,132
Licences and fees	41,418	31,949
Maintenance contracts	267,542	298,379
Materials and supplies	343,974	489,855
Office and administration	62,099	81,584
Payment in lieu of taxes	176,863	183,447
Professional fees	92,266	259,149
Repairs and maintenance	196,271	509,626
Security contracts	277,798	309,251
Travel and training	15,628	127,885
Utilities	590,977	748,587
Wages and employee benefits	2,920,169	3,598,390
Ground lease	( 12,365 )	63,412
Restructuring costs	39,541	-
Depreciation, net of grant amortization \$1,182,860 (2019 - \$924,825)	1,425,270	1,314,860
Impairment loss on assets under development	170,500	136,500
	<u>7,756,692</u>	<u>9,503,523</u>
<b>EXCESS OF REVENUE OVER EXPENSES</b>	<u><u>\$ ( 1,121,073 )</u></u>	<u><u>\$ 980,899</u></u>

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

GANDER INTERNATIONAL AIRPORT AUTHORITY INC.

**STATEMENT OF NET ASSETS  
AS AT DECEMBER 31, 2020**

	<u>2020</u>			<u>2019</u>
	Externally Restricted	Invested in Capital assets	Unrestricted	
Balance, beginning of year	\$ 329,000	\$ 5,834,864	\$ 10,452,721	\$ 16,616,585
Excess of revenue over expense	\$ (90,000 )	( 1,595,770 )	564,697	( 1,121,073 )
Transfers				
- Pension re-measurement items	356,000	-	-	356,000
- Pension plan contributions	96,000	-	( 96,000 )	-
- Contribution agreement funding		( 409,055 )	409,055	-
- Proceeds from long term debt and capital leases	-	( 44,400 )	44,400	-
- Repayment of long-term debt	-	362,106	( 362,106 )	-
- Proceeds from sale of tangible capital assets	-	-	-	-
-Purchase of tangible capital assets	-	599,120	( 599,120 )	-
-Other		180	( 180 )	-
	<u>\$ 691,000</u>	<u>\$ 4,747,045</u>	<u>\$ 10,413,467</u>	<u>\$ 15,851,512</u>
	Externally Restricted	Invested in Capital assets	Unrestricted	
Balance, beginning of year	\$ 381,000	\$ 6,117,263	\$ 9,250,423	\$ 15,748,686
Excess of revenue over expenses	( 82,000 )	( 1,451,533 )	2,514,432	980,899
Transfers				
- Pension re-measurement items (	113,000	) -	-	( 113,000 )
- Pension plan contributions	143,000	-	( 143,000 )	-
- Contribution agreement funding (	1,080,154	) 1,080,154		-
- Proceeds from long term debt and capital leases	-	( 2,960,515 )	2,960,515	-
- Repayment of long-term debt	-	714,607	( 714,607 )	-
- Proceeds from sale of tangible capital assets	-	-	-	-
-Purchase of tangible capital assets	-	4,495,196	( 4,495,196 )	-
	<u>\$ 329,000</u>	<u>\$ 5,834,864</u>	<u>\$ 10,452,721</u>	<u>\$ 16,616,585</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, 2020**

	<u>2020</u>	<u>2019</u>
CASH WAS PROVIDED BY (USED FOR)		
Operating		
Net excess of revenue over expenses	\$( 1,121,073 )	\$ 980,899
Non-cash items, depreciation, net of grant amortization	1,425,270	1,314,860
Impairment loss on assets under development	170,500	136,500
Gain on disposal of property, plant, and equipment	-	-
	<u>474,697</u>	<u>2,432,259</u>
Changes in non-cash working capital		
Current assets (Note 13)	109,793	874,303
Current liabilities (Note 13)	( 445,943 )	( 362,716 )
	<u>138,547</u>	<u>2,943,846</u>
Investing		
Proceeds from sale of tangible capital assets	-	-
Purchase of tangible capital assets	( 599,120 )	( 4,495,203 )
Employee future benefit asset, including adjustment to net assets	( 6,000 )	( 61,000 )
	<u>( 605,120 )</u>	<u>( 4,556,203 )</u>
Financing		
Repayment of capital lease	( 1,513 )	( 3,130 )
Accrued severance pay	121,302	145,526
Repayment of long-term debt	( 360,593 )	( 711,477 )
Proceeds from long-term debt	44,400	2,960,515
Contribution agreement funding	409,055	1,080,154
	<u>212,651</u>	<u>3,471,588</u>
(DECREASE) INCREASE IN CASH	( 253,922 )	1,859,231
CASH, BEGINNING	<u>11,218,116</u>	<u>9,358,885</u>
CASH, ENDING	<u>\$ 10,964,194</u>	<u>\$ 11,218,116</u>
CASH CONSISTS OF:		
Cash on hand	\$ 13,126	\$ 777,926
Current account (overdraft) - operating	( 125,000 )	-
Short term investments	<u>11,076,068</u>	<u>10,440,190</u>
	<u>\$ 10,964,194</u>	<u>\$ 11,218,116</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, 2020**

**1. NATURE OF OPERATIONS**

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

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

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

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

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

**2. SIGNIFICANT ACCOUNTING POLICIES**

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

**(a) Cash and cash equivalents**

The entity's policy is to disclose bank balances under cash and cash equivalents, including bank overdrafts with balances that fluctuate frequently from being positive to overdrawn and 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, 2020**

## 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:

Runway	5%	Vehicles	10%	Roads	6.67%
Approach lighting	5%	Software	10%	Equipment	10%, 20%
Leasehold improvements	10%, 20%				

(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, 2020**

**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>2020</u>	<u>2019</u>
<b>3. ACCOUNTS RECEIVABLE</b>		
Trade	\$ 490,695	\$ 736,957
Recoverable costs	-	-
Government assistance	105,017	-
	<hr/> 595,712	<hr/> 736,957
Allowance for doubtful accounts	7,788	8,648
	<hr/> <hr/> \$ 587,924	<hr/> <hr/> \$ 728,309

**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, 2020**

			<u>2020</u>	<u>2019</u>
<b>5. TANGIBLE CAPITAL ASSETS</b>				
	<u>Cost</u>	<u>Accumulated Depreciation</u>		
Runway	\$ 28,322,862	\$ 11,302,034	\$ 17,020,828	\$ 18,702,482
Approach Lighting	1,746,282	1,350,822	395,460	411,205
Equipment	1,963,803	1,171,005	792,798	877,599
Vehicles	6,202,930	4,156,409	2,046,521	2,227,403
Software	62,560	62,560	-	1,194
Leasehold improvements	4,015,101	1,682,348	2,332,753	2,488,826
Land development	1,227,163	-	1,227,163	1,219,573
Roads and parking areas	4,384,368	1,885,183	2,499,185	2,780,484
Water and sewer Infrastructure	1,002,321	230,729	771,592	789,248
	<hr/>	<hr/>	<hr/>	<hr/>
	48,927,390	21,841,090	27,086,300	29,498,014
Assets under development	854,452	-	854,452	610,497
	<hr/>	<hr/>	<hr/>	<hr/>
	\$ 49,781,842	\$ 21,841,090	\$ 27,940,752	\$ 30,108,511

**6. BANK INDEBTEDNESS**

GIAA has an operating line of credit of \$1,500,000 bearing interest at Scotiabank prime less 0.5%. It is secured by a general security agreement and a collateral security agreement (see Note 8).

GIAA also has available a line of credit of \$2,000,000 bearing interest at Scotiabank prime less 0.5% to finance tangible capital assets which is unused at year end. When used, it is secured by first charge over equipment and assignment of insurance coverage. Advances for new equipment are amortized to a maximum of 84 months and used equipment a maximum of 48 months.

Operating	\$ 125,000	\$ -
Tangible capital assets	-	-
	<hr/>	<hr/>
	\$ 125,000	\$ -

**7. ACCOUNTS PAYABLE**

Trade	\$ 308,192	\$ 529,540
Accrued wages	136,693	127,544
Government remittances	56,704	154,789
Accrued vacation pay	164,931	166,928
	<hr/>	<hr/>
	\$ 666,520	\$ 978,801

GANDER INTERNATIONAL AIRPORT AUTHORITY INC.  
**NOTES TO FINANCIAL STATEMENTS**  
**AS AT DECEMBER 31, 2020**

	<u>2020</u>	<u>2019</u>
<b>8. LONG-TERM DEBT</b>		
Bank of Nova Scotia		
1.79% Partial Interest Rate Swap term loan, repayable by monthly installments of \$56,250, secured by Bankers Acceptance Agreement, due September 2021, amortized to 2040	\$ 12,947,092	\$ 13,305,783
Ford Credit		
6.36% retail installment contract, repayable by blended monthly installments of \$866, secured by specific vehicle with net book value of \$38,049, due 2025	42,498	-
	<hr/>	<hr/>
	12,989,590	13,305,783
Current maturity	12,955,007	477,536
	<hr/>	<hr/>
	\$ 34,583	\$ 12,828,247
	<hr/>	<hr/>

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

2021 - \$12,955,007	2023 - \$8,986	2025 - \$7,590
2022 - \$ 8,433	2024 - \$9,574	

It is anticipated that the Bank of Nova Scotia loan will be renewed for similar terms on the September, 2021 due date.

Payments on the Bank of Nova Scotia debt were deferred by the lender for the months of January to March of 2021.

The Bank of Nova Scotia 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 with Bank of Nova Scotia have been extinguished, the following covenants apply:

Liquidity (consisting of cash, unrestricted investments, and undrawn availability of the operating line of credit) of at least \$3,000,000 must be maintained.

The EBITDA (as defined by the Bank) must be at least:

For the twelve months ended	Amount
September 2020	\$( 150,000)
December 2020	\$( 825,000)
March 2021	\$(1,120,000)
June 2021	\$(2,242,000)
September 2021	\$(1,764,000)
December 2021	\$(1,403,000)

For March 2022 and subsequent, the Fixed Charge Coverage Ratio (consisting of EBITDA less cash taxes and unfunded capital expenditures to interest expense plus regularly scheduled payments on long term debt and capital leases) is to be maintained at all times at 1.1:1 or greater.

The Authority was compliant with the required covenants.

GANDER INTERNATIONAL AIRPORT AUTHORITY INC.  
**NOTES TO FINANCIAL STATEMENTS**  
**AS AT DECEMBER 31, 2020**

	<u>2020</u>	<u>2019</u>
<b>9. EMPLOYEE FUTURE BENEFITS</b>		
The Authority has a defined benefit and a group registered retirement savings 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, 2020 and the next required valuation will be as of January 1, 2021. The reported amounts are based on the January 1, 2020 valuation as extrapolated to December 31, 2020, after adjusting for changes in assumptions.		
(a) The net expense for the Authority's defined benefit Pension plan is as follows:		
Current service cost	\$ 76,000	\$ 73,000
Provision for non-investment expenses	31,000	31,000
Finance costs (return on plan assets in excess of interest incurred on plan obligations)	( 17,000 )	( 22,000 )
Net plan expenses	<u>\$ 90,000</u>	<u>\$ 82,000</u>
(b) Information about the Authority's defined benefit Pension plan at December 31 is as follows:		
Plan assets		
Fair market value beginning	\$ 8,255,000	\$ 7,470,000
Return on plan assets	914,000	882,000
Administrative expenses	( 32,000 )	( 27,000 )
Employer contributions	96,000	143,000
Employee contributions	12,000	14,000
Benefits paid	( 329,000 )	( 227,000 )
Market value ending	<u>8,916,000</u>	<u>8,255,000</u>
Plan obligations		
Benefit obligation, beginning	5,688,000	5,642,000
Current service cost	76,000	73,000
Employee contributions	12,000	14,000
Interest cost	248,000	249,000
Benefits paid	( 329,000 )	( 227,000 )
Actuarial (gains) losses	( 6,000 )	( 63,000 )
Benefit obligation, ending	<u>5,689,000</u>	<u>5,688,000</u>
Surplus	3,227,000	2,567,000
Valuation allowance adjustment	( 2,536,000 )	( 2,238,000 )
Accrued benefit asset (liability)	<u>\$ 691,000</u>	<u>\$ 329,000</u>

GANDER INTERNATIONAL AIRPORT AUTHORITY INC.  
**NOTES TO FINANCIAL STATEMENTS**  
**AS AT DECEMBER 31, 2020**

	<u>2020</u>	<u>2019</u>
<b>9. EMPLOYEE FUTURE BENEFITS (CONT'D)</b>		
(c) Reconciliation of the funded status of the benefit plan to the amounts recorded in the financial statements		
Fair value of plan assets	\$ 8,916,000	\$ 8,255,000
Accrued benefit obligation	( 5,689,000 )	( 5,688,000 )
Funded status of plan	3,227,000	2,567,000
Valuation adjustment allowance	( 2,536,000 )	( 2,238,000 )
	<u>\$ 691,000</u>	<u>\$ 329,000</u>
Accrued benefit asset, beginning	\$ 329,000	\$ 381,000
Prior period adjustment (change in accounting policy)	-	-
Accrued benefit asset, beginning as restated	329,000	381,000
Pension cost for the period	( 90,000 )	( 82,000 )
Contributions by the Authority	96,000	143,000
Valuation allowance adjustment	( 298,000 )	( 791,000 )
Other remeasurement items charged to net assets	654,000	678,000
Accrued benefit asset, ending	<u>\$ 691,000</u>	<u>\$ 329,000</u>
(d) Remeasurement and other items		
Actuarial gain/ (loss)	\$ 6,000	\$ 63,000
Interest less net return on assets	548,000	546,000
Gain/ (loss) on non-investment expenses	( 1,000 )	4,000
Change in valuation allowance	( 298,000 )	( 791,000 )
Effect of valuation allowance on finance cost	101,000	65,000
Total	<u>\$ 356,000</u>	<u>\$( 113,000 )</u>
(e) Accumulated Remeasurement Gain (Loss)		
Balance, beginning of year	\$( 2,238,000 )	\$( 1,447,000 )
Remeasurement Gain (Loss) for current period	( 298,000 )	( 791,000 )
Balance, end of year	<u>\$( 2,536,000 )</u>	<u>\$( 2,238,000 )</u>
(f) The weighted average actuarial assumptions are as follows:		
Discount rate	4.50%	4.50%
Rate of compensation increase	2.50%	2.50%
YMPE Escalation rate	2.50%	2.50%
Indexation rate	2%	2%
Mortality table used for 2020 and 2019 was the CPM2014 (Combined), projection scale CPM-B		
(g) The assets of the plan are invested by a third party administrator and have the following asset mix		
Equity Securities	63.7%	59.9%
Fixed Income Securities	33.2%	32.5%
Other	3.1%	7.6%
	<u>100.0%</u>	<u>100.0%</u>

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



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	<u>2020</u>	<u>2019</u>
<b>9. EMPLOYEE FUTURE BENEFITS (CONT'D)</b>		
The net expense for the Authority's group registered retirement savings plan is \$122,719.		
The expenses for defined benefit pension cost and group registered retirement savings plan contributions are included in wages and employee benefits on the statement of operations.		
<b>10. OBLIGATION UNDER CAPITAL LEASE</b>		
Bluechip Leasing Corporation		
11.18% capital lease repaid during year	\$ -	\$ 1,513
Current maturity	-	1,513
	<hr/>	<hr/>
	\$ -	\$ -
	<hr/>	<hr/>
<b>11. UNAMORTIZED CAPITAL GRANTS, NET BOOK VALUE</b>		
Balance beginning of year	\$ 10,966,171	\$ 11,056,465
Add: Contribution funding received	409,055	1,080,155
Less: Amortization	1,171,109	1,170,449
	<hr/>	<hr/>
	\$ 10,204,117	\$ 10,966,171
	<hr/>	<hr/>
<b>12. REVENUE</b>		
Landing fees	\$ 609,210	\$ 1,043,319
Terminal fees	244,749	455,225
Aviation fuel fees	383,299	1,812,365
Concessions	498,784	880,798
Rentals	2,259,085	1,985,954
Sale of quarry material	12,000	12,000
Miscellaneous	469,259	580,098
Royalties from forest harvesting	13,361	16,613
Government assistance	749,093	-
Investment income	249,133	610,212
Gain on disposal of property, plant, and equipment	-	-
Change in fair value of short term investments	389,090	557,058
Foreign exchange gain (loss)	( 1,257 )	2,028
	<hr/>	<hr/>
	5,875,806	7,955,670
Airport improvement fees	759,813	2,528,752
	<hr/>	<hr/>
	\$ 6,635,619	\$ 10,484,422
	<hr/>	<hr/>

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	<u>2020</u>	<u>2019</u>
<b>13. CHANGES IN NON-CASH WORKING CAPITAL</b>		
The effect on cash of changes in non-cash working capital is as follows:		
Current assets		
Accounts receivable, trade	\$ 245,402	\$ 156,346
Government assistance	( 105,017 )	742,557
Recoverable costs	-	-
Inventory	( 21,439 )	( 50,466 )
Prepaid expenses	( 9,153 )	25,866
	<u>109,793</u>	<u>874,303</u>
Current liabilities		
Accounts payable	( 312,281 )	( 677,314 )
Customer deposits	( 13,347 )	199,804
Deferred revenue	( 17,521 )	12,000
Accrued severance liability	( 102,794 )	102,794
	<u>( 445,943 )</u>	<u>( 362,716 )</u>
Net effect on cash	<u><u>\$( 336,150 )</u></u>	<u><u>\$ 511,587</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.

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20202019**14. FINANCIAL RISK MANAGEMENT (CONT'D)**

The Authority has placed material amounts of cash with the Investment Account Manager, Scotiabank. The investment account manager has funds invested in accordance with risks and policies approved by the Board. At December 31, 2020 the investment mix was cash and equivalents 4.0% (2019 - 4.8%), fixed income, 55.6% (2019 - 55.5%), and other equities 40.4% (2019 - 39.7%). During 2020 the investment mix changed. The change in investment mix represents a change in credit risk during 2020.

**(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.

Due to COVID-19 the landlord has waived all lease payments until June 30, 2021.

**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 contract expires on July 31, 2029. The Authority has chosen not to apply the optional Hedge Accounting standards found in the Chartered Professional Accountants of Canada Handbook - Accounting.

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20202019**17. COVID-19**

The ongoing COVID-19 pandemic has caused the Canadian government to institute travel restrictions both within Canada and internationally, which has had, and is expected to continue to have, a significant adverse impact on the Authority's passenger and aircraft volumes, the duration of which we are unable to predict with any degree of accuracy. The Authority's total revenue is substantially dependent on and directly related to the number of passengers and aircraft that use the Airport facilities. The demand for both business and leisure airline travel has declined significantly on a global basis, and airlines are responding by cancelling international and domestic flights.

The extent of such negative effects on the Airport's business and our financial and operational performance will depend on future developments, including the duration, spread and severity of the outbreak, the duration and geographic scope of related travel advisories and restrictions and the extent of the impact of COVID-19 on overall demand for personal and business travel, all of which are highly uncertain and cannot be predicted with any degree of accuracy. The extent to which the outbreak affects our operating results will depend in part on our ability to implement various measures intended to reduce expenses.