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GANDER



Gander Int'l

Gander International
Airport Authority

2021 ANNUAL REPORT



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.

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MESSAGE FROM THE Chairperson of the Board

When I accepted the position as the GIAA Chair in September of 2020, we were already being buffeted by the strong headwinds of the Pandemic. 2021 was another tough test. The Pandemic has demanded tough decisions and courage from all of us, personally and professionally, at home and work. The airport authority stayed grounded in our organization's purpose, which required resilience.

The drops in airport traffic were unprecedented, and it was not until Canada Day that the airport saw some resumption of normality. Just as we felt we were getting up off the mat, Omicron put its boot on our back.

The last two years have made us rethink our airport and its challenges. Where we traditionally focused on marshalling opportunities for growth, we had to adopt a more survivalist mindset. Our energies were channelled into a new priority – the health and well-being of our team, tenants and travellers.

Airport revenues fell substantially. Canadian airports operate under a unique and occasionally controversial user-pay model. Suffice it to say, user-pay schemes collapse when there are essentially no users.

Alongside ever-changing protocols and implementing policies to ensure a safe journey through the airport, we maintained dozens of initiatives intended to defer or cut costs and preserve reserves. Our priority has been to run a safe airport and do that as prudently as possible.

They say that tough seas make for skilled mariners. I applaud the entire airport community for their agility and resilience. Sometimes just showing up to work is a small act of heroism, and I extend our thanks to our airport family. Our critical airline, security and aviation service companies put on a brave face to ensure the airport could fulfill its most essential functions. Thank you to everyone in our greater community who did the same, from the cashier at the grocery store counter to the nurse in the critical care unit.

The airport authority manages a vital public trust, and our board is committed to keeping our governance framework sharp. This includes undertaking board self-audits, devoting time to enterprise risk management strategy, and actively recruiting quality new directors. I want to express a special thanks to our Governance Chairperson, Gene Hedges, and his committee, who have done a lot of heavy lifting over the last two years.

In 2021, we were delighted to welcome Susan Sullivan of Grand Falls-Windsor and Zane Tucker and Bruce Terris, of Gander, to the fold. All three have already proven to be strong contributors at the board table and will enrich our organization. The GIAA will not contend with significant turnover in directors for the next three years, but we will continue to work with our nominators to recruit capable and committed directors. Indeed, I am thankful and privileged to serve alongside a fantastic, high-functioning board that reflects our region and thank our management team and staff for a substantial shift.

We have tried not to be consumed by the crisis and to keep a pragmatic, strategic view of the long-term as an organization. We continue to plan for the future while managing the challenges of today. We recognize the path to recovery is long and that some things may have forever changed.

Rest assured, our board remains committed to acting in good faith and the best interests of the airport. Above all, we are confident about the future and our place in it.

If anything, the Pandemic has only illuminated what I've always believed – that Gander International Airport is indelibly connected to our region's economic vitality and quality of life. It's an important and strategic institution, and I ask everyone to join us in fighting for a strong, safe and sustainable Gander International Airport.

Anne Manning-Moffitt

Anne Manning-Moffitt / Chairperson



**The GIAA has to keep
a pragmatic, strategic
view of the long-term.**



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

Count me among those that are only too happy to jettison 2021 into the wake.

It was a year (indeed, it's been 29 months as I write this) where the general impression was of running frantically through a thick fog to an unknown finish line, only to learn you are on a treadmill.

Novel coronavirus SARS-CoV-2 may not be the deadliest plague of our generation, but there has been nothing so socially or economically disruptive. The velocity of change coming out of the COVID-19 crisis created entirely new forms of financial and operational risk. Many traditional industries, aviation and travel specifically, were pushed deep into difficult places.

A colleague noted that leaders were driving themselves batty because they had not adjusted their expectations to the Pandemic. Instead, they were trying to make things work as they did before. In most cases, this can't be done. Trying to lead a successful airport during Covid-19 is like trying to stuff a marshmallow into a piggy bank. It took many leaders years to concede that we need adjust our expectations and look at success through a wider aperture.

On a positive note, Gander International Airport finished 2021 with a good financial performance. While 2021 revenues were down \$3.7 Million, or 36% of pre-pandemic totals, our focus on cost containment over the last two years, combined with the work the GIAA has done over two decades to build a more resilient airport that spreads its revenue across multiple streams, has paid dividends.

The Federal government provided a significant and welcome \$4.8 Million infusion of liquidity. It won't be easy to generate sustainable free capital to make significant investments in future years. A protracted recovery is expected, and forecasts suggest the airport will not return to pre-crisis passenger levels until 2025. We are grateful for the government's support, which will help us cover operating losses over the coming years.

That performance was notable because the GIAA did not lay off any full-time staff or raise fees. We had to make some difficult, occasionally unpopular decisions, in the best interest of the airport, which is precisely what leadership demands.



We maintained a safe environment for staff, partners, and travellers. We completed critical capital projects. We complied with the rules for the environment. We worked to be responsive to the changing needs of our constituents.

I'm very proud of the people who kept on keeping on over these last few years. It was sad to see layoffs in the local aviation and aerospace community but heartening to see many of those jobs restored.

On the challenging side, Covid-19 had an enormous effect on scheduled air service. We operated for 162 days without a flight to Mainland Canada as airlines cut and consolidated service. Over two pandemic-impacted years, we have lost seven routes, and traffic only recovered to a little better than a third of 2019 levels.

Legacy airlines are emerging the Pandemic notably smaller and more indebted. The pandemic provided the airlines with a moment of reset, an opportunity to reimagine their networks. Routes at YQX will have to be rebuilt under challenging circumstances, with the understanding recovery will begin first along urban trunk routes and hubs. Our airport cannot be the last dog to the bowl. Restoring a meaningful year-round schedule to serve the needs of our region is the number one priority.

Public health restrictions introduced to limit the transmission of a Covid-19 were a substantial impediment to any regular business, but especially ours. Government policy dictated who could travel where, when, in what aircraft, from what place, and under what terms. Under these restrictions, our airport could not succeed in any traditional sense and could only be patient until they were lifted. As expected, business surged the minute they did.

All that aside, let's be grateful for our well-being and good health if we have it. Let's thank the people who came to work under trying circumstances to ensure the essential functions and societal safeguards remained in place.

We all want to restore the things we love and miss from before. We don't know how long things will take to return to what they were or whether some ever will.

But I know this: people will fly again, and Newfoundland and Labrador will be on the right side of the recalibration in travel.

People will travel again because they have questions of the world. They travel to get answers. Travel lets us appreciate the world's differences. It also allows us to discover the truths that bring us together.

Aviation is a team sport. Airport family, team members, community partners, customers, airlines, and ambassadors all played a crucial role in the success of 2021—our thanks.



Reg Wright / President and CEO



OUR 2021 TEAM (as of Dec. 31, 2021)

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
Dale Bath	

Airfield Operations and Maintenance

Corey Winter, Supervisor of Airfield Maintenance

Electrical/Mechanical

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

Firefighters

Robert Brown
 Barry Torraville

Mechanics

Lyndon Lewis, Lead Mechanic
 Kyle Hopkins, Mechanic
 Owen Hodder, Mechanic

Trades Helpers

Craig Rogers
 Matthew Edison

Carpenter

Shannon Gillingham

Administration

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

Management

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



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.



Development & Air Service

With consumer confidence and Covid-19 travel restrictions choking off demand, passenger traffic was just 37% of pre-crisis levels. The final passenger count was 60,330, the second-worst in airport history, although traffic improved 18% over 2020.

YQX operated without national air service between Jan 23-July 1st of, 2021, as Air Canada suspended operations, with total passenger volumes falling -85% over that period.

Air travel operates on simple supply and demand dynamics. Before the Pandemic, Gander International Airport hosted year-round service to St. John's, Goose Bay, and Halifax, and seasonal service to Punta Cana, Varadero and Toronto. At its lowest point, the airport fell from a peak of 12 daily departures with four airlines to non-daily interprovincial service with one airline. PAL Airlines kept a strong interprovincial offering in the market, and the strength of demand to Labrador offset losses.

Albeit temporary, Air Canada's service suspension was a significant blow that hurt the Central region's competitiveness, sustainability and prosperity, particularly for our trade-dependent business community. The region's most strategic sectors – agrifoods, aquaculture, aviation, fishing, forestry, mining, professional services and tourism – depend on flow and mobility.

The reopening of the Atlantic Bubble harkened a welcome return of passengers and service as WestJet and Air Canada restored limited routes for summer. Still, the momentum was lost as the Omicron variant took hold in the Fall and restrictions were reintroduced.

It is important to remember that airports do not make air service decisions – airlines do. The GIAA must continue to present timely and defensible business cases to prospective and tenant airlines. The airport's ability to retain routes and airlines, thereby passengers, will influence the airport's success. The airport's long-term prospects are tied to the region's appetite to fly from their local airport. The GIAA's ability to restore lost routes in a manner profitable for airline partners is the primary challenge going forward.

On the international technical stop front, international widebody aircraft stops grew 48% over 2021 but were still -44% of pre-pandemic volumes.

Impact of Restrictions

Beyond general softening in passenger demand, government restrictions intended to guard public health and limit the spread of Covid-19 substantially impacted the airport's lines of business.

A Department of National Defence policy required military aircraft to obtain special permission to use any airport other than Goose Bay or Comox, BC. This policy costed the GIAA and its service partners millions in revenue until the NOTAM was removed in late summer. The result was the slowest year for military patronage at Gander since 1940, when the airport was opened to allow the Ferry Command to tip the tide of World War II.

Transport Canada eased restrictions and permitted 18 airports to process international travellers in 2021, but Gander Airport was not among them. As a result, Sunwing Airlines cancelled its Winter service to the Caribbean. The policy was foundationally inequitable and disadvantaged rural and regional airports.

There were staffing issues or service downgrades at the Canada Border Service Agency and NavCanada at Gander tower. Airport concessionaires and partners were also impacted by restrictions and labour challenges.

Restoring Jobs

Since the beginning of the COVID-19 Pandemic, there were 295 job layoffs in Gander's 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 direct and indirect economic output annually. The job losses spanned across the aviation section, with 60% involving airline employees. The remainder were from companies that provide direct airline support services, such as ground handlers, aircraft refuelers, and air navigation service providers.

As restrictions lifted and airlines resumed services, the airport and aerospace community welcomed many of those positions back. However, an acute labour shortage will continue to impact many companies.

Land Development

Since assuming airport management from Transport Canada, the GIAA has diversified its income streams. The strategy has been to reduce its dependency on unpredictable aviation business cycles. Revenues from land and building rentals account for \$2 Million in annual revenue for the airport.

The airport manages 11,278 acres of land. Not all business types are considered compatible with the safe operation of an airport. However, the airport does manage vast tracts regarded as attractive for retail, industrial, recreational, residential, and agricultural purposes.

The GIAA's development of a business park located on a prime tract of land for retail opportunities bears witness to this direction. Gander is strategically situated in the middle of a \$3 Billion retail market. The Town of Gander and GIAA established a partnership agreement to develop a retail campus on the corner of Cooper and James Blvd. The Town committed \$1 Million toward the endeavour. Both parties will work closely to populate this strategic area over the coming years.



Financial Performance

Fiscal stewardship for testing times

2021 will be forever remembered for the COVID-19 pandemic. While 2020's focus was on responding to a global public health crisis, in 2021, the GIAA honed its focus on executing cost containment strategies. The airport received almost \$5 Million in government support for the Pandemic. As the airport recovers, this money will cover operating losses, fund safety-related capital projects and restore air service.

Approximately \$600,000 in expense reduction, combined with government funding, turned a 2020 loss of \$1.1 Million into a net income of \$3.7 Million in 2021. The GIAA managed a positive operating cash flow for 2021 of \$5.2 Million. EBITDA was \$5.7 Million, in comparison to \$933,000 for 2020.

The COVID-19 pandemic has been devastating to many industries, with air travel and tourism-related businesses being the hardest hit and facing a protracted recovery period.

Whether the airport hosts five passengers or five million, airport operating expenses are primarily fixed. Many airports were forced to borrow to meet obligations of day-to-day operating expenses.

The GIAA has been fortunate in this regard. The organization has spent 20 years trying to diversify its revenue base and spread more eggs across more baskets, giving it a broad portfolio of revenue streams outside of passengers and airplanes. The other focus has been achieving operational efficiencies, which now pay dividends.

The Federal government provided the GIAA with \$4.7 in Pandemic-related support through the Airport Recovery Fund (ARF), Regional Air Transportation Initiative (RATI), and wage and rent subsidies. The GIAA's temporary inclusion in the Airports Capital Assistance Program, for which YQX has never been eligible due to its designation as a National Airport System airport, infused an additional \$1 Million in funding to support capital expenditures.

With the support of its lenders, the Federal Government, and changes to airport service delivery, the GIAA reduced stress on its financial framework.

Revenue

As passenger and aircraft counts cratered, revenue declined \$4.4 Million or 42% from pre-pandemic levels. This was offset by the Federal support of \$4.7 Million.

Operating Expenses

Overall, operational expenses were reduced by \$482,000 over the initial pandemic year in 2020 and \$2.4 million over pre-pandemic levels.

Capital Investments

Critical infrastructure investments were \$3.4 Million in 2021, a \$2.8 million increase over 2020. Government CAPEX support covered 40% of the investment.

Federal Support

With the aid of Federal funding, net income increased by \$4.8 Million over 2020. Without government support, the GIAA would have posted a loss of \$1 Million in 2021, but still a \$900,000 improvement over the initial pandemic year of 2020.

Operational cash flow remained positive in 2021, even after removing government support. EBITDA, excluding government support, was \$897,000 in 2021, a \$747,000 improvement over 2020. The EBITDA pre-pandemic comparative was \$2.8 Million.

Without government support, the GIAA would have posted a bottom-line loss of \$1 Million in the second-worst year for traffic in the airport's history.

Since assuming control of the airport in 2001, the airport has generated revenue of \$165 Million, invested \$54 Million in infrastructure and invested \$64 Million in wages.

There will be a continued emphasis on managing spending to limit losses and minimize the burn of cash reserves. At the same time, the GIAA will seek out investment opportunities that drive efficiency and generate new revenue.

The airport needs an agile financial framework to react quickly and efficiently to a shifting and uncertain environment. Simultaneously, a highly regulated industry like aviation carries high fixed costs, at 80%. Even after achieving 20-25% operational efficiency over the last two years, there are hard caps on what can be achieved through austerity alone.

Amid a crisis, the budget still addresses critical concerns about strategy, resource allocation, institutional transformation and cost constraints. A level of spending is required to "keep the lights on," and a specific investment is needed to support recovery and growth.

Management has focused on diversifying operating revenues, cost control and operational efficiency. This ethos will continue to inform airport strategy on its road to recovery.

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. 2021 was another year when reaching out, making connections

and offering a helping hand was suddenly 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.



\$54 Million

in capital works
projects completed over
the last 20 years

28,612

total aircraft
movements

11,193 days

achieved without a
lost time accident

Infrastructure and Operations

The Pandemic created a substantial challenge that demanded that the GIAA take a hard and unsympathetic look at the infrastructure it maintains and services.

Capital

In 2020, all non-cost-shared capital work had been suspended. In 2021, the availability of Federal capital programs allowed the airport to execute a \$3.4 Million capital program, split evenly between terminal improvements and fleet renewal.

On the fleet side of the operation, the airport acquired a new sweeper/plow unit and loader. Runway lighting on R13/31 received an upgrade.

The cost-shared rejuvenation of the international lounge continued in earnest, with hopes of breaking the seal on the space to the public in the Summer of 2022. The project focuses on preserving, restoring 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. While primarily a tourism-motivated project, waking up the lounge and returning access to residents and the world will be an exercise in placemaking.

As passenger and landing volumes remained low on the operational side, air terminal access was restricted to airport workers, customers, and consultants. This allowed the closure of many terminal areas to provide more focused cleaning of high-traffic areas.

The airport also seasonally shut 60 percent of its airside operating surface for winter operations for the second year, including

most of Runway 03/21, taxiways, and aprons. The 255-car long-term parking lot was also closed for the winter.

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, lower revenues will keep a lid on airport spending.

Safety

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 ever-evolving COVID-19 Pandemic required the development and implementation of policies and procedures to ensure the traveller's safety and limit the spread of COVID-19 in the airport, communities and the province.

The GIAA's Covid Compliance plan remained in full effect throughout 2021. The plan included increased sanitization and masking and distancing requirements—education campaigns. The GIAA worked with Public Health to ensure airport protocols and policies were well aligned with medical guidance.

As a gateway airport, the GIAA worked with Government partners as they implemented point-of-entry testing and supported the distribution of rapid molecular tests to those

destined to remote locations who did not have proof of vaccination. A private in-airport testing facility was established to allow the travelling public to book tests directly.

The GIAA worked with its staff to ensure COVID safety in the workplace and at home, including guidance on identifying workplace sickness, mandatory testing and recalibrating duties and facilities.

The GIAA's vaccine policy required its employees to be fully vaccinated or exempted. This policy was implemented six months before any level of government. All 31 employees were fully vaccinated ten weeks before vaccine mandates were announced nationwide.

Airports bear a significant responsibility as facilitators of essential services, such as medevac, military, policing, forest fire suppression, critical cargo and search and rescue operations. The airport managed its staffing to ensure no significant service or public safety disruptions.

Gander Airport operates in a strictly regulated environment, and all aeronautical, environmental, safety and labour auditors found the airport to be a capable steward of airport operations in 2021.

The GIAA and its staff have maintained an ongoing commitment to fostering a culture of safety and security.

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).

The airport's winter operations team was certified in the International Civil Aviation Organization (ICAO) new Global Reporting Format for runway surface conditions, implemented late summer.

Over 2021, airport emergency services responded to incidents of varying severity. These include responding to routine medical and security incidents and accommodating distressed and diverted aircraft.

By 2021, GIAA staff had surpassed 1,193 days without a lost-time accident.

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 under complex and evolving circumstances over the last year.

Environmental

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 objective is to identify these sites and their potential to contaminate ground and surface waters and freshwater ecosystems.

There are two known sites on aerodrome lands contaminated with hydrocarbons, one of which is currently under remediation. The other site is 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 the Federal Environmental Glycol Guidelines.

The GIAA is looking to reduce its environmental impact as airports move toward carbon zero operations. The airport commenced a \$5.8 Million energy retrofit program which will substantially reduce oil consumption and associated greenhouse gas emissions while reducing utility and operating costs. It will also inform the strategy as the airport looks to extend the life of its aging air terminal building in the most prudent way possible.



Runway lighting on Rwy13/31 was upgraded, which completes the airfield upgrade to more efficient LED lighting.

Over 2021, 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 (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, 2021, the GIAA Board of Directors, their nominating entity and the term expiry were as follows:

Susan Sullivan, Exploits Chamber	June 16, 2024
Gary Aucoin, Lewisporte Chamber	Aug. 23, 2024
Rod French, Gander Chamber	Feb. 17, 2024
Gene Hedges, Town of Gander	April 15, 2023
Bruce Terris, Town of Gander	Sept. 21, 2024
Zane Tucker, Town of Gander	June 16, 2024
Anne Manning-Moffitt, GIAA	Sept. 16, 2024
Winston Carter, Town of New-Wes-Valley	Feb. 9, 2024
Rose Bungay, Provincial Government	Feb. 22, 2020
Randell Mercer, Federal Government	Sept. 16, 2021
Peggy Bartlett, Federal Government	Aug. 23, 2024
Bob Daye, GIAA	Jan. 19, 2024

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 \$114,026 (\$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	\$245,821	A
G&M Enterprises	Janitorial	\$210,090	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 Bob Daye 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 \$496,079. 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 2021 was \$74,427.

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 \$3.4 Million in capital improvements:

Approach lighting retrofit	\$	230,391
Mobile vehicles/equipment		1,619,632
Miscellaneous capital expenditures		1,592,325
	\$	3,442,38

Community Consultative Committee

The Community Consultative Committee (CCC) is a communication conduit and sounding board on airport matters that affect the region.

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

Community Consultative Committee Members

Chris Tuck	Deborah Bourden
Hazel Bishop	Rex Avery
Judy Jenkins	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	\$10,875,080	6,493,310	4,381,770	Government Covid-19 support
Expenses, excluding depreciation	\$5,677,688	6,311,506	633,818	Pandemic austerity measures
Capital Expenditures	3,442,348	890,000	(2,552,348)	Government CAPEX support

Forecast for next five years

	2021	2022	2023	2024	2025
Revenue	\$7,400,662	7,770,654	8,159,187	8,567,147	8,995,505
Expenses, excluding depreciation	\$6,860,596	7,135,020	7,227,721	7,423,276	7,571,742
Capital Expenditures	12,685,500	3,695,000	450,000	5,890,000	4,650,000

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

2021 GIAA Board of Directors

As of Dec. 31, 2021

(Top row, from left)

Anne Manning-Moffitt
Chairperson

Rod French
Vice Chairperson

Gene Hedges
Secretary/Treasurer



(Middle, from left)

Gary Aucoin
Peggy Bartlett
Winston Carter



(Bottom, from left)

Randell Mercer
Zane Tucker

(No photo)

Susan Sullivan
Rose Bungay
Bob Daye
Bruce Terris



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

***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, 2021, 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.

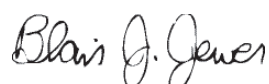
Auditor's Responsibilities for the Audit of the Financial Statements

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.

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 22, 2022

Chartered Professional Accountant
Chartered Accountant

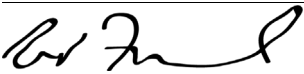
**GANDER INTERNATIONAL AIRPORT AUTHORITY INC.
STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2021**

	<u>2021</u>	<u>2020</u>
ASSETS		
CURRENT ASSETS		
Cash\$	17,078	\$ 13,126
Short term investments	15,080,913	11,076,068
Accounts receivable (Note 3)	611,401	587,924
Inventory of consumable supplies (Note 4)	606,490	564,429
Prepaid expenses	124,314	109,146
	<u>16,440,196</u>	<u>12,350,693</u>
EMPLOYEE FUTURE BENEFITS (Note 9)	658,000	691,000
TANGIBLE CAPITAL ASSETS (Note 5)	<u>28,770,795</u>	<u>27,940,752</u>
	<u><u>\$ 45,868,991</u></u>	<u><u>\$ 40,982,445</u></u>
LIABILITIES		
CURRENT LIABILITIES		
Bank indebtedness (Note 6)	\$ 400,000	\$ 125,000
Accounts payable (Note 7)	643,718	666,520
Customer deposits	332,662	366,683
Deferred revenue	206,255	179,848
Current maturity on long-term debt	<u>12,734,509</u>	<u>12,955,007</u>
	14,317,144	14,293,058
LONG TERM DEBT (Note 8)	960,494	34,583
ACCRUED SEVERANCE PAY	640,912	599,175
UNAMORTIZED CAPITAL GRANTS (Note 10)	<u>10,456,022</u>	<u>10,204,117</u>
	<u>26,374,572</u>	<u>25,130,933</u>
NET ASSETS		
INVESTED IN TANGIBLE CAPITAL ASSETS	4,619,770	4,747,045
EXTERNALLY RESTRICTED - EMPLOYEE FUTURE BENEFITS	658,000	691,000
UNRESTRICTED	<u>14,216,649</u>	<u>10,413,467</u>
	<u>19,494,419</u>	<u>15,851,512</u>
	<u><u>\$ 45,868,991</u></u>	<u><u>\$ 40,982,445</u></u>

CONTRACTUAL OBLIGATIONS (NOTE 14)

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, 2021

	<u>2021</u>	<u>2020</u>
REVENUE (Note 11)	\$10,875,080	\$ 6,635,619
EXPENSES		
Advertising and promotion	11,564	48,114
Bad debt expense	2,212	11,929
Board remuneration and travel	84,296	79,240
Communications	57,440	59,093
Equipment and vehicle operating	243,440	273,315
Insurance	235,170	219,026
Interest and bank charges	468,190	458,024
Licences and fees	38,906	41,418
Maintenance contracts	231,497	267,542
Materials and supplies	312,984	343,974
Office and administration	51,312	62,099
Payment in lieu of taxes	117,141	176,863
Professional fees	64,874	92,266
Repairs and maintenance	291,769	196,271
Security contracts	270,813	277,798
Travel and training	17,751	15,628
Utilities	661,916	590,977
Wages and employee benefits	2,529,189	2,920,169
Ground lease	(12,776)	(12,365)
Restructuring costs	-	39,541
Depreciation, net of grant amortization \$1,129,821 (2020 - \$1,182,860)	1,482,485	1,425,270
Impairment loss on assets under development	-	170,500
	<u>7,160,173</u>	<u>7,756,692</u>
EXCESS OF REVENUE OVER EXPENSES	\$ 3,714,907	\$(1,121,073)

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

**GANDER INTERNATIONAL AIRPORT AUTHORITY INC.
STATEMENT OF NET ASSETS
AS AT DECEMBER 31, 2021**

				<u>2021</u>	<u>2020</u>
	<u>Externally Restricted</u>	<u>Invested in Capital assets</u>	<u>Unrestricted</u>		
Balance, beginning of year	\$691,000	\$ 4,747,045	\$10,413,467	\$ 15,851,512	
Excess of revenue over expenses	(38,000)	(1,482,485)	5,235,392	3,714,907	
Transfers					
- Pension re-measurement items	(72,000)	-	-	(72,000)	
- Pension plan contributions	77,000	-	(77,000)	-	
- Contribution agreement funding		(1,381,725)	1,381,725	-	
- Proceeds from long term debt and capital leases	-	(1,143,172)	1,143,172	-	
- Repayment of long-term debt	-	437,759	(437,759)	-	
- Proceeds from sale of tangible capital assets	-	-	-	-	
- Purchase of tangible capital assets	-	3,442,348	(3,442,348)	-	
	<u>\$ 658,000</u>	<u>\$ 4,619,770</u>	<u>\$14,216,649</u>	<u>\$19,494,419</u>	
	<u>Externally Restricted</u>	<u>Invested in Capital assets</u>	<u>Unrestricted</u>		
Balance, beginning of year	\$ 329,000	\$5,834,864	\$ 10,452,721		\$ 16,616,585
Excess of revenue over expenses	(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>

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, 2021**

	<u>2021</u>	<u>2020</u>
CASH WAS PROVIDED BY (USED FOR)		
Operating		
Net excess of revenue over expenses	\$ 3,714,907	\$(1,121,073)
Non-cash items, depreciation, net of grant amortization	1,482,485	1,425,270
Impairment loss on assets under development	-	170,500
Gain on disposal of property, plant, and equipment	-	-
Change in fair value of short term investments	(661,240)	(389,090)
	<u>4,536,152</u>	<u>85,607</u>
Changes in non-cash working capital		
Current assets (Note 12)	(80,706)	109,793
Current liabilities (Note 12)	(30,416)	(445,943)
Change in fair value recognized as component of cash	661,240	389,090
	<u>5,086,270</u>	<u>138,547</u>
Investing		
Proceeds from sale of tangible capital assets	-	-
Purchase of tangible capital assets	(3,442,348)	(599,120)
Employee future benefit asset, including adjustment to net assets	(39,000)	(6,000)
	<u>(3,481,348)</u>	<u>(605,120)</u>
Financing		
Repayment of capital lease	-	(1,513)
Accrued severance pay	41,737	121,302
Repayment of long-term debt	(437,759)	(360,593)
Proceeds from long-term debt	1,143,172	44,400
Contribution agreement funding	1,381,725	409,055
	<u>2,128,875</u>	<u>212,651</u>
INCREASE (DECREASE) IN CASH	<u>3,733,797</u>	<u>(253,922)</u>
CASH, BEGINNING	<u>10,964,194</u>	<u>11,218,116</u>
CASH, ENDING	<u>\$ 14,697,991</u>	<u>\$10,964,194</u>
CASH CONSISTS OF:		
Cash on hand	\$ 17,078	\$ 13,126
Current account (overdraft) - operating	(400,000)	(125,000)
Short term investments	<u>15,080,913</u>	<u>11,076,068</u>
	<u>\$ 14,697,991</u>	<u>\$10,964,194</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, 2021**

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 excess of revenue over expenses.

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 excess of revenue over expenses.

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, 2021

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, 2021**

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 statement of operations.

(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>2021</u>	<u>2020</u>
3. ACCOUNTS RECEIVABLE		
Trade	\$ 535,795	\$ 490,695
Recoverable costs	-	-
Government assistance	85,606	105,017
	<u>621,401</u>	<u>595,712</u>
Allowance for doubtful accounts	10,000	7,788
	<u>\$ 611,401</u>	<u>\$ 587,924</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, 2021**

			<u>2021</u>	<u>2020</u>
5. TANGIBLE CAPITAL ASSETS				
	<u>Cost</u>	<u>Accumulated Depreciation</u>		
Runway	\$28,322,862	\$12,966,225	\$ 15,356,637	\$ 17,020,828
Approach Lighting	1,976,673	1,438,137	538,536	395,460
Equipment	2,062,170	1,256,294	805,876	792,798
Vehicles	7,724,195	4,429,699	3,294,496	2,046,521
Software	62,560	62,560	-	-
Leasehold improvements	6,461,879	1,880,103	4,581,776	2,332,753
Land development	1,227,163	-	1,227,163	1,227,163
Roads and parking areas	4,384,368	2,154,533	2,229,835	2,499,185
Water and sewer Infrastructure	1,002,321	265,845	736,476	771,592
	<u>53,224,191</u>	<u>24,453,396</u>	<u>28,770,795</u>	<u>27,086,300</u>
Assets under development-		-		854,452
	<u>\$ 53,224,191</u>	<u>\$24,453,396</u>	<u>\$ 28,770,795</u>	<u>\$ 27,940,752</u>

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. Components of long term debt totalling \$1,117,417 is considered by the bank to reduce the amount of credit available, leaving an unused balance of \$882,583.

Operating	\$ 400,000	\$ 125,000
Tangible capital assets	-	-
	<u>\$ 400,000</u>	<u>\$ 125,000</u>

7. ACCOUNTS PAYABLE

Trade	\$ 482,624	\$ 308,192
Accrued wages	120,640	136,693
Government remittances	(145,294)	56,704
Accrued vacation pay	185,748	164,931
	<u>\$ 643,718</u>	<u>\$ 666,520</u>

**GANDER INTERNATIONAL AIRPORT AUTHORITY INC.
NOTES TO FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2021**

	<u>2021</u>	<u>2020</u>
8. LONG-TERM DEBT		
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 2022, amortized to 2040	\$ 12,577,586	\$ 12,947,092
2.65% equipment finance contract, repayable by 59 blended monthly installments of \$13,668 and one final blended payment of 332,813, due 2026, secured by vehicle with net book value of \$	1,024,116	-
2.55% equipment finance contract, repayable by blended monthly installments of \$1,712 due 2026, secured by vehicles with net book value of \$	93,301	-
Ford Credit		
6.36% retail installment contract, repaid during year	-	42,498
	<hr/>	<hr/>
	13,695,003	12,989,590
Current maturity	12,734,509	12,955,007
	<hr/>	<hr/>
	\$ 960,494	\$ 34,583
	<hr/>	<hr/>

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

2022	- \$12,734,509	2024	- \$165,417	2026	- \$464,132
2023	- \$ 161,112	2025	- \$169,833		

It is anticipated that the Bank of Nova Scotia loan due September 2022 will be renewed for similar terms on the due date.

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
December 2021	\$ 400,000
March 2022	\$1,000,000
June 2022	\$1,000,000
September 2022	\$1,200,000
December 2022	\$ 750,000
Thereafter to be determined	

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, 2021**

2021 2020

9. EMPLOYEE FUTURE BENEFITS

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, 2021 and the next required valuation will be as of January 1, 2022. The reported amounts are based on the January 1, 2021 valuation as extrapolated to December 31, 2021, after adjusting for changes in assumptions.

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

Current service cost	\$ 48,000	\$ 76,000
Provision for non-investment expenses	22,000	31,000
Finance costs (return on plan assets in excess of interest incurred on plan obligations)	(31,000)	(17,000)
Net plan expenses	<u>\$ 39,000</u>	<u>\$ 90,000</u>

(b) Information about the Authority's defined benefit Pension plan at December 31 is as follows:

Plan assets		
Fair market value beginning	\$ 8,916,000	\$ 8,255,000
Return on plan assets	890,000	914,000
Administrative expenses	(28,000)	(32,000)
Employer contributions	77,000	96,000
Employee contributions	10,000	12,000
Benefits paid	(247,000)	(329,000)
Market value ending	<u>9,618,000</u>	<u>8,916,000</u>
Plan obligations		
Benefit obligation, beginning	5,689,000	5,688,000
Current service cost	48,000	76,000
Employee contributions	10,000	12,000
Interest cost	251,000	248,000
Benefits paid	(247,000)	(329,000)
Actuarial (gains) losses	(191,000)	(6,000)
Benefit obligation, ending	<u>5,560,000</u>	<u>5,689,000</u>
Surplus	4,058,000	3,227,000
Valuation allowance adjustment	<u>(3,400,000)</u>	<u>(2,536,000)</u>
Accrued benefit asset (liability)	<u>\$ 658,000</u>	<u>\$ 691,000</u>

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	<u>2021</u>	<u>2020</u>
9. EMPLOYEE FUTURE BENEFITS (CONT'D)		
(c) Reconciliation of the funded status of the benefit plan to the amounts recorded in the financial statements		
Fair value of plan assets	\$ 9,618,000	\$ 8,916,000
Accrued benefit obligation	(5,560,000)	(5,689,000)
Funded status of plan	4,058,000	3,227,000
Valuation adjustment allowance	(3,400,000)	(2,536,000)
	<u>\$ 658,000</u>	<u>\$ 691,000</u>
Accrued benefit asset, beginning	\$ 691,000	\$ 329,000
Prior period adjustment (change in accounting policy)	-	-
Accrued benefit asset, beginning as restated	691,000	329,000
Pension cost for the period	(38,000)	(90,000)
Contributions by the Authority	77,000	96,000
Valuation allowance adjustment	(864,000)	(298,000)
Other remeasurement items charged to net assets	792,000	654,000
Accrued benefit asset, ending	<u>\$ 658,000</u>	<u>\$ 691,000</u>
(d) Remeasurement and other items		
Actuarial gain/ (loss)	\$ 191,000	\$ 6,000
Interest less net return on assets	493,000	548,000
Gain/ (loss) on non-investment expenses	(6,000)	(1,000)
Change in valuation allowance	(864,000)	(298,000)
Effect of valuation allowance on finance cost	114,000	101,000
Total	<u>\$(72,000)</u>	<u>\$ 356,000</u>
(e) Accumulated Remeasurement Gain (Loss)		
Balance, beginning of year	\$(2,536,000)	\$(2,238,000)
Remeasurement Gain (Loss) for current period	(864,000)	(298,000)
Balance, end of year	<u>\$(3,400,000)</u>	<u>\$(2,536,000)</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 2021 and 2020 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	63.1%	63.7%
Fixed Income Securities	33.1%	33.2%
Other	3.8%	3.1%
	<u>100.0%</u>	<u>100.0%</u>

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

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9. EMPLOYEE FUTURE BENEFITS (CONT'D)

The net expense for the Authority's group registered retirement savings plan is \$100,799.

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.

10. UNAMORTIZED CAPITAL GRANTS, NET BOOK VALUE

Balance beginning of year	\$ 10,204,117	\$ 10,966,171
Add: Contribution funding received	1,381,725	409,055
Less: Amortization	1,129,820	1,171,109
	<u>\$10,456,022</u>	<u>\$ 10,204,117</u>

11. REVENUE

Landing fees	\$ 740,664	\$ 609,210
Terminal fees	231,255	244,749
Aviation fuel fees	197,210	383,299
Concessions	300,675	498,784
Rentals	2,088,312	2,259,085
Sale of quarry material	13,475	12,000
Miscellaneous	459,461	469,259
Royalties from forest harvesting	11,407	13,361
Government assistance	4,768,036	749,093
Investment income	402,932	249,133
Gain on disposal of property, plant, and equipment	-	-
Change in fair value of short term investments	661,240	389,090
Foreign exchange gain (loss)	(279)	(1,257)
	<u>9,874,388</u>	<u>5,875,806</u>
Airport improvement fees	1,000,692	759,813
	<u>\$10,875,080</u>	<u>\$ 6,635,619</u>

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	<u>2021</u>	<u>2020</u>
12. CHANGES IN NON-CASH WORKING CAPITAL		
The effect on cash of changes in non-cash working capital is as follows:		
Current assets		
Accounts receivable, trade	\$(42,888)	\$ 245,402
Government assistance	19,411	(105,017)
Recoverable costs	-	-
Inventory	(42,061)	(21,439)
Prepaid expenses	(15,168)	(9,153)
	<u>(80,706)</u>	<u>109,793</u>
Current liabilities		
Accounts payable	(22,802)	(312,281)
Customer deposits	(34,021)	(13,347)
Deferred revenue	26,407	(17,521)
Accrued severance liability	-	(102,794)
	<u>(30,416)</u>	<u>(445,943)</u>
 Net effect on cash	 <u><u>\$(111,122)</u></u>	 <u><u>\$(336,150)</u></u>

13. 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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2021 2020

13. 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, 2021 the investment mix was cash and equivalents 4.0% (2020 - 4.8%), fixed income, 55.6% (2020 - 55.5%), and other equities 40.4% (2020 -39.7%). During 2021 the investment mix changed. The change in investment mix represents a change in credit risk during 2021.

(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.

14. 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 December 31, 2023.

15. 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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2021

2020

16. 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.

17. COMMITMENTS

The organization is committed to the following items:

- A capital project for retrofit of the air terminal building heating system. The estimated cost of this project is \$5,762,850. The project will be financed by \$3,705,000 of government assistance and the remainder by long term debt,
- Completion of the air terminal building international lounge redevelopment. The estimated cost of this project is \$800,000 and will be financed from existing cash reserves.