

A photograph of a woman and a young child looking out an airplane window. The woman is on the left, looking out the window. The child is in the foreground, wearing a brown jacket, also looking out the window. In the background, a large white letter 'G' is visible on the side of the airplane.

# Gander Int'l

Gander International  
Airport Authority

## 2022 ANNUAL REPORT



An aerial photograph of the Gander International Airport tarmac and hangars, overlaid with a dark blue gradient. A small aircraft is visible on the tarmac.

## 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.





# 01

# *YEAR IN REVIEW*

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# MESSAGE FROM THE Chairperson of the Board

On behalf of the Board of Directors, I am pleased to contribute this message to the Gander International Airport Authority's 2022 Annual Report.

I accepted the position as the GIAA Chair in September 2020 amid a high-burning Global Pandemic. It has been a rewarding and challenging experience, with 2022 being another tough test.

Canadian airports operate under a user-pay model, and we experienced hardship with fewer users. Airport revenues, passengers and traffic are still only two-thirds recovered from pre-Pandemic levels.

We implemented dozens of initiatives to defer or cut costs and preserve reserves. Our priority was to run a safe airport and do that as prudently as possible. Whatever our year-end result, we achieved this.

While the Pandemic has been challenging, we have stayed grounded in our organization's purpose. When we consider the unprecedented drops in traffic and the significant operating

costs and inflation borne by all of us, at home or work, we can reflect on the resilience required of all of us to get to this day.

We had to adopt a more survivalist mindset to weather the rolling storm of the Pandemic. We look forward to moving from an emphasis on survival to revival as we restore lost routes and revenue.

The GIAA had limited turnover at the board table in 2022, except that Randell Mercer completed his term as Federal nominee to the board. My fellow directors join me in thanking Randell for his valued contribution of experience and wisdom during his time with us.

Three Directors, including myself, will complete the full nine years of board service in 2024, and we are already at work with our nominators to identify successors. I want to thank our Governance Chairperson, Gene Hedges, and his committee for their efforts. Gander International Airport is a vital public trust, and our board is committed to keeping our governance framework sharp and acting in the airport's best interests.

I am privileged to serve alongside a fantastic, collaborative board that reflects our region, and I thank our management team and staff for their continued commitment.

Amid a difficult couple of years, we must keep a strategic but honest view of the airport's future. There are still many miles left on the path to recovery, and we will continue to focus on the future while managing the issues of today. While we have our challenges, we have opportunities in equal measure.





Our board is already preparing a new Strategic Plan that will provide a roadmap of how the airport should look and a credible plan for how to get there. An adaptive and flexible approach will likely be needed in the short term as conditions change and the aviation demand forecast becomes clearer.

We are excited about the prospects in our greater community and confident about the future and the airport's place in it. Gander International Airport is more than a living piece of history or a cultural beacon – it is a strategic asset crucial to our region's quality of life and economic vitality.

*Anne Manning-Moffitt*

**Anne Manning-Moffitt / Chairperson**

**We look forward to  
moving from an emphasis  
on survival to revival.**





# 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

2022 was the year we'd braced for. It was a difficult year where we had one foot still in the Covid-19 Pandemic and the other seeking a foothold to move forward on uncertain ground. As I write this, the World Health Organization has just announced that the Covid global health emergency is, thankfully, over. Now we are left to navigate its wake.

In 2021, the Federal government provided us with Pandemic-related funding; a welcome infusion of \$4.8 Million in liquidity to provide some short-term insulation against enormous drops in air traffic and revenue. We knew then that those funds would be required to cover operating losses until the business recovers to pre-Pandemic levels, hopefully in 2025. The absence of those grants in 2022 laid bare the issues we face from a financial performance perspective.

I am proud of our efforts to contain costs and build a leaner, more resilient YQX. I'm proud of the broad portfolio of revenue streams we have built, where we have many eggs in many baskets, a lot of them insulated from the aviation part of the business.

But at day's end, airports need passengers and planes, and both have been in short supply. We could not easily recover from a 40% drop in revenue nor save our way to profitability. We need things to improve and the right blend of courage and caution until they do. We also need patience. It will be challenging to generate the necessary free cash flow to reinvest in the airport until traffic recovers.

We navigated the eye of the storm without issuing layoffs. We also held the line on airport fees, which have not increased since 2018. Increasing rates and charges would not have constituted a responsible approach to improving financial performance, nor would it have helped our airport partners, many of whom are still moving haltingly along a recovery trajectory.

Thunder foretells lightning. Even in the earliest days of the Pandemic, it was very clear that air travel would become less convenient and more expensive. There is also a clear divide between how passenger traffic and air service returned in large urban hubs and regional markets. Even two years ago, I'd predicted that small travel markets like ours would be the last dogs to the bowl of recovery.



Restoring a meaningful year-round schedule to serve the needs of our region is the number one priority, but routes at YQX will need to be rebuilt under challenging circumstances. Air Canada introduced a successful seasonal Montreal service in 2022, and PAL Airlines continued to provide a strong service. However, WestJet's dramatic withdrawal from Atlantic and Eastern Canadian cities – Gander's seasonal Halifax route included – significantly altered the competitive landscape. Airlines came out of the Pandemic more indebted and contending with a real pilot shortage. Airline consolidation will also give Canadian airports fewer partners to dance with. With challenges across the travel ecosystem, 2022 was a difficult year to grow the business. That said, things are and will continue to improve.

While passengers were down, nearly everything on the cost side of the ledger was up drastically. The \$50 grocery store turkey was an emblem of financial pressures. We are contending with a tight labour market, supply-chain bottlenecks, persistently high inflation, and a roiling economy. The rising cost of inputs for labour, capital, energy and raw materials cannot be avoided and, combined with sagging revenue, provides a severe test for the airport.

Our organization focused on re-energizing itself in 2022. We must codify the harsh lessons the Pandemic taught us and channel those learnings into galvanizing a stronger, more sustainable Gander International Airport. Resilience means improving margins, containing costs, growing revenue, and maintaining optionality to pursue strategic opportunities.



While it was a difficult year financially for the airport, we maintained a safe environment for staff, partners, and travellers. We completed critical capital projects. We complied with the rules in a changing world. We worked to be responsive to the changing needs of our constituents. After decades behind a glass corridor, we reopened the international lounge to Gander and its guests, and the reception has already exceeded our greatest expectations. We made meaningful improvements to our fleet, operations, and energy systems, all of which will pay dividends in time. While many of the Pandemics impacts are well beyond our control, we've tried to ensure the intervening period was productive.

Crisis begs courage, and I must thank everyone at the airport who brought their best to work. My high-performing team rolled up their sleeves to get a vaccine six months before it was mandated. They kept those sleeves rolled up, went to work, and put their hands up to take on the duties the day demanded. This goes for all the workers across the airport campus who worked through uncertain conditions. Sometimes just showing up is an act of small heroism.

Two critical senior leadership team members, Chief Financial Officer Darren Dalton and Director of Operations Brian Hicks left the airport in 2022 after a combined half-century of service. Brian and Darren made crucial contributions to YQX, and I can't thank them enough. We wish them well in retirement and other pursuits and welcome high-performing and capable successors in Director of Finance, Tony Hiscock, and Director of Operations, Tony Barron.

The GIAA will continue its important work to provide value to our customers and community to support the economic well-being of the central region and province.

We thank the airport family, board, community partners, customers, airlines, and ambassadors for their continued support.



Reg Wright / President and CEO





## OUR 2022 TEAM (as of Dec. 31, 2022)

### Airfield Maintenance Specialists

Mike Foley      Steve Holden  
 Joey Hunt      Scott Penney  
 Colin Pope      Adam Roberts  
 Jason Timmons      Darrell Whitt  
 Travis Bauld      Jody Shea  
 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  
 Natasha Pearce, Community Engagement Officer  
 Janice Bath, Executive Assistant

### Management

Reg Wright, President and CEO  
 Darren Dalton, Vice President/CFO  
 Tony Barron, 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.







## Business Development and Air Service

Air service connects our region with the world and supports economic growth, jobs, trade, and tourism. Over the last 20 years, Gander International Airport has evolved into a self-sustaining enterprise, and the market has enjoyed growth in travel choices. Airports and air services are connected to economic vitality and quality of life. Air access helps us attract new residents, workers, tourists, and investment. Airports and air services connect us - culturally, economically, and socially.

Given a scarcity of seats and continued travel restrictions, the Gander International Airport hosted just 104,533 domestic passengers, a little less than two-thirds of 2019 numbers.

Domestic aircraft movements only increased by 13% over 2021 due to airlines metering out frequency and service as they grapple with debt accumulated during the Pandemic and a scarcity of pilots. Domestic movements are still only 62% of pre-Pandemic totals.

On the positive side, Air Canada introduced a new, well-subscribed seasonal service to Montreal.

Sunwing Airlines did not provide traditional seasonal services to Cuba, the Dominican Republic or Toronto in 2022 after Transport Canada restricted international service to 18 Canadian airports, Gander not among them.



WestJet operated a reduced seasonal Halifax service at Gander in 2022 but announced a significant withdrawal of service across Atlantic and Eastern Canada as it retrenched operations in Western Canada. WestJet had a moderating impact on airfares in the markets it serves, and the reduced level of competition in many cities will have a substantial impact. WestJet's acquisition of Sunwing raises questions about the future approach to service in the Central Newfoundland market.

PAL Airlines' interprovincial service remained an airport cornerstone, and the airline substantially grew its traffic at YQX in 2022.

The reduction in net seats, schedules, and competition is 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 current challenges with seat capacity and air service obscure what are very bright economic prospects in Central Newfoundland. Mineral exploration reached a 10-year high, thousands of new jobs are being created in the gold sector, tourism continues to strengthen, the aquaculture power corridor saw an 85% increase in production, and the Town of Gander has seen a quarter million dollars in construction over the last four years, including new schools and training centers that will make available 350 academic seats.

It is important to remember that airports do not make air service decisions – airlines do. The GIAA must continue to work with its community partners 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.

Most international technical stop traffic segments have recovered between 70-90% of pre-Pandemic levels.

The GIAA signed a concession agreement with Turo, a peer-to-peer car-sharing network, to offer further options to passengers and enhance car availability during peak season. In recent months, the airport's ground transporta-

tion partners have made major gains in restoring the fleet to more traditional levels after a major rental car shortage.

## 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 a \$3 Billion retail market. The Town of Gander and GIAA established a partnership agreement to pursue a retail campus on the north 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.

Site development to accommodate a new retail tenant occupying a 12-acre leasehold at the corner of James and Cooper Boulevard began, with further construction scheduled for 2023.







# Financial Performance

## Challenges in a post-Pandemic environment

2022 financial performance was once again affected by the COVID-19 Pandemic. The emergence of the Omicron variant impacted the first quarter of the year. It was not until February 28, 2022, that the government of Newfoundland and Labrador lifted provincial border control and travel restrictions. Federal government border and travel measures remained until October 1, 2022. Even with these measures removed, there were countervailing elements to the pent-up demand for travel, weak consumer confidence, and challenges with the passenger journey. These restrictions, rising interest rates, higher inflation, fuel increases and a market slump led to higher financing and operational costs and investment downturns, respectively. The airport also had to resume operating expenses curtailed in low-traffic periods of the Pandemic.



The result was a turbulent economy that stressed the airport's operations and impacted financial performance. The GIAA's diversified revenue stream and austerity measures introduced to protect the balance sheet during the Pandemic somewhat eased the impact. While 2022 saw the global Pandemic take steps toward endemicity, it also brought the looming threat of recession and skyrocketing inflation.

The net loss from operations was \$2.7 million, including an investment downturn of \$966,000. Removing investment fluctuations and one-time pandemic grants, GIAA saw a \$1.71 million loss.

At its simplest, increases in core revenues were negated by increases in operating costs.

Non-cash expenditures of \$1.5 million and the investment downturn showed a cash loss of \$229,000. Federal assistance of \$4.8 Million provided in 2021 will help mitigate issues with cash flow.

### Revenue

Total revenue for 2022 reached \$6.5 million, representing a 7% increase compared to the previous year when adjusted for one-time COVID-19 funding and grants. The marginal increase in aeronautical revenue drove this growth.

Ultimately, the GIAA's posted revenue for 2022 was almost \$4 Million less than the revenue recorded in 2019, \$10.4 Million.

### Operating Expenses

Overall operating expenses were up over the previous year by \$2.1 million, as Pandemic-era austerity measures were drawn down, but \$215,000 below 2019 expenses.

### Capital Investments

Critical infrastructure investments totalled \$6.4 million in 2022. Government funding covered 33% of CapEx.

### Overall Performance

Overall, 2022 financial performance showed modest growth in revenue and continued efforts to contain expenses.

Until air service recovers to pre-pandemic levels, especially in regional travel markets, the GIAA can expect further losses. Revenue growth will need to match the current reality of escalated costs.

The GIAA will continue to manage spending and capital investment to limit losses and minimize the burn of cash reserves until the market has substantially recovered. At the same time, the GIAA will continue its strategy to drive operational and organizational efficiency and generate new revenue. This ethos will continue to inform airport strategy on its road to recovery.

The airport needs an agile approach to react quickly and efficiently to a fragile, uncertain environment. A strictly regulated industry like aviation carries high fixed costs, almost 80% of expenses. Even after achieving 20-25% operational efficiency over the last two years, there





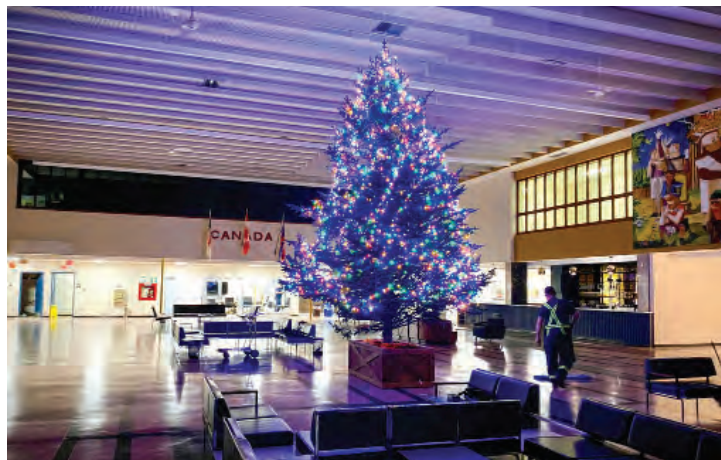
# Community Engagement

Community engagement remains a crucial goal of the GIAA and allows the airport to build bridges and deepen its connection with the region it serves. Reaching out during the Pandemic to offer a helping hand was difficult during the Pandemic, and the Airport Authority was pleased to be able to restore these activities in the second half of 2022.

The airport remains an active philanthropist, contributing to local non-profit causes, including community festivals, the arts, youth sports, and families in need. The priority is children's charities with a mandate to help sick or underprivileged children.

## Community Consultative Committee

To draw upon broader community feedback and engage the region, the GIAA maintains a Community Consultative Committee, which offers a sounding board to the CEO on all airport matters and vital input on operations, economic development, and planning.





**\$60 Million**

in capital works  
projects completed over  
the last 20 years

**28,612**

total aircraft  
movements

**1,525 days**

without a lost  
time accident

# Infrastructure and Operations

Moving through headwinds to reinvest in the airport and its people

The Pandemic created a substantial challenge for airport operations and demanded that the GIAA take a close look at the infrastructure it maintains and the services it provides.

It will be a challenge for the GIAA to recover the profit margins in the short term to allow for a predictable, linear approach to facility improvements and capital investment. Capital investments on a year-to-year basis will continue to be assessed based on available alternative approaches, need, cost, and return. Generally, essential aeronautical development and investments related to safety will remain a priority. Other commercial investments – particularly those of a speculative nature – will have to be looked at against standard risk/return parameters. Investing in forward-facing customer infrastructure and processes must be measured against traffic recovery. All airport plans must be dynamic and adjusted based on situations and conditions, whether paused, accelerated, cancelled, or staged.

## Capital

The GIAA invested \$6.4 Million in capital improvements in 2022, with an emphasis on leasehold improvements and renewal of the fleet.

## Energy Retrofit

The airport continued a \$5.8 Million energy retrofit program, expected to be substantially complete in 2024, 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.

## Fleet Enhancements

On the fleet side of the operation, the airport acquired a high-speed sweeper/plow unit, loader and strategic additions to the light fleet.

## Leasehold Improvements

In 2019, the airport embarked on a project to reawaken, restore, and repurpose underutilized parts of the airport. Opened in 1959 with the blessing of Queen Elizabeth II, the international lounge was designed to showcase Canada's most exemplary architecture, designer furniture and art to international travellers. The space is widely considered the best remaining mid-modernist room in Canada. The GIAA and its partners undertook a \$2.5 Million project in which approximately 9,000 square feet of space were renovated to add interpretive panels and exhibits, a community meeting room, an art gallery, a gift shop, a bar, and a 75-seat theatre.

The project focused on preserving, restoring and adaptive reuse of the space. While primarily a tourism-motivated project, waking up the lounge and returning access to residents and the world is an exercise in placemaking. Since its soft opening in late June 2022, the lounge has attracted nearly 25,000 unique visitors and 300 motorcoach/

group tours. It has hosted conferences, trade shows, receptions, social events, press conferences, galas, non-profit meetings, concerts, and educational programming. The project has already created a dozen new full-time equivalent positions at the airport.

A new alternate international hold room and domestic departures were added at Gate 32. With funding from the Airport Critical Infrastructure Program, two dormant spaces were converted to provide testing and screening infrastructure to reduce the importation and transmission of viruses and protect air travellers.

## Safety

The GIAA strives to provide a safe environment for its workers, travellers and airlines, which demands the organization exercise the highest levels of safe work practices.

The GIAA's Covid Compliance plan remained in effect through the early months of 2022. The GIAA worked with Public Health to ensure airport protocols and policies were 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 for 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. New screening facilities



have been established for domestic and international passengers in the event of a future public health crisis.

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 throughout the Pandemic.

Gander International Airport operates in a strictly regulated environment, and all aeronautical, environmental and safety auditors found the airport to be a capable steward of airport operations in 2022.

The airport team has 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 has successfully migrated to the International Civil Aviation Organization's (ICAO) new Global Reporting Format for runway surface conditions.

Over 2022, airport emergency services responded to incidents of varying severity. These include responding to routine medical and security incidents and accommodating distressed and diverted aircraft. The most significant was the crash of a Royal Canadian Air Force Cormorant helicopter on March 10. Airport staff responded promptly along with other first responders. There were no serious injuries.

GIAA staff have surpassed 1,500 days without a lost-time accident.

An airport is only as good as its people. Gander International Airport is fortunate to employ skilled, savvy, capable and committed staff. The GIAA team continues to show tremendous resilience under complex and challenging circumstances.

## 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 GIAA aims to reduce its environmental impact as airports move toward carbon-zero operations.

The Contaminated Site Program assesses and remediates contaminated sites on airport lands. The program aims to identify these sites and their potential to contaminate ground and surface waters and freshwater ecosystems.



Two known sites on aerodrome lands are contaminated with hydrocarbons; one is currently under remediation. The other site is contamination that occurred before the airport's lease with the Federal government commenced, which will be remediated on a priority basis when the Airport Authority receives direction from Transport Canada.

In 2022, the contaminated war-era sewage treatment plant on Circular Road was removed, and the site was remediated. Further remediation of similar structures at the Deadman's Pond waterdrome is planned for 2023.

Glycol testing across five sample areas yielded no results exceeding the Federal Environmental Glycol Guidelines.



# 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 (1 vacant)
Provincial Government	1
Town of Gander	3
Gander and Area Chamber of Commerce	1
Lewisporte Area Chamber of Commerce	1
Exploits Regional Chamber of Commerce	1
GIAA Board of Directors	3 (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, 2022, 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
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 \$119,954 (\$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	\$314,792	A
G&M Enterprises	Janitorial	\$297,652	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  
Tony Barron, Director of Operations

## Senior Officer Compensation

The remuneration paid to executive officers was \$497,909. 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 2022 was \$69,270.

## 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 \$6.4 Million in capital improvements:

Leasehold improvements	\$ 4,608,813
Mobile vehicles/equipment	1,375,549
Miscellaneous capital expenditures	366,906
	<b>\$ 6,351,258</b>

### 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	Dr. Peter Blackie
Genevieve Squire	Debby Yannakidis
Linda White	Stan Singh
Fergus O'Brien	Percy Farwell

### Business Plan

	Actual	Budgeted	Difference	Explanation
Revenue	\$ 6,543,392	7,400,622	(857,230)	Slow Covid-19 recovery
Expenses, excluding depreciation	\$7,738,575	6,642,196	(1,096,379)	Interest rates, inflation, OpEx
Capital Expenditures	6,351,268	12, 625,000	<b>( 6,273,732 )</b>	Recovery slowed CapEx

### 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.



# 2022 GIAA Board of Directors

As of Dec. 31, 2022

(Top row, from left)

**Anne Manning-Moffitt**  
Chairperson

**Rod French**  
Vice Chairperson

**Gene Hedges**  
Secretary/Treasurer



(Middle, from left)

**Bruce Terris**  
**Gary AuCoin**  
**Peggy Bartlett**  
**Winston Carter**



(Bottom, from left)

**Bob Daye**  
**Zane Tucker**  
**Susan Sullivan**  
**Rose Bungay**





# 02

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## FINANCIAL REPORT







Blair J. Jewer  
Chartered Professional Accountant

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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, 2022, 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, 2022, 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.

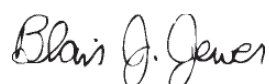
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As part of an audit in accordance with Canadian generally accepted auditing standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- 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 22, 2023**

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



**GANDER INTERNATIONAL AIRPORT AUTHORITY INC.**  
**STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2022**

	<u>2022</u>	<u>2021</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 3,000	\$ 17,078
Short term investments	13,103,611	15,080,913
Accounts receivable (Note 3)	856,524	611,401
Inventory (Note 4)	702,450	606,490
Prepaid expenses	136,904	124,314
	<u>14,802,489</u>	<u>16,440,196</u>
EMPLOYEE FUTURE BENEFITS (Note 9)	576,000	658,000
TANGIBLE CAPITAL ASSETS (Note 5)	<u>32,132,457</u>	<u>28,770,795</u>
	<u>\$ 47,510,946</u>	<u>\$ 45,868,991</u>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Bank indebtedness (Note 6)	\$ 864,707	\$ 400,000
Accounts payable (Note 7)	1,422,126	643,718
Customer deposits	326,769	332,662
Deferred revenue	184,779	206,255
Accrued severance pay	225,000	-
Current maturity on long-term debt	816,235	12,734,509
	<u>3,839,616</u>	<u>14,317,144</u>
LONG TERM DEBT (Note 8)	15,184,135	960,494
ACCRUED SEVERANCE PAY	551,946	640,912
UNAMORTIZED CAPITAL GRANTS (Note 10)	11,197,972	10,456,022
	<u>30,773,669</u>	<u>26,374,572</u>
<b>NET ASSETS</b>		
INVESTED IN TANGIBLE CAPITAL ASSETS	4,934,115	4,619,770
EXTERNALLY RESTRICTED - EMPLOYEE FUTURE BENEFITS	576,000	658,000
UNRESTRICTED	11,227,162	14,216,649
	<u>16,737,277</u>	<u>19,494,419</u>
	<u>\$ 47,510,946</u>	<u>\$ 45,868,991</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, 2022

	<u>2022</u>	<u>2021</u>
REVENUE (Note 11)	\$ 6,543,392	\$10,875,080
EXPENSES		
Advertising and promotion	65,749	11,564
Bad debt expense	-	2,212
Board remuneration and travel	81,993	84,296
Communications	60,082	57,440
Equipment and vehicle operating	443,743	243,440
Insurance	257,731	235,170
Interest and bank charges	603,146	468,190
Licences and fees	41,035	38,906
Maintenance contracts	339,427	231,497
Materials and supplies	478,538	312,984
Office and administration	145,140	51,312
Payment in lieu of taxes	127,432	117,141
Professional fees	188,853	64,874
Repairs and maintenance	420,878	291,769
Security contracts	350,016	270,813
Travel and training	76,739	17,751
Utilities	904,341	661,916
Wages and employee benefits	3,153,732	2,529,189
Ground lease	-	( 12,776 )
Restructuring costs	-	-
Depreciation, net of grant amortization \$1,317,135 (2021 - \$1,129,821)	1,481,959	1,482,485
Impairment loss on assets under development	-	-
	<u>9,220,534</u>	<u>7,160,173</u>
EXCESS OF REVENUE OVER EXPENSES	<u>\$ ( 2,677,142 )</u>	<u>\$ 3,714,907</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, 2022**

				<u>2022</u>	<u>2021</u>
	<u>Externally Restricted</u>	<u>Invested in Capital assets</u>	<u>Unrestricted</u>		
Balance, beginning of year	\$658,000	\$ 4,619,770	\$14,216,649	\$19,494,419	
Excess of revenue over expenses	(26,000 )	( 1,481,959 )	( 1,169,183 )	( 2,677,142 )	
Transfers					
- Pension re-measurement items	( 80,000 )	-		( 80,000 )	
- Pension plan contributions	24,000	-	( 24,000 )	-	
- Contribution agreement funding	-	(2,059,085 )	2,059,085	-	
- Proceeds from long term debt and capital leases	-	(3,043,462 )	3,043,462	-	
- Repayment of long-term debt	-	738,097	( 738,097 )	-	
- Proceeds from sale of tangible capital assets	-	( 190,514 )	190,514	-	
- Purchase of tangible capital assets	-	6,351,268	( 6,351,268 )	-	
	<u>\$ 576,000</u>	<u>\$ 4,934,115</u>	<u>\$11,227,162</u>	<u>\$16,737,277</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>

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, 2022**

	<u>2022</u>	<u>2021</u>
CASH WAS PROVIDED BY (USED FOR)		
Operating		
Net excess of revenue over expenses	\$( 2,677,142 )	\$ 3,714,907
Non-cash items, depreciation, net of grant amortization	1,481,959	1,482,485
Impairment loss on assets under development	-	-
Gain on disposal of property, plant, and equipment	-	-
Change in fair value of short term investments	1,471,841	( 661,240 )
	<u>276,658</u>	<u>4,536,152</u>
Changes in non-cash working capital		
Current assets (Note 12)	( 353,673 )	( 80,706 )
Current liabilities (Note 12)	976,038	( 30,416 )
Change in fair value recognized as component of cash	( 1,471,841 )	661,240
	<u>( 572,818 )</u>	<u>5,086,270</u>
Investing		
Proceeds from sale of tangible capital assets	190,514	-
Purchase of tangible capital assets	( 6,351,268 )	( 3,442,348 )
Employee future benefit asset, including adjustment to net assets	2,000	( 39,000 )
	<u>( 6,158,754 )</u>	<u>( 3,481,348 )</u>
Financing		
Accrued severance pay (	88,965 )	41,737
Repayment of long-term debt	( 738,097 )	( 437,759 )
Proceeds from long-term debt	3,043,462	1,143,172
Contribution agreement funding	2,059,085	1,381,725
	<u>4,275,485</u>	<u>2,128,875</u>
(DECREASE) INCREASE IN CASH	( 2,456,087 )	3,733,797
CASH, BEGINNING	<u>14,697,991</u>	<u>10,964,194</u>
CASH, ENDING	<u>\$ 12,241,904</u>	<u>\$ 14,697,991</u>
CASH CONSISTS OF:		
Cash on hand	\$ 3,000	\$ 17,078
Current account (overdraft) - operating	( 864,707 )	( 400,000 )
Short term investments	<u>13,103,611</u>	<u>15,080,913</u>
	<u>\$ 12,241,904</u>	<u>\$ 14,697,991</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, 2022**

**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, 2022**

**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**

Inventory 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 of consumable supplies is its replacement cost.

**(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 certain current and former employees and a defined contribution pension plan for most other employees. Retirement benefits for individuals covered by the defined benefit pension plan are based on the average earnings of last five years prior to retirement.

Pension cost is charged to salaries and benefits as employees render services.

The Authority's approach to account for defined benefit 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.



GANDER INTERNATIONAL AIRPORT AUTHORITY INC.  
NOTES TO FINANCIAL STATEMENTS  
AS AT DECEMBER 31, 2022

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(i) Revenue Recognition (cont'd)

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

(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>2022</u>	<u>2021</u>
<b>3. ACCOUNTS RECEIVABLE</b>		
Trade	\$ 516,199	\$ 535,795
Recoverable costs	-	-
Government assistance - operating	-	85,606
Government assistance - capital	268,630	-
	<u>784,829</u>	<u>621,401</u>
Allowance for doubtful accounts	10,000	10,000
	<u>\$ 774,829</u>	<u>\$ 611,401</u>
<b>4. INVENTORY</b>		
Consumable supplies	\$ 522,257	\$ 554,783
Gift shop goods for resale	63,699	31,980
Restaurant raw materials	51,494	19,727
Vehicles held for resale	65,000	-
	<u>\$ 702,450</u>	<u>\$ 606,490</u>

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, 2022

			<u>2022</u>	<u>2021</u>
5. TANGIBLE CAPITAL ASSETS				
	<u>Cost</u>	<u>Accumulated Depreciation</u>		
Runway	\$28,322,862	\$14,630,416	\$13,692,446	\$ 15,356,637
Approach Lighting	1,976,673	1,531,211	445,462	538,536
Equipment	2,211,703	1,330,471	881,232	805,876
Vehicles	7,734,800	3,851,558	3,883,242	3,294,496
Software	62,560	62,560	-	-
Leasehold improvements	5,734,425	2,044,907	3,689,518	3,717,351
Land development	1,466,616	-	1,466,616	1,227,163
Roads and parking areas	4,443,724	2,407,411	2,036,313	2,229,835
Water and sewer Infrastructure	1,002,321	300,961	701,360	736,476
	<u>52,955,684</u>	<u>26,159,495</u>	<u>26,796,189</u>	<u>27,906,370</u>
Assets under development	5,336,268	-	5,336,268	864,425
	<u>\$ 58,291,952</u>	<u>\$26,159,495</u>	<u>\$ 32,132,457</u>	<u>\$28,770,795</u>
6. BANK INDEBTEDNESS				
<p>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 over all present and future personal property, letter of undertaking to maintain and use cash reserves to fund any shortfalls in debt servicing capacity. In addition there are collateral security agreements over specific equipment that are used as security for specific equipment finance contracts. (see Note 8).</p> <p>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 \$1,819,639 is considered by the bank to reduce the amount of credit available, leaving an unused balance of \$180,361.</p>				
Operating			\$ 864,707	\$ 400,000
Tangible capital assets			-	-
			<u>\$ 864,707</u>	<u>\$ 400,000</u>
7. ACCOUNTS PAYABLE				
Trade			\$ 1,334,727	\$ 482,624
Accrued wages			79,158	120,640
Government remittances			( 116,919 )	( 145,294 )
Accrued vacation pay			125,160	185,748
			<u>\$ 1,422,126</u>	<u>\$ 643,718</u>



GANDER INTERNATIONAL AIRPORT AUTHORITY INC.  
NOTES TO FINANCIAL STATEMENTS  
AS AT DECEMBER 31, 2022

	<u>2022</u>	<u>2021</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 2027, amortized to 2040	\$12,070,820	\$ 12,577,586
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 \$934,890	885,567	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 \$82,282	74,928	93,301
Base rate plus 1.00% equipment finance contract, repayment terms to be finalized upon project completion but shall not exceed 25 years	2,109,911	-
4.23% equipment finance contract, repayable by 59 blended monthly Installments of \$1,438, due 2025, secured by vehicle with net book value of \$51,498	38,287	-
4.86% equipment finance contract, repayable by 59 blended monthly Installments of \$12,637 and one final blended payment of \$283,053 due 2027, secured by vehicle with net book value of \$980,287	820,857	-
	<hr/>	<hr/>
	16,000,370	13,695,003
Current maturity	816,235	12,734,509
	<hr/>	<hr/>
	\$ 15,184,135	\$ 960,494
	<hr/>	<hr/>

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

2023	- \$ 816,235	2024	- \$1,026,408	2026	- \$1,096,651
2024	- \$1,010,726	2025	- \$1,343,558		

The Authority has an authorized loan in the amount of \$4,100,000 to finance retrofit of the air terminal building heating system project and other facility renewal projects. As of December 31, 2022, \$2,109,911 has been drawn against this credit facility.

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.



GANDER INTERNATIONAL AIRPORT AUTHORITY INC.  
 NOTES TO FINANCIAL STATEMENTS  
 AS AT DECEMBER 31, 2022

8. LONG-TERM DEBT

Until all debts with Bank of Nova Scotia have been extinguished, the following covenants apply:

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

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

For the twelve months ended	Amount
March 2022	\$1,000,000
June 2022	\$1,000,000
September 2022	\$ Nil
December 2022	\$ 750,000

Thereafter to December 31, 2023 is yet to be determined.

This covenant expires December 31, 2023.

3. For March 2022 and subsequent quarters up to to December 31, 2023, 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. Subsequent to December 31, 2023 this ratio is to be maintained at 1.25:1, calculated quarterly on a rolling four quarter basis.

4. Maximum annual capital expenditures for 2022 shall be \$3,000,000 and \$2,000,000 for 2023 and subsequent years.

The Authority was compliant with the required covenants, except covenant 4.



GANDER INTERNATIONAL AIRPORT AUTHORITY INC.  
NOTES TO FINANCIAL STATEMENTS  
AS AT DECEMBER 31, 2022

	<u>2022</u>	<u>2021</u>
<b>9. EMPLOYEE FUTURE BENEFITS</b>		
<p>The Authority has a defined benefit and a defined contribution group registered retirement savings plan providing retirement benefits to most of its employees. The defined benefit pension 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, 2022 and the next required valuation will be as of January 1, 2023. The reported amounts are based on the January 1, 2022 valuation as extrapolated to December 31, 2022, after adjusting for changes in assumptions.</p>		
(a) The net expense for the Authority's defined benefit Pension plan is as follows:		
Current service cost	\$ 58,000	\$ 47,000
Provision for non-investment expenses	21,000	22,000
Finance costs (return on plan assets in excess of interest incurred on plan obligations)	( 30,000 )	( 31,000 )
Net plan expenses	<u>\$ 49,000</u>	<u>\$ 38,000</u>
(b) Information about the Authority's defined benefit Pension plan at December 31 is as follows:		
Plan assets		
Fair market value beginning	\$ 9,618,000	\$ 8,916,000
Return on plan assets	( 1,125,000 )	890,000
Administrative expenses	( 32,000 )	( 28,000 )
Employer contributions	24,000	77,000
Employee contributions	7,000	10,000
Benefits paid	( 254,000 )	( 247,000 )
Market value ending	<u>8,238,000</u>	<u>9,618,000</u>
Plan obligations		
Benefit obligation, beginning	5,560,000	5,690,000
Current service cost	58,000	47,000
Employee contributions	7,000	10,000
Interest cost	245,000	251,000
Benefits paid	( 254,000 )	( 247,000 )
Actuarial (gains) losses	( 74,000 )	( 191,000 )
Benefit obligation, ending	<u>5,542,000</u>	<u>5,560,000</u>
Surplus	2,696,000	4,058,000
Valuation allowance adjustment	<u>( 2,120,000 )</u>	<u>( 3,400,000 )</u>
Accrued benefit asset (liability)	<u>\$ 576,000</u>	<u>\$ 658,000</u>



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	<u>2022</u>	<u>2021</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	\$ 8,238,000	\$ 9,618,000
Accrued benefit obligation	( 5,542,000 )	( 5,560,000 )
Funded status of plan	2,696,000	4,058,000
Valuation adjustment allowance	( 2,120,000 )	( 3,400,000 )
	<u>\$ 576,000</u>	<u>\$ 658,000</u>
Accrued benefit asset, beginning	\$ 658,000	\$ 691,000
Prior period adjustment (change in accounting policy)	-	-
Accrued benefit asset, beginning as restated	658,000	691,000
Pension cost for the period	( 49,000 )	( 38,000 )
Contributions by the Authority	24,000	77,000
Valuation allowance adjustment	1,280,000	( 864,000 )
Other remeasurement items charged to net assets	( 1,337,000 )	792,000
Accrued benefit asset, ending	<u>\$ 576,000</u>	<u>\$ 658,000</u>
(d) Remeasurement and other items		
Actuarial gain/ (loss)	\$ 74,000	\$ 191,000
Interest less net return on assets	( 1,553,000 )	493,000
Gain/ (loss) on non-investment expenses	( 11,000 )	( 6,000 )
Change in valuation allowance	1,280,000	( 864,000 )
Effect of valuation allowance on finance cost	153,000	114,000
Total	<u>\$( 57,000 )</u>	<u>\$( 72,000 )</u>
(e) Accumulated Remeasurement Gain (Loss)		
Balance, beginning of year	\$(3,400,000)	\$( 2,536,000 )
Remeasurement Gain (Loss) for current period	1,280,000	( 864,000 )
Balance, end of year	<u>\$( 2,120,000 )</u>	<u>\$( 3,400,000 )</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 2022 and 2021 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	58.5%	63.1%
Fixed Income Securities	29.1%	33.1%
Other	12.4%	3.8%
	<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>2022</u>	<u>2021</u>
<b>9. EMPLOYEE FUTURE BENEFITS (CONT'D)</b>		
The net expense for the Authority's group registered retirement savings plan is \$103,275 (2021 - \$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.		
<b>10. UNAMORTIZED CAPITAL GRANTS, NET BOOK VALUE</b>		
Balance beginning of year	\$10,456,022	\$ 10,204,117
Add: Contribution funding received	1,790,455	1,381,725
Less: Amortization	1,317,135	1,129,820
	<u>\$10,929,342</u>	<u>\$10,456,022</u>
<b>11. REVENUE</b>		
Landing fees	\$ 952,173	\$ 740,664
Terminal fees	346,667	231,255
Aviation fuel fees	1,304,862	197,210
Concessions	621,995	300,675
Rentals	2,126,607	2,088,312
Sale of quarry material	16,303	13,475
Miscellaneous	415,524	459,461
Royalties from forest harvesting	-	11,407
Government assistance	9,909	4,768,036
Investment income	505,709	402,932
Gain on disposal of property, plant, and equipment	-	-
Change in fair value of short term investments	( 1,471,841 )	661,240
Foreign exchange gain (loss)	( 64 )	( 279 )
	<u>4,827,844</u>	<u>9,874,388</u>
Airport improvement fees	1,715,548	1,000,692
	<u>\$ 6,543,392</u>	<u>\$10,875,080</u>



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	<u>2022</u>	<u>2021</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	\$( 62,099 )	\$( 42,888 )
Government assistance - operating	85,606	19,411
Government assistance - capital	( 268,630 )	-
Inventory	( 95,960 )	( 42,061 )
Prepaid expenses	( 12,590 )	( 15,168 )
	<u>( 353,673 )</u>	<u>( 80,706 )</u>
Current liabilities		
Accounts payable	778,407	( 22,802 )
Customer deposits	( 5,893 )	( 34,021 )
Deferred revenue	( 21,476 )	26,407
Accrued severance liability	225,000	-
	<u>976,038</u>	<u>( 30,416 )</u>
Net effect on cash	<u>\$ 622,365</u>	<u>\$( 111,122 )</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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**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, 2022 the investment mix was cash and equivalents 2.2% (2021 – 4.0%), fixed income, 48.0% (2021 – 55.6%), and other equities 49.8% (2021 – 40.4%). During 2022 the investment mix changed. The change in investment mix represents a change in credit risk during 2022.

**(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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## 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 \$2,408,250 of government assistance and the remainder by long term debt. As of December 31, 2022:

- Project costs incurred	\$3,669,219
- Government assistance received	\$1,006,833
- Government assistance receivable	\$ 268,630
- Long term debt borrowed	\$2,109,911