



ANNUAL REPORT

2021

2021 was a year of
perseverance, gratitude,
and preparation for
blue skies ahead...

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Scott McFadzean
President & CEO

Don Bryant
Board Chair

MESSAGE FROM THE CHAIR & PRESIDENT

2021 continued to mark a truly unprecedented period in global aviation history, with continued restrictions, lockdowns, quarantine requirements, international airport status limitations, and PCR testing requirements plaguing airline travel everywhere, including the London International Airport (LIA).

The challenges of the global pandemic continued to weigh heavily on LIA in 2021. While 2020 was an extremely difficult year with business at the airport declining by nearly 90% and total passenger traffic for the year ended with 202,556 annual passengers, the optimism for a stronger 2021 was apparent across all levels of the organization. In reality, 2021 proved to be even more challenging and detrimental to passenger traffic activity ending the 2021 fiscal year with only 101,363 total passengers served, a decrease of 50% over 2020 figures and 70% below 2021 passenger budget targets.

Continued financial restraint, lean staffing and aggressive cost control measures continued to be prudent in 2021 and the much-needed assistance of the government funding programs played a major factor in LIA weathering 2021. With the assistance of three major government programs, LIA was able to access \$7.20M in government funding through the Airport Relief Fund (\$1.58M), Regional Air Transportation Initiative (\$4.50M) and the Canadian Emergency Wage Subsidy (\$1.12M). This government support was instrumental in strengthening the financial position of the LIA, leading to a 2021 full year surplus of \$1.95M exceeding budget by \$3.97M. These subsidies also helped LIA maintain a strong cash position, ending the year with \$4.76M in cash and marketable securities.



MESSAGE FROM THE CHAIR & PRESIDENT

The strong government support was also notable for capital projects and allowed the LIA to continue to invest in critical capital and infrastructure projects. The Airport Capital Assistance Program (ACAP) approved 100% funding for a new Aircraft Rescue and Fire Fighting Vehicle up to \$1.23 million. LIA also received 50% ACAP funding approval in 2021 for the runway 15/33 rehabilitation project (\$11.47 million), the acquisition of a plow truck (\$420 thousand) and a sweeper train (\$370 thousand). This capital investment continues to support the growth initiatives of the airport and ensures that LIA is well equipped to support the ongoing needs of our airport.

While airline passenger traffic was severely depressed in 2021 due to the pandemic, LIA saw a record number of aircraft movements with a total of 81,511 aircraft movements driven mainly by flight training. Both Western University and Fanshawe College flight training programs continue their strong growth and added activity at the airport.

LIA welcomed another hangar development in 2021 and continues to see further interest from private business owners looking for alternative land development options.

While reflecting on the 2021 year, it is a true testament to the integrity, optimism, and cooperation of the entire LIA team and board for continuing to be diligent in fiscal management while adhering to our vision, mission and strategic objectives. The staff and board would also like to thank and acknowledge LIA's retiring CEO, Mike Seabrook, for his tremendous dedication and leadership throughout his 31 year career at LIA.



MESSAGE FROM THE CHAIR & PRESIDENT

While the road to recovery will be long and winding, we know we have put the right pieces in place to ensure passenger traffic returns confidently to a safe, comfortable, and easy airport experience. To that end, LIA obtained Airport Council International's Airport Health Accreditation to ensure our terminal building offers travellers an enhanced level of health and safety that will build their confidence in the airline travel experience.

As we enter 2022, there is growing optimism for blue skies ahead. A new CEO, Scott McFadzean, has taken the controls at LIA with a long-term vision and aggressive approach to growth and business development. The gradual easing of travel restrictions is expected to create an upsurge in passenger confidence. As such, we expect more travellers to return to the skies in 2022. While passenger volumes will still be a long way off pre-pandemic levels, the airport team will remain diligent with cost controls, while aggressively pursuing alternative revenue opportunities in land development, cargo, academic and general aviation that will not only benefit the airport, but also the greater London community for years to come.

Blue Skies and Tailwinds,

Scott McFadzean
President & CEO

Don Bryant
Board Chair



OUR MISSION

A focus on providing exceptional services and facilities, an aggressive attitude to business development, and the provision of lean and efficient operations, will ensure the success of LIA.

OUR VISION

A committed airport community growing London International Airport (LIA) into the premier airport in Southwestern Ontario serving 1.5 million passengers annually.

OUR AIRPORT

In 2021, the COVID-19 pandemic proved to be far from over. Travel restrictions continued to devastate the travel industry, resulting in fewer destinations and flights offered compared to the year before. In response, London International Airport turned its focus to maintaining a safe travel and work experience for essential passengers and staff, preparing for a future with more non-stop routes taking off from our runways and making plans for a locally inspired terminal filled with eager travelers.



\$4.5M

Received From FedDev Ontario

To help cover fixed operating expenses and keep the airport operating with our exceptional staff, London International was pleased to receive \$4.5M from FedDev Ontario as part of the Government of Canada's Regional Air Transportation Initiative (RATI). This initiative supports access to air transportation and regional ecosystems in Ontario.



New Business

We continued to pursue land development opportunities as we worked towards growing our aviation hub at LIA, and welcoming the construction of a new hangar.


81,511

Aircraft Movements

In 2021, NavCan traffic controllers at our airport oversaw more aircraft movements than ever before with Cargo and flight training making up the majority of the aircraft activity.

London International Airport applied to the federal government's Airports Capital Assistance Program (ACAP) in 2021 and received approval for major projects planned for 2022. Through the ACAP funding, we were able to secure a Runway 15/33 rehabilitation project and crucial operations equipment such as a new Fire Truck and Sweeper Train.





OUR PASSENGERS

As southwestern Ontario's 'Easy and Comfortable' airport, our commitment to providing exceptional customer service did not waiver. Travelling in 2021, during a pandemic, was anything but "normal". With fewer flights and destinations, government mandates and restrictions, and safety measures in place at all airports, passenger experience continued to be impacted by COVID-19 across the globe.

At LIA, our Airport Comfort Enhancers (ACEs) helped navigate passengers as they adjusted to changing travel restrictions and requirements, while also continuing to offer personalized services like curbside assistance that could be booked in advance. Passengers were kept informed with travel tips through two marketing campaigns; Flight Path to Recovery and Safe Travels.



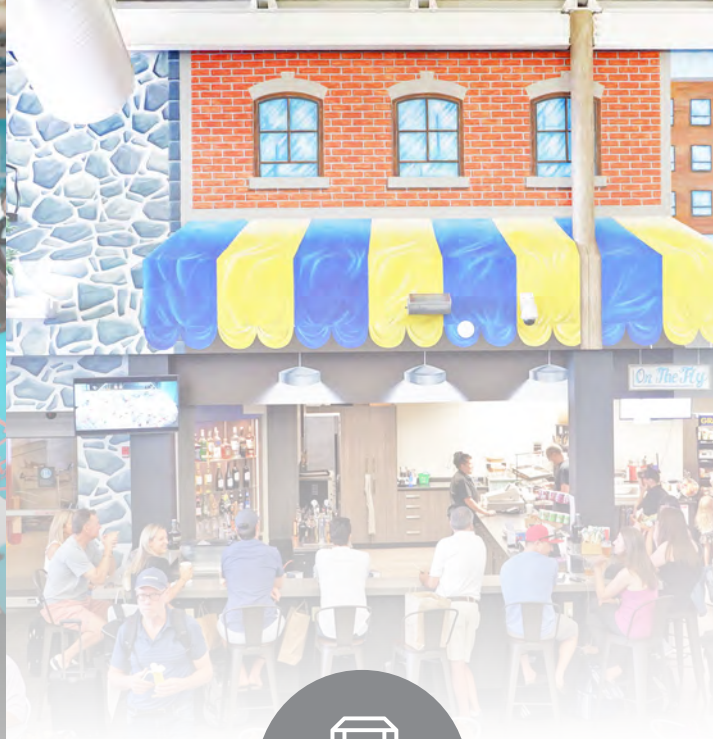
Keeping passengers safe is at the core of everything we do at London International. Getting passengers to and from where they needed to go during the pandemic meant it was imperative to take extra precautions to ensure safe travels through our airport. To further prove our commitment to safety, we received the ACI-NA Health Accreditation, a globally recognized certification that ensures our airport maintains high standards of safety measures.





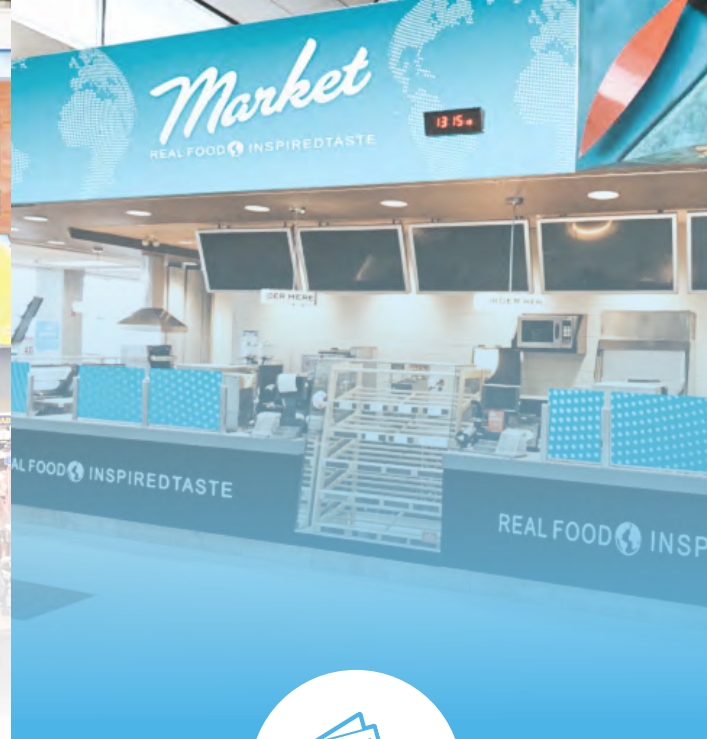
101,363

Passengers passed through our airport in 2021 to catch flights from London to Toronto and Calgary.



On The Fly

With reduced hours due to low passenger traffic, On The Fly was open at various times to offer passengers snacks and beverages that could be enjoyed as they await their flight.



Going Forward

Preparations were under way to bring a locally inspired food concession to the terminal as passenger traffic begins to recover.

OUR TEAM



Whether they are clearing our runways, guiding a passenger, meeting with airlines, making enhancements to the terminal or sanitizing high touch points, each employee plays a vital role in the success of our airport. Our team proved yet again that they are resilient, up for a challenge and carry the "easy and comfortable" brand through and through. Five live fire emergency response exercises were conducted to ensure our team remains equipped and well prepared to respond to incidents. Additionally, twelve mutual aid training scenarios were held with London Fire Department.

OUR TEAM



As part of our commitment to providing world-class customer service, a new employee training program, YXU Begins With You, was developed. This training program equips staff with an in-depth understanding of who we are as a company and helps develop exceptional customer service skills, covering a large variety of examples and customer needs.

OUR COMMUNITY



Airshow London

London International Airport is home of North America's Best Airshow (2020), Airshow London. In 2021, Airshow London proved yet again why they hold that title by delivering a captivating line-up of aircraft demonstrations for the sold out drive-in event with over 20,000 attendees. The US Navy Blue Angels stole the show with their only Canadian appearance this year! \$100 thousand in proceeds was donated to a variety of local charities and post secondary institutions such as Children's Health Foundation and Western's Aviation Program.

An aerial photograph of a long, straight runway at an airport. A large group of runners is participating in a charity event, running along the length of the runway. The runway is marked with white dashed lines and has orange lights along its edges. The surrounding area is green grass and some airport buildings are visible in the background.

Jordan's Run The Runway

The eighth annual Jordan's Run the Runway took off at London International in September with over 340 participants running in support of YMCA Camp Queen Elizabeth. The charity event has raised close to \$1.0 million over the eight years of the run!

**OUR
COMMUNITY**

OUR COMMUNITY

London International is proud of its rich aviation history.



On 9 September 1939, at the start of World War II, construction began on a new airport we now call London International Airport.



The Royal Canadian Air Force established RCAF Station Crumlin at the airport in July 1943, when construction of Runways 14/22 and 5/23 was completed. The station hosted multiple flight training schools that belong to the British Commonwealth Air Training Plan.



The passenger terminal building was built in 1964, and has seen many exciting improvements over the years. The London London International Airport Authority (L3AA) assumed control over the airport from Transport Canada in 1997.



The main runway (15/33) at London International Airport is 8,800ft long, while the secondary runway (09/27) is 6,300ft long.



The largest aircraft to visit YXU as of 2020 is the Antonov An-124, boasting a wingspan of 73m and length of 69m. It's one of the largest aircraft in the world!



London International Airport is home to London, one of Canada's biggest airports.



YXU Air Park

To embrace London's rich aviation history, we made it our mission to create a designated area for aviation enthusiasts and families to enjoy the best views of aircraft taking off and landing at LIA. Together with local businesses; International Test Pilots School (ITPS), Airshow London, Diamond Aircraft, Fanshawe College Norton Wolf School of Aviation and M&T, preparations were under way for YXU Air Park.

The Greater London International Airport Authority (GLIAA) operates London International Airport. The not-for-profit Airport Authority has full operational and financial control of the Airport under the Federal Government's National Airport Policy.



Don Bryant
Board Chair



Gus Kotsiomitis
Board Vice Chair, Governance and Nominating Committee Chair



Michelle Campbell
Governance and Nominating Committee Director



Elizabeth Cormier
Advisory Committee on Community and Area Issues Chair Director



Michelle Faysal
Board Past Chair, Finance and Audit Committee Member, Governance and Nominating Committee Member Director



Bob Hammersley
Finance and Audit Committee Member Director



Maureen O'Leary-Pickard
Corporate Secretary, Human Resources Committee Chair, Governance and Nominating Committee Member Director



Mike Parkinson
Human Resources Committee Member Director



John Stein
Treasurer, Finance and Audit Committee Chair Director

The Board of Directors of GLIAA provides governance to the Airport. Members are nominated by various entities representing the community at large including:

Federal Government
Municipal Government
London & District Labour Council

Provincial Government
London Chamber of Commerce
GLIAA Board

BOARD OF DIRECTORS



Scott McFadzean
President & CEO

Gerry Vanderhoek
Manager, Commercial Services
& Passenger Experience

Christopher G. Ryan
Chief Financial Officer

Steve Faulkner
Manager, Operations

SENIOR MANAGEMENT

The execution of the Airport's Strategic Plan resides with the senior management group at London International Airport. Goals and objectives are developed on an annual basis that ensures the continuing advancement and growth of the Airport's business.

FINANCE

HIGHLIGHTS

- Covid19 has reduced 2021 passenger traffic to 101 thousand, a drop of 50% from 2020.
- Revenue for the year was down 50% from Plan, however with expense control measures in place and significant government support, resulted in a \$1.95 million surplus. Reductions for the impact of non-cash items like amortization resulted in an operating cash surplus of \$3.81 million.
- Government subsidies included the Regional Airport Transportation Initiative providing \$4.50 million, the Airport Relief Fund \$1.58 million, and the Canada Employment Wage Subsidy \$1.23 million.
- The Demand Installment Loan was renegotiated to provide principal payment deferral for twelve months, to December 31, 2021.
- The \$7 Airport Improvement Fee remains among the lowest of all airports in the National Airport System.

CAPITAL INITIATIVES

More than \$65.05 million has been invested in capital improvements to the facility since GLIAA assumed operations of YXU in 1998. During the year \$262 thousand was invested in capital assets.

SOLE SOURCE CONTRACTS OVER \$75,000

GLIAA is committed to doing business locally and in a competitive fashion. All projects with a value in excess of \$119 thousand (\$75 thousand, base year 1998 = 100 CPI annually adjusted) require a public tender or request for proposal. As a general practice contracts for goods, services, and construction services over \$119 thousand will be awarded through a competitive process to the lowest bidder or to the proposal offering the best overall value, except in specified circumstances.

Sole source contracts will only be entered into when there is good justification, such as:

1. The goods or services are of a proprietary nature and there is only one qualified supplier.
2. Compliance with a product, services or equipment standardization program is required.
3. Only one qualified firm is available, when all factors are taken into account.
4. Prior experience with a firm in a specialized area makes it beneficial to continue the relationship.
5. Emergency situations preclude the normal competitive process.

REMUNERATION

The annual compensation for the Board of Directors, consisting of an annual retainer and per diem meeting fees for the year ending December 31, 2021 was \$200 thousand. The annual compensation for the management team for the year ending December 31, 2021 was \$683 thousand.

ETHICAL BUSINESS CONDUCT

GLIAA has established and maintains a comprehensive Code of Conduct. All Directors and Officers have completed Disclosure Statements and there were no instances of real or potential Conflicts of Interest brought forward to the Board during 2021

RENT TO THE FEDERAL GOVERNMENT

Rent payments have been waived by the Federal government during the period impacted by the pandemic.

2021 ACTUAL VS. BUSINESS PLAN (SHOWN IN THOUSANDS \$)

| | Actual | Plan | Difference | Explanation |
|--------------------------|---------|---------|------------|---|
| Revenue (note 1) | \$3,239 | \$6,469 | \$(3,230) | Passengers decreased by 50% in the pandemic. This resulted in decreased Airport Improvement Fees and aeronautical revenue |
| Expenses (note 2) | \$5,021 | \$5,971 | \$(950) | Cost reduction efforts |
| Capital | \$268 | \$500 | \$(234) | Cost reduction efforts resulted in the deferral and cancellation of some projects |

BUSINESS PLAN FORECAST 2022 – 2026

| | 2022 | 2023 | 2024 | 2025 | 2026 |
|--------------------------|----------|---------|----------|----------|----------|
| Revenue (note 1) | \$4,930 | \$8,930 | \$10,265 | \$11,127 | \$12,224 |
| Expenses (note 2) | \$6,262 | \$6,602 | \$7,215 | \$7,491 | \$7,887 |
| Capital | \$18,492 | \$1,384 | \$3,454 | \$2,753 | \$20,878 |

NOTES:

1. Revenue items do not include government subsidies or non-cash items such as deferred capital contributions
2. Expense items do not include non-cash items such as amortization
3. The pandemic recovery is forecasted to be gradual

MANAGEMENT RESPONSIBILITY FOR FINANCIAL STATEMENTS

The accompanying financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations. The most significant of these are set out in Note 2 to the statements.

Greater London International Airport Authority's accounting procedures and related systems of internal control are designed to provide reasonable assurance that its assets are safeguarded, and its financial records are reliable. These financial statements include some amounts based upon management's best estimates and judgments. Recognizing that the Authority is responsible for both the integrity and objectivity of the financial statements, management is satisfied that these financial statements have been prepared within reasonable limits of materiality.

The Board of Directors has appointed an Audit and Finance Committee consisting of three Board directors. The Committee meets periodically throughout the year to review with management and the auditors any significant accounting, internal control, and auditing matters. They also review and finalize the annual financial statements of the Authority together with the independent auditor's report before their submission to the Board of Directors for final approval.

The financial information throughout the text of the Annual Report is consistent with the information presented in the financial statements.

On behalf of the Greater London International Airport Authority



Scott McFadzean
President and CEO
April 19, 2022

INDEPENDENT AUDITOR'S REPORT

To the Members of
Greater London International Airport Authority

Opinion

We have audited the financial statements of Greater London International Airport Authority [the "Authority"], which comprise the statement of financial position as at December 31, 2021, and the statement of operations and changes in 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 our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Authority as at December 31, 2021, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our 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 Authority'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 Authority or to cease operations, or has no realistic alternative but to do so.

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

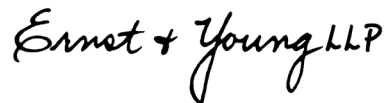
Auditor's responsibilities for the audit of the financial statements

Our 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 our 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, we exercise professional judgment and maintain professional skepticism throughout the audit. We 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 our 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 the 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 the Authority's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the 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.

We 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 we identify during our audit.

The logo for Ernst & Young LLP, featuring the company name in a stylized, handwritten-style script.

Chartered Professional Accountants
Licensed Public Accountants

London, Canada
April 11, 2022

Greater London International Airport Authority
 Incorporated without share capital under the laws of Canada

STATEMENT OF FINANCIAL POSITION

[in thousands of dollars]

As at December 31


| | 2021 \$ | 2020 \$ |
|--|---------------|---------------|
| Assets | | |
| Current | | |
| Cash and marketable securities <i>[note 3]</i> | 4,758 | 846 |
| Accounts receivable | 534 | 577 |
| Grant receivable | 900 | 331 |
| Prepaid expenses and deposits | 129 | 104 |
| Total current assets | 6,321 | 1,858 |
| Accrued pension asset <i>[note 8]</i> | 2,146 | 2,039 |
| Capital assets, net <i>[note 4]</i> | 45,222 | 48,177 |
| | 53,689 | 52,074 |
| Liabilities and net assets | | |
| Current | | |
| Accounts payable and accrued liabilities <i>[note 9]</i> | 879 | 878 |
| Demand instalment loan <i>[note 5]</i> | 5,555 | 5,195 |
| Total current liabilities | 6,434 | 6,073 |
| Deferred capital contributions <i>[note 4]</i> | 14,682 | 15,469 |
| Total liabilities | 21,116 | 21,542 |
| Net assets | 32,573 | 30,532 |
| | 53,689 | 52,074 |

See accompanying notes

On behalf of the Board:



Director



Director

Greater London International Airport Authority

Incorporated without share capital under the laws of Canada

STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS

[in thousands of dollars]

Year ended December 31

| | 2021 | 2020 |
|---|---------------|----------------|
| | \$ | \$ |
| Revenue | | |
| Aeronautical <i>[note 6]</i> | 877 | 1,654 |
| Airport <i>[note 6]</i> | 2,006 | 2,868 |
| | <u>2,883</u> | <u>4,522</u> |
| Airport Improvement Fees <i>[note 4]</i> | 356 | 687 |
| | <u>3,239</u> | <u>5,209</u> |
| Expenses | | |
| Salaries and employee benefits <i>[note 6]</i> | 2,143 | 2,390 |
| Other operating and administration <i>[note 6]</i> | 2,816 | 3,214 |
| | <u>4,959</u> | <u>5,604</u> |
| Deficit of revenue over expenses before the following | (1,720) | (395) |
| Government assistance <i>[note 6]</i> | 6,077 | — |
| Amortization <i>[note 4]</i> | (2,430) | (2,518) |
| Interest and financing charges | (62) | (85) |
| Investment income | 84 | 28 |
| Surplus (deficit) for the year | <u>1,949</u> | <u>(2,970)</u> |
| Net assets, beginning of year | 30,532 | 33,225 |
| Remeasurement loss on pension valuation allowance <i>[note 8[a]]</i> | (762) | (597) |
| Actuarial gain on accrued pension asset <i>[note 8[a] and note 8[b]]</i> | 854 | 874 |
| Net assets, end of year | <u>32,573</u> | <u>30,532</u> |

See accompanying notes

Greater London International Airport Authority
 Incorporated without share capital under the laws of Canada

STATEMENT OF CASH FLOWS

[in thousands of dollars]

Year ended December 31

| | 2021 | 2020 |
|---|--------------|--------------|
| | \$ | \$ |
| Operating activities | | |
| Surplus (deficit) for the year | 1,949 | (2,970) |
| Add (deduct) items not involving cash | | |
| Amortization of capital assets and deferred capital contributions | 2,430 | 2,518 |
| Net pension expense (recovery) | (5) | 13 |
| Pension contributions and benefits paid | (10) | (47) |
| | <u>4,364</u> | <u>(486)</u> |
| Net change in non-cash working capital balances related to operations <i>[note 7]</i> | (550) | 69 |
| Cash provided by (used in) operating activities | <u>3,814</u> | <u>(417)</u> |
| Investing activities | | |
| Purchase of capital assets | (268) | (1,167) |
| Proceeds on disposal of capital assets | 6 | — |
| Deferred contributions received | — | 359 |
| Cash used in investing activities | <u>(262)</u> | <u>(808)</u> |
| Financing activities | | |
| Refund of the repayment of demand instalment loan | 360 | (691) |
| Internally restricted cash released for use in operating activities <i>[note 3]</i> | — | 394 |
| Internally restricted cash used for capital purposes <i>[note 3]</i> | — | 1,106 |
| Cash provided by financing activities | <u>360</u> | <u>809</u> |
| Net increase (decrease) in cash during the year | <u>3,912</u> | <u>(416)</u> |
| Cash and marketable securities, beginning of year | 846 | 1,262 |
| Cash and marketable securities, end of year | <u>4,758</u> | <u>846</u> |

See accompanying notes

NOTES TO FINANCIAL STATEMENTS

[in thousands of dollars]

December 31, 2021

1. Description of business

The Greater London International Airport Authority [the “Authority”] was continued under the *Canada Not-for-profit Corporations Act* as a corporation without share capital.

The objectives of the Authority are as follows:

- to manage, operate and develop the Greater London International Airport [the “Airport”], the premises of which are leased to the Authority by Transport Canada, 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; and
- to expand transportation facilities and generate economic activity in ways that are compatible with air transportation activities.

On August 1, 1998, the Authority signed a 60-year ground lease with Transport Canada and assumed responsibility for the management, operation and development of the Airport. On March 5, 2015, Transport Canada approved a 20-year extension to the ground lease with an expiry date of July 31, 2078.

The Authority is exempt from federal and provincial income taxes as it is a not-for-profit organization under section 149[1] of the *Income Tax Act* (Canada).

2. Summary of significant accounting policies

Basis of presentation

These financial statements have been prepared by management in accordance with Part III of the *CPA Canada Handbook – Accounting*, “Accounting Standards for Not-for-Profit Organizations”, which constitutes generally accepted accounting principles for not-for-profit organizations in Canada.

The significant accounting policies are as follows:

Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities as at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Examples of such estimations and assumptions include the useful lives of capital assets, allowance for doubtful accounts, the timing and amount of future cash flows, and pension valuation adjustments. Actual results could differ from those estimates. Adjustments, if any, will be reflected in operations in the period of settlement.

NOTES TO FINANCIAL STATEMENTS

[in thousands of dollars]

December 31, 2021

Revenue recognition

The Authority follows the deferral method of accounting for contributions. Externally restricted contributions, including government grants, are initially deferred when recorded in the accounts and recognized in operations in the year in which the related expenses are incurred.

Unrestricted contributions that are available for the operations of the Authority are recorded as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Airport Improvement Fees ["AIF"] are to be used to fund Airport infrastructure projects and associated financing costs that relate primarily to the passenger-handling functions of the Airport. Revenue from AIF is recognized when departing passengers board their aircraft.

Investment income, which consists of interest and realized and unrealized gains and losses, is recognized when earned. Aeronautical and airport revenue are recognized when the related services are provided.

Government assistance is recognized when receivable if the amount can be reasonably estimated and collection is reasonably assured.

Financial instruments

Marketable securities reported at fair value consist of investments in fixed income securities that the Authority designates upon purchase to be measured at fair value. Transaction costs are recognized in the statement of operations and changes in net assets in the period during which they are incurred.

Other financial instruments, including accounts receivable and accounts payable and accrued liabilities, are initially recorded at their fair value adjusted for transaction costs and are subsequently measured at cost, net of any provisions for impairment.

Capital assets

Capital assets are initially recorded at cost. Normal maintenance and repair expenditures are expensed as incurred.

Amortization is provided on a straight-line basis from the month following the date the asset was first put into use. It is expected that the total cost of capital assets, net of their estimated salvage values, will be charged to operations over the assets' estimated useful lives by following these procedures. The costs associated with construction in progress, including interest, if any, are capitalized during the construction phase. Upon completion of the project, the assets will be allocated to their respective classes and amortized at the rates provided in the schedule below.

NOTES TO FINANCIAL STATEMENTS

[in thousands of dollars]

December 31, 2021

Capital assets are amortized on a straight-line basis as follows:

| | |
|-----------------------------------|-------------|
| Office furniture and equipment | 4–10 years |
| Terminal furniture and fixtures | 5–20 years |
| Shop equipment | 5–10 years |
| Mobile equipment | 6–20 years |
| Computer software | 3–5 years |
| Computer hardware | 3–5 years |
| Pavement leasehold improvements | 15 years |
| Structural leasehold improvements | 5–40 years |
| Security equipment | 6–40 years |
| Baggage system | 20 years |
| Gateway project | 40 years |
| Land leasehold improvements | 20–60 years |

Gain or loss on disposal of individual assets is recognized in income in the year of disposal.

Capital assets subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. If the asset is impaired, the impairment loss to be recognized is measured as the amount by which the carrying amount of the asset exceeds its fair value, generally determined on a discounted cash flow basis. Any impairment results in a write-down of the asset and a charge to income during the year. An impairment loss is not reversed if the fair value of the related asset subsequently increases.

Pension obligations

The Authority sponsors a registered pension plan with defined benefit and defined contribution portions, as well as a non-registered defined benefit supplemental employee retirement plan. These plans cover all full-time employees.

The Authority accounts for its defined benefit plan in accordance with *CPA Canada Handbook – Accounting, Section 3463, Reporting Employee Future Benefits by Not-For-Profit Organizations*. The Authority measures the defined benefit obligations using a valuation for funding purposes. The cost of defined benefit pensions comprises remeasurements and other items, current service cost and finance cost. Remeasurements and other items, which include the difference between actual return on plan assets and the return calculated using the discount rate used in determining the defined benefit obligation, actuarial gains and losses, the effect of any valuation allowance in the case of a defined benefit asset, past service costs, and gains or losses arising from plan curtailments and settlements are recognized directly in net assets in the statement of financial position rather than in the statement of operations and changes in net assets. Current service cost and finance cost for the period are recognized as an expense in the statement of operations and changes in net assets.

The cost of defined contribution benefits is expensed when paid. The Authority makes contributions in accordance with plan agreements.

NOTES TO FINANCIAL STATEMENTS

[in thousands of dollars]

December 31, 2021

Impact of COVID-19

The ongoing COVID-19 pandemic has had a significant adverse impact on the Authority's passenger 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 that use the Airport facilities.

The extent of such negative effects on the Authority's business and 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 the Authority's operating results will depend in part on the Authority's ability to continue to implement various measures intended to reduce expenses.

Impact on estimates

As discussed above the preparation of the financial statements requires management to make estimates and assumptions that affect assets and liabilities as at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. The COVID-19 pandemic gives rise to heightened uncertainty as it relates to accounting estimates and increases the need to apply judgment in evaluating the economic and market environment and its impact on significant estimates. Examples of such estimations and assumptions include the allowance for doubtful accounts and the timing and amount of future cash flows, an input to the assessment of the Authority's ability to continue as a going concern. The Authority's estimates and assumptions associated with future cash flows required the application of heightened judgment in light of the uncertainty regarding the ultimate economic impact of the COVID-19 pandemic, particularly in evaluating the impact on forecasted earnings resulting from estimated passenger volumes. Implicit in the Authority's economic outlook is the assumption that the manner in which governments and lenders respond to subsequent waves of the virus will allow the Canadian economy to continue to recover and return to pre-pandemic levels of activity. Actual experience may differ materially from these expectations, including in relation to the duration and severity of economic contraction and the ultimate timing and extent of a future recovery.

3. Cash and marketable securities

Cash and marketable securities consist of the following:

| | 2021 | 2020 |
|-----------------------|--------------|------------|
| | \$ | \$ |
| Cash | 671 | 337 |
| Marketable securities | 4,087 | 509 |
| | <u>4,758</u> | <u>846</u> |

Marketable securities consist of a principal protected note with a market value of \$587 [2020 - \$508] and a maturity date on December 20, 2022 [2020 – December 20, 2022] and two term deposits, one for \$1,000 with an interest rate of 0.5% and a maturity date on November 30, 2022 and the other for \$2,500 with an interest rate of 0.6% and a maturity date on December 23, 2022.

NOTES TO FINANCIAL STATEMENTS

[in thousands of dollars]

December 31, 2021

4. Capital assets and deferred capital contributions

Capital assets consist of the following:

| | 2021 | | 2020 | |
|-----------------------------------|---------------|-----------------------------------|------------|-----------------------------------|
| | Cost \$ | Accumulated amortization \$ | Cost \$ | Accumulated amortization \$ |
| Office furniture and equipment | 142 | 113 | 142 | 107 |
| Terminal furniture and fixtures | 989 | 789 | 927 | 727 |
| Shop equipment | 459 | 407 | 467 | 389 |
| Mobile equipment | 6,555 | 4,352 | 6,555 | 4,038 |
| Computer software | 86 | 80 | 84 | 77 |
| Computer hardware | 239 | 221 | 231 | 211 |
| Pavement leasehold improvements | 11,262 | 3,790 | 11,262 | 3,130 |
| Structural leasehold improvements | 39,631 | 18,732 | 39,442 | 17,321 |
| Security equipment | 905 | 687 | 905 | 639 |
| Baggage system | 6,710 | 2,865 | 6,710 | 2,546 |
| Gateway project | 11,044 | 2,485 | 11,044 | 2,208 |
| Land leasehold improvements | 2,956 | 1,235 | 2,950 | 1,149 |
| | 80,978 | 35,756 | 80,719 | 32,542 |
| Less accumulated amortization | 35,756 | | 32,542 | |
| Net book value | 45,222 | | 48,177 | |

Cumulative expenditures on qualifying Airport infrastructure projects, from inception of the AIF, including eligible debt service costs, amount to \$65,045 [2020 – \$65,085]. During the same period, cumulative AIF revenue amounted to \$57,888 [2020 – \$57,532].

NOTES TO FINANCIAL STATEMENTS

[in thousands of dollars]

December 31, 2021

The costs of certain capital assets were funded through external contributions as set out below:

| | 2021 | | 2020 | |
|--|--------------------|-----------------------------------|-----------------------------------|-----------------------------------|
| | Contribution \$ | Accumulated amortization \$ | Unamortized contribution \$ | Unamortized contribution \$ |
| Security grant | 451 | 250 | 201 | 206 |
| Canadian Air Transport Security Authority ["CATSA"] | 2,643 | 1,953 | 690 | 808 |
| Gateway | 10,500 | 2,438 | 8,062 | 8,323 |
| Nav Canada | 13 | 9 | 4 | 5 |
| Non-passenger screening vehicle – CATSA | 3,425 | 454 | 2,971 | 3,161 |
| Taxiway rehabilitation | 3,169 | 415 | 2,754 | 2,966 |
| | 20,201 | 5,519 | 14,682 | 15,469 |

These deferred contributions are amortized on the same basis as the amortization of the related assets as follows:

| | 2021 \$ | 2020 \$ |
|--|--------------|------------|
| Amortization of capital assets | 3,217 | 3,295 |
| Amortization of related deferred contributions | (787) | (777) |
| Amortization | 2,430 | 2,518 |

NOTES TO FINANCIAL STATEMENTS

[in thousands of dollars]

December 31, 2021

5. Demand instalment loan

The Authority has the following credit facilities with the Canadian Imperial Bank of Commerce ["CIBC"]:

- An undrawn demand revolving operating line of credit of \$1,000 until December 31, 2021, reducing to \$500 thereafter [2020 – \$1,000] bearing interest at the prime rate minus 0.15%.
- A demand instalment loan of \$3,756 bearing interest at an average floating rate of 0.93% and resetting every 90 days based on the banker's acceptance market. Annual principal repayments amount to \$1,439, payable monthly.
- A non-revolving demand operating facility of \$1,799 bearing interest at an average floating rate of 0.93% and resetting every 90 days based on the banker's acceptance market. Interest-only payments are due monthly and on January 3, 2022 the facility will be converted to a demand instalment loan with terms matching the demand instalment loan.

The facilities are subject to a financial covenant in the form of a modified fixed charge coverage ratio. The Authority was in compliance at year-end. The modified fixed charge coverage ratio is waived for fiscal 2021, to resume for fiscal 2022. The lender has taken as collateral a first charge mortgage for \$18,000 over property at 10 Seabrook Way, which is included in structural leasehold improvements *[note 4]*.

In response to the COVID-19 pandemic, the Authority was granted a principal payment deferral by CIBC for the period from January to December 2021 on the demand instalment loan. In addition, the non-revolving demand operating facility was arranged during the year to fund principal payments on the demand instalment loan.

Annual scheduled principal repayment terms are approximately as follows:

| | \$ |
|------|--------------|
| 2022 | 1,439 |
| 2023 | 1,439 |
| 2024 | 1,439 |
| 2025 | 1,238 |
| | <u>5,555</u> |

NOTES TO FINANCIAL STATEMENTS

[in thousands of dollars]

December 31, 2021

6. Statement of operations and changes in net assets

| | 2021 | 2020 |
|---|--------------|---------|
| | \$ | \$ |
| Aeronautical revenue | | |
| Landing fees | 460 | 778 |
| Terminal fees | 318 | 679 |
| Security | 99 | 197 |
| | 877 | 1,654 |
| Airport revenue | | |
| Parking | 364 | 892 |
| Concessions | 445 | 817 |
| Rentals <i>[note 11]</i> | 951 | 953 |
| Other | 246 | 206 |
| | 2,006 | 2,868 |
| Government Assistance | | |
| Airport Relief Fund – Transport Canada [a] | 1,577 | — |
| Regional Airport Transportation Initiative – FedDev [a] | 4,500 | — |
| | 6,077 | 2,868 |
| Salaries and employee benefits | | |
| Salaries and wages | 2,752 | 3,037 |
| Government assistance [a] | (1,123) | (1,218) |
| Benefits <i>[note 8]</i> | 514 | 571 |
| | 2,143 | 2,390 |

NOTES TO FINANCIAL STATEMENTS

[in thousands of dollars]

December 31, 2021

Other operating and administration expenses

| | | |
|--|--------------|--------------|
| Municipal taxes | 936 | 892 |
| Utilities and Transport Canada rent <i>[note 11]</i> | 463 | 633 |
| Office and administration | 221 | 340 |
| Repairs, maintenance and equipment rentals | 280 | 285 |
| Contracted maintenance | 165 | 240 |
| Materials and supplies | 121 | 267 |
| Advertising and business development | 12 | 66 |
| Directors' fees and expenses | 234 | 189 |
| Bad debts | 4 | — |
| Professional fees | 125 | 70 |
| Vehicle maintenance | 95 | 91 |
| Insurance | 160 | 141 |
| | <u>2,816</u> | <u>3,214</u> |

[a] During the year, the Authority was granted \$1,123 [2020 – \$1,218] in government assistance from government subsidy programs, which has been recognized as reduction in salaries and employee benefits. In addition, the Authority was granted \$6,077 [2020 – nil] in government assistance, which has been recorded in operations. Of these amounts, \$900 [2020 – 105] is included in accounts receivable as at December 31, 2021.

7. Statement of cash flows

The net change in non-cash working capital balances related to operations consists of the following:

| | 2021 | 2020 |
|---|--------------|--------------|
| | \$ | \$ |
| Decrease (increase) in current assets | | |
| Accounts and grant receivable | (526) | 2,724 |
| Prepaid expenses and deposits | (25) | 20 |
| | <u>(551)</u> | <u>2,744</u> |
| Increase (decrease) in current liabilities | | |
| Accounts payable and accrued liabilities | 1 | (2,675) |
| | <u>(550)</u> | <u>69</u> |

NOTES TO FINANCIAL STATEMENTS

[in thousands of dollars]

December 31, 2021

8. Employee benefit plans

| | 2021 | 2020 |
|--|--------------|--------------|
| | \$ | \$ |
| Defined benefit pension plan asset [a] | 2,707 | 2,599 |
| Supplemental pension plan obligation [b] | (561) | (560) |
| Accrued pension asset, net | 2,146 | 2,039 |

[a] Defined benefit pension plan asset

The Authority sponsors a pension plan on behalf of its employees, which has defined benefit and defined contribution components. This plan is administered as part of the Canadian Airport Authorities and Canadian Port Authorities Pension Plan [the "Plan"]. The most recent valuation was determined using membership data as at January 1, 2021 and was extrapolated to December 31, 2021.

[i] Pension expense for the defined contribution plan is \$103 [2020 – \$104].

[ii] Information about the Authority's defined benefit plan is as follows:

| | 2021 | 2020 |
|---|--------------|--------------|
| | \$ | \$ |
| Fair value of plan assets | 13,464 | 12,579 |
| Benefit obligation | (7,743) | (7,729) |
| Funded status – plan surplus | 5,721 | 4,850 |
| Valuation allowance | (3,014) | (2,251) |
| Defined benefit pension plan asset | 2,707 | 2,599 |

The valuation allowance represents the amount by which the defined benefit plan surplus exceeds the expected future benefit that the Authority expects to realize from that surplus.

NOTES TO FINANCIAL STATEMENTS

[in thousands of dollars]

December 31, 2021

The asset allocation of the Plan is as follows:

| | 2021 % | 2020 % |
|-------------------|--------------|-----------|
| Equity securities | 63.1 | 63.7 |
| Debt securities | 33.1 | 33.2 |
| Other | 3.8 | 3.1 |
| | 100.0 | 100.0 |

The following table provides a reconciliation of the accrued benefit asset:

| | 2021 \$ | 2020 \$ |
|---|--------------|------------|
| Defined benefit asset, beginning of year | 2,599 | 2,257 |
| Pension recovery for the year | 48 | 28 |
| Authority contributions | — | 37 |
| Increase in valuation allowance | (762) | (597) |
| Actuarial gain | 822 | 874 |
| Defined benefit asset, end of year | 2,707 | 2,599 |

The significant actuarial assumptions adopted in measuring the Authority's accrued benefit asset [obligation] under the defined benefit pension plan as at December 31, 2021 are as follows:

| | 2021 % | 2020 % |
|-------------------------------|-----------|-----------|
| Discount rate | 4.50 | 4.50 |
| Rate of compensation increase | 2.50 | 2.50 |
| Inflation rate | 2.00 | 2.00 |

NOTES TO FINANCIAL STATEMENTS

[in thousands of dollars]

December 31, 2021

[b] Supplemental pension plan obligation

Information about the unfunded supplemental pension plan obligation is as follows:

| | 2021 | 2020 |
|--|--------------|-------|
| | \$ | \$ |
| Defined benefit obligation, beginning of year | (560) | (529) |
| Pension expense for the year | (43) | (41) |
| Benefits paid | 10 | 10 |
| Actuarial gain | 32 | — |
| Defined benefit obligation, end of year | (561) | (560) |

The Authority contributed \$10 [2020 – \$10] to the supplemental pension plan to fund the benefits paid. The significant actuarial assumptions adopted in measuring the Authority's accrued benefit obligation for the supplemental pension plan are the same as for the defined benefit pension plan.

9. Government remittances

Included in accounts payable and accrued liabilities are government remittances payable of \$31 [2020 – \$7] relating to Harmonized Sales Tax.

10. Financial instruments and risk management

Financial assets create a risk that counterparties will fail to discharge an obligation, causing a financial loss. As at December 31, 2021, other than accounts receivable, there were no significant concentrations of credit risk with respect to any class of financial assets. While the Authority deals with several customers in North America, five customers represent 61% [2020 – 51%] of the trade accounts receivable balance as at December 31, 2021. The maximum credit risk represents the full amount of the accounts receivable. The Authority anticipates receiving payments in full from these customers.

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Authority is exposed to interest rate risk on its floating interest rate financial instruments.

Liquidity risk is the risk that the Authority will encounter difficulty in meeting obligations associated with its financial liabilities. The Authority is exposed to liquidity risk on its demand instalment loan and accounts payable and accrued liabilities. This risk has been mitigated by amendments to the Authority's demand instalment loan, including principal payment deferral [note 5], participation in government assistance programs [note 6] and amendments to the Authority's ground lease with Transport Canada [note 11].

NOTES TO FINANCIAL STATEMENTS

[in thousands of dollars]

December 31, 2021

11. Operating leases

The Authority as lessee

The Authority's ground lease with Transport Canada expires in 2078. At the end of the term, unless otherwise extended, the Authority is obligated to return control of the Airport to the Government of Canada.

In 2005, Transport Canada announced the adoption of a new rent policy that has resulted in reduced rent for Canadian airport authorities, including the Authority. Under this formula, rent is calculated as a royalty based on a percentage of gross annual revenue on a progressive scale. During the year, in response to the COVID-19 pandemic, the ground lease was amended to waive the rent payable for 2020, 2021, 2022 and 2023 lease years subject to passenger volumes remaining below one million during this period.

Based on forecasts of future revenue [which are subject to change depending on economic conditions and changes in the Authority's rates and fees], estimated rent payments for the next five years are approximately as follows:

| | \$ |
|------|-----|
| 2022 | — |
| 2023 | — |
| 2024 | 72 |
| 2025 | 116 |
| 2026 | 172 |

The Authority as lessor

The Authority leases out, under operating leases, land and certain assets that are included in capital assets. Many leases include renewal options, in which case they are subject to market price revision. The lessee does not have the possibility of acquiring the leased assets at the end of the lease.

The estimated lease revenue for the next five years is approximately as follows:

| | \$ |
|------|-----|
| 2022 | 951 |
| 2023 | 951 |
| 2024 | 951 |
| 2025 | 951 |
| 2026 | 951 |

12. Comparative figures

Certain comparative figures have been reclassified to reflect the presentation adopted in the current year.

