

Greater London International Airport Authority

# PASSPORT



Annual Report  
**2019**

[illegible][illegible]

# MISSION

# VALUES

## EMPLOYER OF CHOICE

# STEWARDSHIP

## CUSTOMER SERVICE

## SAFETY & SECURITY

## CREATIVITY & INNOVATION

[illegible]

# MESSAGE FROM THE CHAIR AND PRESIDENT

When we look back on 2019, we are amazed and thankful for all that was accomplished and for the efforts of our entire airport team. The year will be recorded as the most significant in the growth of Greater London International Airport Authority (GLIAA). If we examine even further back, over the last several years, the key strategic objectives that we developed and executed have been instrumental in positioning GLIAA for the future. The energy and excitement surrounding the growth has been very rewarding and it has taken the collective effort of all of the airport employees to put us in this position. Passenger growth is the most apparent change in 2019 as LIA finished the year with 683,017 passengers. This represents growth of 27% over 2018 or close to 150,000 new passengers. At a time when the Canadian aviation sector is growing at an annual rate of approximately two percent, London's growth is an excellent indicator of the potential that the Airport holds.

A significant contributor to our growth was the addition of Swoop Airlines in 2019. With a fleet of Boeing 737-800 aircraft, Swoop introduced non-stop flights from London to Abbotsford, Edmonton, Halifax, Las Vegas, Orlando and Cancun. The addition of Swoop combined with capacity increases from our existing airlines (WestJet, Air Canada, Sunwing and Air Transat) saw GLIAA serving sixteen non-stop destinations in 2019. Our strengthened network of destinations resulted in an expanded catchment area for the Airport that saw passengers from all parts of southern Ontario using GLIAA.

We also had a very busy year at GLIAA with our capital projects. We invested close to \$12 million in our infrastructure with our two main projects being the reconstruction of our taxiway Golf, and upgrades in our baggage screening system. The Government of Canada, under the National Trade Corridor Fund, provided financial assistance for taxiway Golf in the amount of \$2.9 million. This is a strategic investment in the long-term assets at GLIAA and also functions as a catalyst for additional growth in aviation in Southern Ontario. GLIAA has invested over \$80 million in capital assets over the last twenty years and the airport infrastructure is a strength of the organization.

for our Airport and Our food and beverage and drop off area to complemented an online go from our facilities. beside customer service as they transit through

report that the Airport ntial increase over the ing expenditures while g costs imposed on our crease in our fees and LIAA has not applied an cost structure and we

financial performance, we are pleased to report a surplus of \$2.1 million in 2019. This surplus in 2018 and was achieved on a strong revenue base. We also held the line on our tenants, and implemented a zero increase. This represents the fifth year in succession. Our strategy is to be a lean airport with a strong team. We did this again in 2019.

I am extremely proud to have implemented the Airport Improvement Fee (AIF) in 2019. Our AIF was reduced to \$7 per departing passenger on average, resulting in savings to our airlines and our passengers. We are now one of the lowest cost airports in Canada when it comes to AIF. The aviation industry is plagued by high costs, and we will lower these overall costs.


Thank you to our employees, tenants and the community for their support.

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Thank you to our employees, tenants and the community to work as a team and find innovative solutions to ensure the safety and security of our operations in Ontario. We accomplish all of this while providing a great product and serving as a catalyst for economic growth.

to the 1000 plus workers across GL

Thank you to our employees, tenants  
to work as a team and find innova  
safety and security of our operation  
Ontario. We accomplish all of this w  
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to the 1000 plus workers across GL



to the 1000 plus workers across GL

A portrait of a woman with shoulder-length brown hair and bangs, smiling. She is wearing a black top with a white leaf-like pattern. The background is a plain, light blue-grey color.

Michael Dubroch

**Michael Seabrook**  
President & CEO

Greater London International Airport Authority developed five strategic objectives that all airport staff worked collaboratively and continuously to accomplish. Through a concerted team effort we were able to achieve our objectives, which gave us many new milestones to celebrate.





In 2019, we pursued new air routes for our catchment area and their growing travel demands. We worked on adding non-stop flights with ultra low-cost carriers and adding new destinations, and we were successful! The airport continued our dedication to being low-cost by maintaining all our fees with no new increases, so our positive aeronautical growth was entirely from capacity increases. We also focused on growing our non-aeronautical revenues with new developments on our land and introducing new retailers and services.

683,017

Passengers passed through the Airport.

27%

# Passenger increase over 2018.

5 ✈️✈️✈️✈️✈️

# Airlines serviced flights from London.

16

# Non-stop destinations from London.

Ultra Low-Cost Carrier (ULCC), Swoop, launched multiple non-stop flights at Greater London International Airport Authority.

# 6 DESTINATIONS



# 8 NEW ROUTES





NON-STOP

# DESTINATIONS

GLIAA 2019







# SUSTAINABILITY & STEWARDSHIP

It was a priority for us to manage our business in a financially sustainable manner to ensure that our business has long-term sustainability. We accomplished this with various tactics, ensuring we gave special attention to incorporating best practices to improve efficiencies across all departments including environmental, operational, and more. We also engaged with community stakeholders with airport initiatives and activities through partnerships and consultative mechanisms.



## HEALTH & SAFETY

Regular workplace inspections, workplace health and safety committee meetings and training courses were conducted.



# ENVIRONMENTAL MANAGEMENT PLAN

Established a plan that includes provisions for documentation, implementation & maintenance to ensure continuous improvement to environmental protection and sustainability.



# AIRPORT GREEN TEAM

Airport Green Team was established to ensure our staff, tenants and members of the surrounding community remain engaged in environmental initiatives throughout the year.

Charitable organizations  
& staff sports teams  
received donations from  
GLIAA.

BBQs hosted for  
charity  
fundraising.



Donated to the community.

Airport tours, including accessibility tours, were conducted to local school classes, clubs and more.







COMMUNITY





[illegible]

Additional parking spots were created in an auxiliary lot.

New Common Use Terminals were installed to accommodate new airline service & improve efficiency.

The new HBS  
can process up  
to 400 bags per  
hour.

# 33

## \$2.9M

In funding was received from National Trade Corridors Fund (NTCF) to help repair GLIAA's main taxiway, Taxiway G.

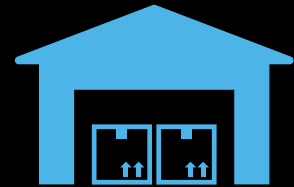
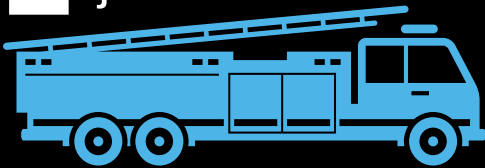


## 78,751

Aircraft Movements.

## 1

New fire truck joined the fleet.



Expanded Airport Operations Centre (AOC) Firehall.

# 15



# OPERATIONS







From their arrival at the Airport to their departure on a flight, travellers were treated to a warm and friendly style of customer service, with a focus on easy and comfortable experience.



Airport Comfort Enhancers (ACEs) continued to provide exceptional service to passengers from curbside to gate.

Monthly Therapy Dog visits from St. John Therapy Dogs for passengers and staff.



Curbside Assistance program was implemented in 2019. Passengers were greeted and assisted upon arrival at the curb by ACEs.





Collaborated with London Arts Council on a "Downtown London" mural in the boarding lounge.



Online parking app, HONK, was introduced and implemented.



Increased craft beer and menu selection at On The Fly









Greater London International Airport Authority continued to take pride in fostering a positive and inclusive organizational culture. Employees were properly trained, equipped and motivated to perform their roles and contribute to GLIAA's success in 2019. After all, what would we do without our incredible staff!

Monthly **staff lunches** were hosted as an opportunity for all GLIAA staff to socialize.



Various employee social events were hosted such as an annual trip to Toronto for a Blue Jay's game.

to all  
dates











GLIAA is managed by:

Michael Seabrook	President & CEO
Christopher G. Ryan	Chief Financial Officer
Lauren Stafford	Manager, Business Development & Marketing
Gerry Vanderhoek	Manager, Terminal Services & Passenger Experience
Steve Faulkner	Manager, Operations

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



**Michelle T. Faysal**  
Chair



**Don Bryant**  
Vice Chair



**Michelle Campbell**  
Federal



**Elizabeth Cormier**  
Federal



**Bill Graham**  
Municipal



**Rob Flack**  
Officer



**Bob Hammersley**  
Provincial



**Gus Kotsiomitris**  
Municipal



**Maureen O'Leary-Pickard**  
Municipal



**Mike Parkinson**  
Labour



John Stein  
Chamber

## FINANCIALS

On August 1, 1998, the Authority signed a 60-year ground lease, together with a renewal term of 20 years, with Transport Canada and assumed responsibility for the management, operation, and development of the Airport. On March 5, 2015, Transport Canada approved the 20-year extension to the ground lease with an expiry date of July 31, 2078. Subsection 9.01.07 of the Ground Lease requires the Authority to publish an annual report that includes the matters below.

### Report on the business plan and objectives for 2019 (000's)

	Plan	Actual	Explanation
Revenue	\$12,433	\$12,695	Launch of Swoop service
Expenses	\$10,354	\$10,753	Additional advertising and customer service improvements
Capital Expenditures	\$12,541	\$11,005	Deferral of a capital project to a future year

### Report on the business forecast for 2020-2024 (000's)

	2020	2021	2022	2023	2024
Revenue	\$5,700	\$14,100	\$14,500	\$15,000	\$15,400
Expenses	\$9,600	\$11,200	\$11,500	\$11,700	\$11,800
Capital Expenditures	\$140	\$1,900	\$7,400	\$3,500	\$3,500

- Revenue includes Airport Improvement Fees (AIF)
- Expenses include interest and amortization (a non cash item)
- Capital forecast includes both eligible and non-eligible AIF items

### Remuneration

The annual compensation for the Board of Directors, consisting of honorariums and per diems for the year ending December 31, 2019 was \$238 thousand. The annual compensation for the management team for the year ending December 31, 2019 was \$747 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 2019.

### Competitive Tenders

GLIAA is committed to doing business locally and in a competitive fashion. All projects with a value in excess of \$75 thousand (base year 1998 = 100 CPI annually adjusted) require a public tender or request for proposal. To that end, the Authority sought competitive bids on all contracts as required.

# 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 "Organization"] which comprise the statement of financial position as at December 31, 2019, 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 Organization as at December 31, 2019, and the results of its 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 Organization 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 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

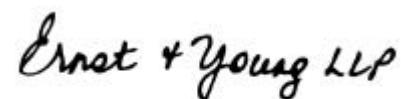
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee 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 Organization'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 Organization'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 Organization 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.

London, Canada  
March 13, 2020

The signature of Ernst & Young LLP is written in a cursive, handwritten style in black ink.

Chartered Professional Accountants  
Licensed Public Accountants

**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

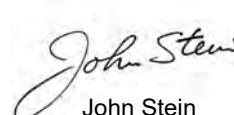
	2019 \$	2018 \$
<b>Assets</b>		
<b>Current</b>		
Cash and cash equivalents <i>[note 3]</i>	1,262	1,937
Accounts receivable	2,832	1,008
Grant receivable	800	—
Prepaid expenses and deposits	124	124
<b>Total current assets</b>	<b>5,018</b>	<b>3,069</b>
Accrued pension asset <i>[note 8]</i>	1,728	1,827
Capital assets, net <i>[notes 4 and 11]</i>	50,305	42,089
Cash and marketable securities restricted for capital purposes <i>[note 3]</i>	1,500	3,000
	<b>58,551</b>	<b>49,985</b>
<b>Liabilities and net assets</b>		
<b>Current</b>		
Accounts payable and accrued liabilities <i>[note 9]</i>	3,553	1,056
Demand instalment loan <i>[note 5]</i>	5,886	7,325
<b>Total current liabilities</b>	<b>9,439</b>	<b>8,381</b>
Deferred capital contributions <i>[note 4]</i>	15,887	10,321
<b>Total liabilities</b>	<b>25,326</b>	<b>18,702</b>
<b>Net assets</b>	<b>33,225</b>	<b>31,283</b>
	<b>58,551</b>	<b>49,985</b>

*See accompanying notes*

On behalf of the Board:



Michelle Faysal



John Stein



## Greater London International Airport Authority

# STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS

[in thousands of dollars]

Year ended December 31

	2019 \$	2018 \$
<b>Revenue</b>		
Aeronautical [note 6]	4,112	3,292
Airport [note 6]	5,376	4,628
	9,488	7,920
Airport Improvement Fees [note 4]	3,207	3,780
	12,695	11,700
<b>Expenses</b>		
Salaries and employee benefits [note 6]	3,839	3,627
Other operating and administration [note 6]	4,295	3,728
Transport Canada rent [note 11]	189	140
	8,323	7,495
Surplus of revenue over expenses before amortization and interest	4,372	4,205
Amortization [note 4]	2,253	2,186
Interest and financing charges	177	764
Surplus of revenue over expenses before the following	1,942	1,255
Investment income (loss)	123	(14)
Gain (loss) on disposal of capital assets	12	(8)
<b>Surplus for the year</b>	2,077	1,233
Net assets, beginning of year	31,283	29,767
Remeasurement gain (loss) on pension valuation allowance [note 8[a]]	(909)	832
Actuarial gain (loss) on accrued pension asset [note 8[a] and note 8[b]]	774	(549)
Surplus for the year	2,077	1,233
<b>Net assets, end of year</b>	33,225	31,283

See accompanying notes

## Greater London International Airport Authority

# STATEMENT OF CASH FLOWS

[in thousands of dollars]

Year ended December 31

	2019 \$	2018 \$
<b>Operating activities</b>		
Surplus for the year	2,077	1,233
Add (deduct) items not involving cash		
Amortization of capital assets	2,253	2,186
Loss (gain) on disposal of capital assets	(12)	8
Net pension expense	2	17
Contributions to pension plan	(38)	(56)
	4,282	3,388
Net change in non-cash working capital balances related to operations [note 7]	673	82
<b>Cash provided by operating activities</b>	<b>4,955</b>	<b>3,470</b>
<b>Investing activities</b>		
Purchase of capital assets	(11,005)	(1,137)
Proceeds on disposal of capital assets	59	5
Deferred contributions received	5,255	48
<b>Cash used in investing activities</b>	<b>(5,691)</b>	<b>(1,084)</b>
<b>Financing activities</b>		
Repayment of demand instalment loan	(1,439)	(1,386)
Decrease in cash and marketable securities restricted for capital purposes	1,500	—
<b>Cash used in financing activities</b>	<b>61</b>	<b>(1,386)</b>
<b>Net increase (decrease) in cash during the year</b>	<b>(675)</b>	<b>1,000</b>
Cash, beginning of year	1,937	937
<b>Cash, end of year</b>	<b>1,262</b>	<b>1,937</b>

See accompanying notes

# NOTES TO FINANCIAL STATEMENTS

December 31, 2019

## 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:

- 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, and pension valuation adjustments. Actual results could differ from those estimates. Adjustments, if any, will be reflected in operations in the period of settlement.

### 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.



# NOTES TO FINANCIAL STATEMENTS

## [in thousands of dollars]

December 31, 2019

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.

### 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.

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.

### 3. Cash and marketable securities

Cash and marketable securities consist of the following:

	2019 \$	2018 \$
Cash	1,175	1,936
Marketable securities	1,587	3,001
	2,762	4,937
Less internally restricted for capital purposes	1,500	3,000
Unrestricted cash and marketable securities	1,262	1,937

Marketable securities consist of principal protected notes and high interest savings account at 1.6% [2018 – 1.05% to 3.12%] and having maturity date on December 20, 2022 [2018 – December 2, 2019 to December 6, 2024].

The Board of Directors has undertaken measures to provide for the funding of approved capital projects designed to maintain and improve the facilities, equipment and structures of the Airport. The amounts restricted for this purpose are shown as long-term and are subject to change at the discretion of the Board of Directors. In 2019, the Board of Directors has restricted \$1.5 million [2019 – \$3 million] for future capital projects.

## NOTES TO FINANCIAL STATEMENTS

[in thousands of dollars]

### 4. Capital assets and deferred capital contributions

Capital assets consist of the following:

	2019		2018	
	Cost	Accumulated amortization	Cost	Accumulated amortization
	\$	\$	\$	\$
Office furniture and equipment	142	100	136	93
Terminal furniture and fixtures	888	661	744	594
Shop equipment	460	363	415	358
Mobile equipment	6,337	3,672	5,794	3,553
Computer software	81	74	78	73
Computer hardware	217	197	204	178
Pavement leasehold improvements	4,924	2,480	4,805	2,234
Structural leasehold improvements	39,167	15,887	38,254	14,463
Security equipment	894	589	952	593
Baggage system	3,405	2,229	3,405	2,075
Gateway project	11,044	1,932	11,136	1,670
Land leasehold improvements	2,950	1,063	2,898	978
Construction in progress	9,043	—	130	—
	<b>79,552</b>	<b>29,247</b>	68,951	26,862
Less accumulated amortization	<b>29,247</b>		26,862	
<b>Net book value</b>	<b>50,305</b>		<b>42,089</b>	

Cumulative expenditures on qualifying Airport infrastructure projects, from inception of the AIF, including eligible debt service costs, amount to \$63,532 [2018 – \$56,114]. During the same period, cumulative AIF revenue amounted to \$56,845 [2018 – \$53,638].



## NOTES TO FINANCIAL STATEMENTS

[in thousands of dollars]

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

	2019		2018	
	Contribution	Accumulated amortization	Unamortized contribution	Unamortized contribution
	\$	\$	\$	\$
Security grant	451	239	212	217
Canadian Air Transport Security Authority ["CATSA"]	2,643	1,717	926	1,045
Gateway	10,500	1,916	8,584	8,922
Nav Canada	13	7	6	7
Non-passenger Screening Vehicle – CATSA	150	93	57	82
Hold Baggage Screening ["HBS"] – CATSA	3,160	—	3,160	48
Taxiway Rehabilitation	2,942	—	2,942	—
	<b>19,859</b>	<b>3,972</b>	<b>15,887</b>	10,321

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

	2019	2018
	\$	\$
Amortization of capital assets	2,665	2,599
Amortization of related deferred contributions	(412)	(413)
Amortization	<b>2,253</b>	2,186

In 2019, the Authority received a contribution of \$3,113 [2018 – \$48] from CATSA for 100% of the engineering & construction costs related to the HBS Project. This contribution was deferred and will be amortized to income on the same basis as the amortization of the related asset once construction is complete. Contributions for HBS are recognized as costs are incurred, with total estimated costs for this project totaling \$3.3M. No contributions were unspent as at December 31, 2019.

In 2019, the Authority received a contribution of \$2,942 from Transport Canada for 50% of the engineering & construction costs related to the Taxiway Golf Rehabilitation Project. This contribution was deferred and will be amortized to income on the same basis as the amortization of the related asset once construction is complete. Contributions for the Taxiway Golf Rehabilitation Project are recognized as costs are incurred, with total estimated costs for this project totaling \$6.5M. No contributions were unspent as at December 31, 2019.

## NOTES TO FINANCIAL STATEMENTS

[in thousands of dollars]

### 5. Demand Instalment Loan

The demand instalment loan bears interest at an average floating rate of 2.61% and resets every 90 days based on the banker's acceptance market. Annual principal repayments amount to \$1,439 payable monthly.

The loan is subject to a financial covenant in the form of a modified fixed charge coverage ratio. The Authority was in compliance at year-end. The lender has taken as collateral a first charge mortgage for \$18,000 over property at 1750 Crumlin Road, which is included in structural leasehold improvements *[note 4]*.

The Authority also has available an undrawn revolving operating line of credit in the amount of \$500.

## NOTES TO FINANCIAL STATEMENTS

[in thousands of dollars]

### 6. Statement of operations and changes in net assets

	2019 \$	2018 \$
<b>Aeronautical revenue</b>		
Landing fees	1,812	1,518
Terminal fees	1,779	1,364
Security	521	410
	<b>4,112</b>	<b>3,292</b>
<b>Airport revenue</b>		
Parking	2,656	2,152
Concessions	1,590	1,355
Rentals [note 11]	932	928
Other	198	193
	<b>5,376</b>	<b>4,628</b>
<b>Salaries and employee benefits</b>		
Salaries and wages	3,336	3,055
Benefits [note 8]	503	572
	<b>3,839</b>	<b>3,627</b>
<b>Other operating and administration expenses</b>		
Municipal taxes	857	837
Utilities	695	655
Office and administration	471	470
Repairs, maintenance and equipment rentals	454	344
Contracted maintenance	444	414
Materials and supplies	374	303
Advertising and business development	311	186
Directors' fees and expenses	238	185
Professional fees	169	79
Vehicle maintenance	151	124
Insurance	131	131
	<b>4,295</b>	<b>3,728</b>



## NOTES TO FINANCIAL STATEMENTS

[in thousands of dollars]

### 7. Statement of cash flows

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

	2019 \$	2018 \$
<b>Decrease (increase) in current assets</b>		
Accounts receivable	(1,824)	(33)
Prepaid expenses and deposits	—	(4)
	<b>(1,824)</b>	<b>(37)</b>
<b>Increase (decrease) in current liabilities</b>		
Accounts payable and accrued liabilities	2,493	123
Deferred revenue	4	(4)
	<b>2,497</b>	<b>119</b>
	<b>673</b>	<b>82</b>

### 8. Employee benefit plans

	2019 \$	2018 \$
[a] Defined benefit pension plan asset	2,257	2,292
[b] Supplemental pension plan obligation	(529)	(465)
<b>Accrued pension asset, net</b>	<b>1,728</b>	<b>1,827</b>

#### [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, 2019 and was extrapolated to December 31, 2019.

[i] Pension expense for the defined contribution plan is \$97 [2018 – \$97].

## NOTES TO FINANCIAL STATEMENTS

[in thousands of dollars]

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

	2019 \$	2018 \$
Fair value of plan assets	11,628	10,712
Benefit obligation	(7,716)	(7,674)
<b>Funded status – plan surplus</b>	<b>3,912</b>	<b>3,038</b>
Valuation allowance	(1,655)	(746)
<b>Defined benefit pension plan asset</b>	<b>2,257</b>	<b>2,292</b>

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.

The asset allocation of the Plan is as follows:

	2019 %	2018 %
Equity securities	59.9	58.8
Debt securities	32.5	38.0
Other	7.6	3.2
	<b>100.0</b>	<b>100.0</b>

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

	2019 \$	2018 \$
<b>Defined benefit asset, beginning of year</b>	<b>2,292</b>	1,892
Pension recovery for the year	34	10
Authority contributions	29	47
Increase (decrease) in valuation allowance	(909)	832
Actuarial gain (loss)	811	(489)
<b>Defined benefit asset, end of year</b>	<b>2,257</b>	<b>2,292</b>

## NOTES TO FINANCIAL STATEMENTS

[in thousands of dollars]

The significant actuarial assumptions adopted in measuring the Authority's accrued benefit asset [obligation] under the defined benefit pension plan as at December 31, 2019 are as follows:

	2019 %	2018 %
Discount rate	4.50	4.50
Rate of compensation increase	2.50	2.50
Inflation rate	2.00	2.00

### [b] Supplemental pension plan obligation

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

	2019 \$	2018 \$
<b>Defined benefit obligation, beginning of year</b>	(465)	(387)
Pension expense for the year	(36)	(27)
Benefits paid	9	9
Actuarial loss	(37)	(60)
<b>Defined benefit obligation, end of year</b>	(529)	(465)

The Authority contributed \$9 [2018 – \$9] 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 \$81 [2018 – \$96] 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, 2019, 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 82% [2018 – 82%] of the trade accounts receivable balance as at December 31, 2019. 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.



# NOTES TO FINANCIAL STATEMENTS

## [in thousands of dollars]

December 31, 2019

### 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 revenues on a progressive scale.

Based on forecasts of future revenues [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:

	\$
2020	238
2021	268
2022	273
2023	279
2024	287

#### 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:

	\$
2020	929
2021	957
2022	986
2023	990
2024	995

# NOTES TO FINANCIAL STATEMENTS

## [in thousands of dollars]

### 12. Subsequent events

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 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 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.

