

Gander Int'l Gander International
Airport Authority

2023 ANNUAL REPORT





who we are

The Gander International Airport Authority is the not-for-profit organization created in 1996 to manage operations at CYQX. The GIAA is a community-based, non share capital corporation whose profits are reinvested back into the airport. The airport plays a key role in the economic and community development of the Central Newfoundland region.

mission statement

To be Central Newfoundland's valued airport partner, bringing together people, places, and possibilities while contributing to the province's prosperity.

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MESSAGE FROM THE Chairperson of the Board

On behalf of the Board of Directors, I offer my final message as Chairperson for inclusion in the Gander International Airport Authority's 2023 Annual Report.

The year 2023 proved to be another trial for us. While the pandemic's grip has loosened, the path to full recovery remains gradual.

Operating under a user-pay model, the airport faced dwindling usage, with revenues, passengers, and traffic hovering at two-thirds of pre-pandemic levels.

Despite these challenges, we prioritized safety and fiscal prudence, implementing various initiatives to manage costs and safeguard reserves. Regardless of our year-end figures, we've upheld our commitment to ensuring the airport's safe operation.

Looking ahead, the journey towards revival from survival beckons. The Board is diligently preparing a new Strategic Plan, charting a course for the airport's future. We recognize the need for adaptability and flexibility in navigating the evolving aviation landscape.

Amid the challenges, opportunities abound. The airport is not just a historical landmark but a vital economic asset, integral to our region and province's prosperity.

We will maintain a strategic yet candid perspective on the road ahead. The path to recovery may be long, but our resolve remains steadfast.

Our Board oversees a critical public responsibility, and we are dedicated to ensuring the effectiveness of our governance structure. This entails conducting thorough Board self-assessments, prioritizing enterprise risk management strategies, and seeking out top-notch new board members. I want to extend a heartfelt appreciation to Gene Hedges, our Governance Chairperson, and his committee, whose diligent efforts have been instrumental in upholding the airport's governance standards over the past few years.

I am privileged to serve alongside a dedicated and collaborative Board, and I extend heartfelt thanks to our management team and staff for their unwavering commitment.

I am immensely grateful for the opportunity to chair the Gander International Airport Authority's Board of Directors and saddened that my tenure here will conclude in September 2024. Taking the helm as the GIAA Chair in September 2020 amidst a global pandemic presented rewarding and challenging moments. As I conclude my tenure, reflecting on the journey and our resilience is essential, albeit in adversity.



My service to the Board over the past nine years has been rewarding and made better by the great people around me at the Board table and in senior management. It has been an incredible privilege, given to few, to serve an airport with a proud history known worldwide. I appreciate your trust in me and have brought my best to the role.

I'll think fondly of the people and partners I was privileged to work with over the years. Gander International Airport is a special place, with special people doing special things.

I am hopeful and confident that Gander International Airport will continue to succeed and have an enduring impact on our community's well-being.

Anne Manning-Moffitt

Anne Manning-Moffitt / Chairperson

**Our Board oversees
a critical public
responsibility.**



Corporate VALUES

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

Community Focused

Gander International Airport is a vital public trust run for and by the regional community. As a purpose-driven, not-for-profit organization, we understand our responsibility to be airport stewards and operate the airport in the shared interests of passengers and stakeholders.

Trusted and Reliable

We aim to bring our best to every passenger and aircraft we serve, every day, better. We understand that while success varies, integrity is foundational, which means striving to do the right thing, even when no one is watching.

Efficient

We strive to minimize waste, reduce energy consumption, and improve services. We strive to provide a safe, seamless, enjoyable customer experience from curb to gate.

Progressive

We are committed to adaptability, innovation, and a forward-thinking approach to managing and developing the airport.



MESSAGE FROM THE President and CEO

Arthur Price's Birds of Welcome symbolizes the airport's role in welcoming travellers and visitors. The bronze statue has stood sentinel in our international lounge for over half a century. Ultimately, the Birds of Welcome embodies the values of our airport, town and region. It is an expression of hospitality and connection.

A widespread belief, circulating among thousands and passed like a baton across generations, is that rubbing the birds' golden heads imbued good luck. You can see the lustrous sheen of wear on the crowns of their heads—as millions of people sought fortune and favour.

They say that until your luck changes, you're stuck with hard work, and that's exactly where the airport found itself in 2023.

The velocity of change from the COVID-19 crisis created new forms of financial and operational risk, pushing the airport into difficult places. While the Pandemic has receded into the rearview mirror, the airport is still grappling with an acute economic form of long COVID.

We were braced for a protracted recovery, and forecasts suggested the airport would not return to pre-crisis passenger levels until 2025. It appears now that it will be every bit of that timeline. In recent years, we at the GIAA have found it challenging to take a full breath, and our steps to recovery are halting and slow.

Substantial headwinds remain—a tight labour market, supply-chain bottlenecks, persistently high inflation, a roiling market, product scarcity, and rising prices for materials and utilities all contributed to higher airport costs.

Protecting the airport's balance sheet is very important if we are to fund the necessary improvements to safety-related capital the airport requires in the future. That said, our work at the airport is not all about turning 75 cents into a dollar.

2023 held some critical successes for the GIAA. We made meaningful gains in improving our facility and driving efficiency throughout the operation, leveraged opportunities in regenerative tourism with the continued growth of the international lounge as a visitor destination, ensured a safe, secure passenger experience, strengthened concessions, added to the airport's impressive lease portfolio, and began work on a new \$10M perishables center with transformative potential for YQX. However, our core business is in passengers and airplanes, and neither has recovered to pre-pandemic performance. An industry-wide pilot shortage and airline consolidation means that routes at Gander must be rebuilt under challenging circumstances.

As a mentor told me, the most important thing is to make the most important thing the most important thing. Restoring a meaningful year-round schedule to serve the needs of our region is the number one priority.

Airports and air services are connected to economic vitality and quality of life. Air access helps us attract new residents, workers, tourists, and investment. Airports connect us – geographically, culturally, economically, and socially. There is a lot at stake in growing connectivity at Gander, and the challenge is that this decision is not ours to make and is largely outside our sphere of control. We're enthusiastic about Central Newfoundland's exciting prospects and confident in the airport's role in it. Gander International Airport is more than history or culture; it's a vital strategic asset for our region's well-being and economic prosperity.

The airport had been on a solid trajectory before the Pandemic, but most everything has changed. Our organization sees this as an opportunity to reflect, revise, and reset as we work to revitalize the airport.

Aviation is truly a team sport. The airport family, team members, community partners, customers, airlines, and ambassadors played a crucial role in whatever success 2023 held. We'll need a strong team, our community's support, and a shared vision to weather the challenges ahead.



Reg Wright / President and CEO



OUR 2023 TEAM (as of Dec. 31, 2023)

Airfield Maintenance Specialists

Mike Foley Steve Holden
 Joey Hunt Scott Penney
 Colin Pope Adam Roberts
 Jason Timmons Darrell Whitt
 Travis Bauld Jody Shea
 Jeff King Jason Sweetapple
 Dale Bath Craig Rogers

Airfield Operations and Maintenance

Corey Winter, Supervisor of Airfield Maintenance

Electrical/Mechanical

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

Firefighters

Robert Brown
 Barry Torraville

Mechanics

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

Trades Helpers

Matthew Edison

Carpenter

Shannon Gillingham

Administration

Tina Slade, Supervisor of Finance and Human Resources
 Natasha Pearce, Community Engagement Officer
 Janice Bath, Executive Assistant

Management

Reg Wright, President and CEO
 Tony Hiscock, Director of Finance
 Tony Barron, Director of Operations







Business Development and Air Service

Air service connects our region with the world and supports economic growth, jobs, trade, and tourism.

Air access helps us attract new residents, workers, tourists, and investment. Airports and air services connect us – culturally, economically, and socially.

YQX finished the year with 109,678 passengers, down 33% from pre-pandemic performance and a modest 4% increase over 2022. Again, the loss of capacity from Sunwing and WestJet, which vacated the market in various forms in 2022 and since merged, substantially impacted performance.

On the positive side, Air Canada's seasonal services remain well-subscribed, and PAL Airlines's interprovincial service growth contributes positively to the airport.

The GIAA and its partners continue to work to improve connectivity at YQX, with ongoing exchanges with airlines to provide service proposals, incentives, and data.

The undersupply of net seats, schedules, and competition is a significant blow that hurt the Central region's competitiveness, sustainability, and prosperity, particularly for our trade-dependent business community. The region's most strategic sectors – agrifoods, aquaculture, aviation, fishing, forestry, mining, professional services, and tourism – depend on flow and mobility.

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

It is important to remember that airports do not make air service decisions – airlines do. The GIAA will continue to work with its community partners to present timely and defensible business cases to prospective and tenant airlines. The airport's ability to retain routes and airlines, thereby passengers, will influence the airport's success. The GIAA's ability to restore lost routes in a manner that is profitable for airline partners is the primary challenge in the future.

Most international technical stop traffic segments have recovered 80-90% of pre-pandemic levels.

Land Development

Since assuming airport management from Transport Canada, the GIAA has taken steps to broaden its revenue streams, aiming to lessen reliance on the unpredictable aviation industry cycles. Income from land and building rentals now contributes \$2 million annually to the airport's finances.

Covering an extensive 11,278 acres, the airport oversees diverse parcels of land. While not all business ventures align with safe airport operations, the facility manages considerable expanses suitable for retail, industrial, recreational, and agricultural purposes.

Illustrating this strategic shift, the GIAA has embarked on developing a business park on a prime retail-oriented tract strategically positioned within a \$3 billion retail market. Airport tenants include four vehicle dealerships, a gas station, an ice cream shop, a coffee franchise, a furniture store, a hardware store and a recreational facility.

Development efforts continue with a new retail tenant, slated to occupy a 12-acre leasehold at the intersection of James and Cooper Boulevard. Further construction is scheduled in 2024 to accommodate additional tenants and enhance the retail landscape.

The airport continues to grow its lease portfolio for in-terminal office space. As of the end of 2023, 95% of non-restricted airport space is now leased or occupied.





Financial Performance

Small steps toward recovery

The financial outlook for 2023 demonstrates modest improvement, marking a slow but steady recovery from the challenges left in the wake of the global Pandemic. The relaxation of travel restrictions and a resurgence in consumer confidence have spurred an increase in travel demand, positively impacting the airport's aeronautical revenue streams. Aeronautical revenue increased 3.4%, driven by heightened flight operations and passenger throughput. This growth played a critical role in counterbalancing ongoing high operating costs. Despite the uptick in revenue, operational costs continued to present challenges, albeit at a more manageable scale compared to 2022.

Revenue

Total revenue for 2023 reached \$8.4 million, marking a 28% increase from the previous year. This growth was primarily driven by enhanced aeronautical revenue and revitalized investment income.

The airport's financial standing significantly improved due to a recovery in short-term investments as markets stabilized and interest rates adjusted to new economic conditions. This rebound helped alleviate financial strains experienced in earlier periods, resulting in a stronger financial position by year-end.

Operating Expenses

Operating expenses, adjusted for increases in financing, amortization, and utilities, aligned closely with the inflation rate for 2023. A weak Canadian dollar also contributed to an \$858,000 rise in expenses compared to the previous year.

Capital Investment

The GIAA's capital investment strategy remained focused, with substantial expenditures allocated to modernizing facilities and upgrading technological capabilities. These investments amounted to \$3.5 Million, partly offset by government grants and funding covering approximately 20% of capital expenditures.

Overall Performance

The 2023 financial performance signifies a positive shift towards recovery and growth, albeit at a slower pace than initially forecasted, with anticipated near-term losses. Challenges persist, particularly in aligning revenue growth with escalating costs. However, the GIAA's diversified revenue streams and strategic capital management have positioned us well to navigate the evolving economic landscape. Despite an overall loss of \$1.7 million for the year, there's a positive cash balance of \$61,000 at year-end.

Going forward, the GIAA will maintain an agile approach to management and strategic planning, ensuring responsiveness to market conditions and regulatory changes. Our commitment to operational excellence and financial prudence will drive efforts towards achieving sustainable growth and enhancing financial resilience.



Community Engagement

Community engagement remains a cornerstone goal for the GIAA, underscoring our commitment to fostering meaningful connections with the communities and people we serve.

As an integral part of the community fabric, the airport maintains its role as an active philanthropic contributor. Its support extends to local non-profit endeavours, spanning community events, promoting arts and culture, youth sports initiatives, and aid for families facing hardship. Notably, there's a dedicated emphasis on children's charities, aligning with a core mandate to assist underprivileged children in the region.

This commitment to philanthropy is more than just financial support; it represents a deeper ethos of caring and responsibility towards the community. By investing in these causes, the GIAA fulfills its corporate social responsibility and cultivates a sense of solidarity and shared purpose with the communities it serves.

Community Consultative Committee

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



\$63 Million

in capital works projects completed over the last 20 years

29,515

total aircraft movements

1,890 days

without a lost time accident

Infrastructure and Operations

Reinvesting in the airport and its people

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

Capital

The GIAA invested \$3.5 Million in capital improvements in 2023, emphasizing leasehold improvements, airside and groundside improvements and fleet renewal.

Energy Retrofit

The airport continued a \$5.8 Million energy retrofit program, substantially reducing oil consumption and associated greenhouse gas emissions while reducing utility and operating costs.

Cargo Centre

Preliminary work and project design began on a new \$10M cargo facility project. The

seafood storage facility will have water treatment systems, seawater storage tanks, and cold/chilled storage. It will store over 75 tonnes of fresh or live seafood, allowing for rapid offloading of delivered cargo from shippers and producers.

It will also inform the strategy as the airport looks to extend the life of its aging air terminal building in the most prudent way possible. In terms of horizontal assets, repairs were made to Runway 03/21 and Apron 2.

Fleet Enhancements

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

Safety

Safety is paramount at the Gander International Airport. The GIAA is dedicated to maintaining a safe and secure environment for its workforce, passengers, and partner airlines, necessitating adherence to the most rigorous safety protocols.

Operating within a tightly regulated framework, Gander International Airport consistently earns accolades from aeronautical, environmental, and safety auditors. Their assessments affirm the airport's proficiency in managing all airport operations.

A steadfast commitment to cultivating a culture of safety and security pervades the airport's operations. Key areas of ongoing attention include the mitigation of runway incursions, wildlife management to minimize bird strike risks, and the meticulous clearance of operating surfaces from foreign object debris (FOD).

In alignment with international standards, the airport's winter operations team seamlessly transitioned to the International Civil Aviation Organization's (ICAO) new Global Reporting Format for assessing runway surface conditions.

Throughout 2023, the airport's emergency response services demonstrated agility and proficiency in handling incidents of varying complexities. The airport's emergency teams remain vigilant and prepared, from addressing routine medical and security incidents to accommodating distressed and diverted aircraft.

Recognizing that the strength of any airport lies in its workforce, Gander International Airport takes pride in its dedicated and skilled personnel. Despite navigating through intricate and demanding circumstances, the GIAA team exhibits remarkable resilience, ensuring operational excellence at every turn.

The airport team has maintained an ongoing commitment to fostering a culture of safety and security. Core areas of ongoing focus include reducing runway incursions, wildlife control/minimizing the threat of bird strikes, and ensuring operating surfaces are free of foreign object debris (FOD).

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

Over 2023, airport emergency services responded to incidents of varying severity. These include responding to routine medical and security incidents and accommodating distressed and diverted aircraft.

GIAA staff have surpassed 1,890 days without a lost-time accident.

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

Environmental

Environmental stewardship is a core principle that guides the operations of the airport. The GIAA is committed to minimizing its ecological footprint, and the authority rigorously adheres to all relevant environmental regulations and laws.

Underpinning this commitment is the Environmental Management Strategy, which serves as a roadmap for ensuring compliance and driving continuous improvement in environmental performance.

Central to its environmental initiatives is the Contaminated Site Program, designed to assess and remediate sites on airport premises that pose potential risks to groundwater, surface water, and freshwater ecosystems. Notably, efforts are underway to remediate two known hydrocarbon-contaminated sites, with one already undergoing remediation.

In a proactive move towards environmental restoration, the contaminated war-era sewage treatment plant on Circular Road was successfully removed and remediated in 2023. Remediation efforts to structures at the Deadman's Pond water dome were also completed in 2023.

Extensive testing across four sample areas were conducted to monitor and manage glycol levels, with results consistently falling within federal environmental guidelines. This meticulous approach underscores the GIAA's unwavering commitment to safeguarding the environment while maintaining operational excellence.



Corporate Governance

Managed for the community, by the community

It is the policy of the Gander International Airport Authority Inc. to follow the governance practices of the Toronto Stock Exchange (TSX model). Accordingly, the GIAA has implemented the following guidelines.

The Board:

1. Assumes responsibility for stewardship of the Corporation and specifically for:
 - a) Adoption of a Strategic Planning Process for managing principal risks and implementing a Risk Management System
 - b) Succession planning and monitoring senior management
 - c) Communications Policy; and,
 - d) The integrity of internal controls and Management Information Systems
2. Ensures that the majority of directors are unrelated including committee members.
3. Ensures full disclosure is required to determine whether or not directors are related and how that conclusion was researched.
4. Appoints a committee responsible for the assessment of new directors. The committee makes recommendations to the Board of Directors as to suitability according to the by-laws, and ensures that new directors meet the skill sets required by the Authority.
5. Implements a process for assessing the effectiveness of the Board, its committee and individual directors.
6. Provides an orientation and education program for new directors.

7. Reviews, on an annual basis, the compensation of directors in light of risks and responsibilities.

8. Ensures all committees are comprised of unrelated non-management directors.

9. Has developed limits to management's responsibilities by developing mandates for the Board and CEO. The Board approves the CEO's corporate objectives.

10. Has established an audit and procedures committee. All voting members are unrelated and non-management.

The GIAA Board is composed of 13 directors, 10 nominated by the respective entities and three appointed by the Board itself. Directors are nominated/appointed by the following entities:

Federal Government	2 (1 vacant)
Provincial Government	1
Town of Gander	3
Gander and Area Chamber of Commerce	1
Lewisporte Area Chamber of Commerce	1
Exploits Regional Chamber of Commerce	1
GIAA Board of Directors	3 (1 vacant)
Town of New-Wes-Valley	1

A director may serve no more than a total of nine years. Collectively, directors are to possess knowledge relating to the aviation industry, air transportation, business, finance, administration, law, government, engineering, labour organizations and the interest of consumers.

Corporate Governance *(cont)*

As of December 31, 2022, the GIAA Board of Directors, their nominating entity and the term expiry were as follows:

Susan Sullivan, Exploits Chamber	June 16, 2024
Gary Aucoin, Lewisporte Chamber	Aug. 23, 2024
Rod French, Gander Chamber	Feb. 17, 2024
Gene Hedges, Town of Gander	April 15, 2026
Bruce Terris, Town of Gander	Sept. 21, 2024
Zane Tucker, Town of Gander	June 16, 2024
Anne Manning-Moffitt, GIAA	Sept. 16, 2024
Winston Carter, Town of New-Wes-Valley	Feb. 9, 2024
Rose Bungay, Provincial Government	Feb. 22, 2020
Peggy Bartlett, Federal Government	Aug. 23, 2024
Bob Daye, GIAA	Jan. 19, 2024

Contracts Not Tendered

Pursuant to the public accountability principles for Canadian airport authorities, general by-laws and the Authority's procurement policy for goods and services, all contracts valued at more than \$125,109 (\$75,000 2001 dollars) shall be awarded following a competitive public tendering process unless the Authority, for reasons of efficiency and practicality, decides otherwise.

Reasons for exceptions:

A. Whenever the Authority determines it more efficient to award a contract to an existing supplier, whenever services suppliers are deemed to have developed a specific skillset or knowledge base from a previous contract, or whenever exceptional circumstances of urgency require that work be undertaken immediately to avoid compromising the safety of people or premises.

B. Whenever a supplier is the owner, patentee or licensee of technology being acquired, whenever supplier experience and expertise are deemed to be quasi-exclusive, or whenever the maintenance of a supply source is essential given the extent of investments already made to establish a standard.

Contracts under \$1 million:

<i>Supplier</i>	<i>Service</i>	<i>Contract Value</i>	<i>Code</i>
Canadian Corps of Commissionaires	Security	\$336,066	A
G&M Enterprises	Janitorial	\$347,969	A

Committees

There are four permanent committees of the Board of Directors. Committees are only empowered to make recommendations to the Board unless directed otherwise by the Board. Committees and their chairs include: Executive Committee, chaired by Anne Manning-Moffitt; Finance and Audit Committee, chaired by Rod French; Infrastructure and Development Committee, chaired by Bob Daye and the Governance Committee, chaired by Gene Hedges.

Senior Officers

Reg Wright, President and CEO
Tony Hiscock, Director of Finance
Tony Barron, Director of Operations

Senior Officer Compensation

The remuneration paid to executive officers was \$604,146.

Board Compensation

In establishing appropriate compensation for directors, GIAA's Governance Committee conducted a compensation survey, which is reviewed regularly to ensure it is comparable to similar markets.

Directors total compensation for 2023 was \$77,951.

Code of Conduct for Directors

All directors of the Authority are required to comply with a Code of Conduct and Rules Concerning Conflict of Interest. These require that directors avoid and refrain from involvement in conflict of interest situations. All directors are in compliance with this code.

Highlights and Required Declarations

Capital Initiatives

During the past year, the authority invested \$3.5 Million in capital improvements:

Road and Parking areas	\$	221,361
Runway		253,176
Equipment		75,187
Vehicles		645,495
Leasehold improvements	\$	2,327,512
Total	\$	3,522,731

Community Consultative Committee

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

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

Community Consultative Committee Members

Chris Tuck	Deborah Bourden
Percy Farwell	Rex Avery
Judy Jenkins	Derm Chafe
Denise Cornish	Stan Singh
Genevieve Squire	Debby Yannakidis
Linda White	

Business Plan

	Actual	Budgeted	Difference	Explanation
Revenue	\$ 8,379,590	7,853,543	526,047	Improved aeronautical returns
Expenses, excluding depreciation	\$ 8,318,157	7,643,834	674,323	Increased materials cost/interest
Capital Expenditures	3,522,731	7,218,000	(3,695,269)	CapEx deferred

Forecast for next five years

	2024	2025	2026	2027	2028
Revenue	\$8,449,288	8,871,752	9,315,340	9,781,107	10,270,162
Expenses, excluding depreciation	\$7,730,936	8,117,483	8,523,357	8,949,525	9,7397,001
Capital Expenditures	1,917,369	2,000,000	2,000,000	2,000,000	2,000,000

2023 GIAA Board of Directors

As of Dec. 31, 2023

(Top row, from left)

Anne Manning-Moffitt
Chairperson

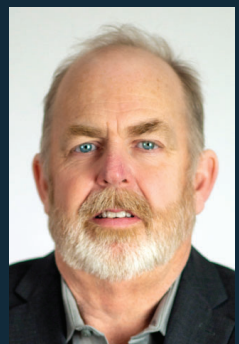
Rod French
Vice Chairperson

Gene Hedges
Secretary/Treasurer



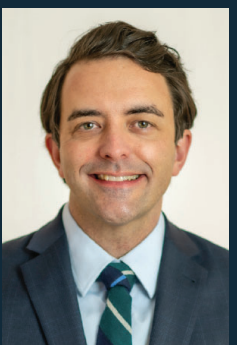
(Middle, from left)

Bruce Terris
Gary AuCoin
Peggy Bartlett
Winston Carter



(Bottom, from left)

Bob Daye
Zane Tucker
Susan Sullivan
Rose Bungay



02

FINANCIAL REPORT

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Blair J. Jewer
Chartered Professional Accountant

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To the Members
Gander International Airport Authority Inc.

Opinion

I have audited the financial statements of Gander International Airport Authority Inc. (the Organization), which comprise the statement of financial position as at December 31, 2023, and the statement of operations, statement of net assets and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at December 31, 2023, and its financial performance and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinion

I conducted my audit in accordance with Canadian generally accepted auditing standards. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am independent of the Organization in accordance with the ethical requirements that are relevant to my audit of the financial statements in Canada, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Organization's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Organization or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Gander International Airport Authority's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Gander International Airport Authority's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause Gander International Airport Authority to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.



Grand Falls-Windsor, NL
April 25, 2024

Chartered Professional Accountant
Chartered Accountant

GANDER INTERNATIONAL AIRPORT AUTHORITY INC.
STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2023

	<u>2023</u>	<u>2022</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 3,000	\$ 3,000
Short term investments	12,083,359	13,103,611
Accounts receivable (Note 3)	736,610	856,524
Advances to International Lounge Foundation	150,987	-
Inventory (Note 4)	554,366	702,450
Prepaid expenses	164,138	136,904
	13,692,460	14,802,489
EMPLOYEE FUTURE BENEFITS (Note 10)	934,000	576,000
EMPLOYEE LOANS RECEIVABLE (Note 9)	124,250	-
TANGIBLE CAPITAL ASSETS (Note 5)	32,446,428	32,132,457
	\$ 47,197,138	\$ 47,510,946
LIABILITIES		
CURRENT LIABILITIES		
Bank indebtedness (Note 6)	\$ 1,173,327	\$ 864,707
Accounts payable (Note 7)	2,001,500	1,422,126
Customer deposits	330,784	326,769
Deferred revenue	191,730	184,779
Accrued severance pay	-	225,000
Current maturity on long-term debt	959,065	816,235
	4,656,406	3,839,616
LONG TERM DEBT (Note 8)	15,989,952	15,184,135
ACCRUED SEVERANCE PAY	649,382	551,946
UNAMORTIZED CAPITAL GRANTS (Note 11)	10,476,227	11,197,972
	31,771,967	30,773,669
NET ASSETS		
INVESTED IN TANGIBLE CAPITAL ASSETS	5,021,184	4,934,115
EXTERNALLY RESTRICTED – EMPLOYEE FUTURE BENEFITS	934,000	576,000
UNRESTRICTED	9,469,987	11,227,162
	15,425,171	16,737,277
	\$47,197,138	\$ 47,510,946

CONTRACTUAL OBLIGATIONS (NOTE 15)
Signed on behalf of the Board,

COMMITMENTS (NOTE 17)

Anne Manning-Moffitt, Director *Ed F...*, Director

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

GANDER INTERNATIONAL AIRPORT AUTHORITY INC.

STATEMENT OF OPERATIONS

FOR THE YEAR ENDED DECEMBER 31, 2023

	<u>2023</u>	<u>2022</u>
REVENUE (Note 12)	\$ 8,379,590	\$ 6,543,392
EXPENSES		
<i>Advertising and promotion</i>	87,564	65,749
<i>Bad debt expense</i>	36,415	-
<i>Board remuneration and travel</i>	115,182	81,993
<i>Communications</i>	65,138	60,082
<i>Equipment and vehicle operating</i>	359,001	443,743
<i>Insurance</i>	301,042	257,731
<i>Interest and bank charges</i>	727,706	603,146
<i>Licences and fees</i>	51,949	41,035
<i>Maintenance contracts</i>	379,520	339,427
<i>Materials and supplies</i>	751,554	478,538
<i>Office and administration</i>	109,726	145,140
<i>Payment in lieu of taxes</i>	131,702	127,432
<i>Professional fees</i>	133,205	188,853
<i>Repairs and maintenance</i>	444,948	420,878
<i>Security contracts</i>	358,026	350,016
<i>Travel and training</i>	123,125	76,739
<i>Utilities</i>	963,470	904,341
<i>Wages and employee benefits</i>	3,113,884	3,153,732
<i>Ground lease</i>	-	-
<i>Depreciation, net of grant amortization \$1,412,884 (2022 - \$1,317,375)</i>	1,760,539	1,481,959
<i>Impairment loss on equipment held for resale inventory</i>	65,000	-
	<u>10,078,696</u>	<u>9,220,534</u>
EXCESS OF REVENUE OVER EXPENSES	<u>\$(1,699,106)</u>	<u>\$(2,677,142)</u>

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

GANDER INTERNATIONAL AIRPORT AUTHORITY INC.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2023

	<u>2023</u>	<u>2022</u>
CASH WAS PROVIDED BY (USED FOR)		
<i>Operating</i>		
<i>Net excess of revenue over expenses</i>	\$(1,699,106)	\$(2,677,142)
<i>Non-cash items, depreciation, net of grant amortization</i>	1,760,539	1,481,959
<i>Gain on disposal of property, plant, and equipment</i>	(57,839)	-
<i>Change in fair value of short term investments</i>	(543,340)	1,471,841
	<u>(539,746)</u>	<u>276,658</u>
<i>Changes in non-cash working capital</i>		
<i>Current assets (Note 13)</i>	89,777	(353,673)
<i>Current liabilities (Note 13)</i>	365,340	976,038
<i>Change in fair value recognized as component of cash</i>	543,340	(1,471,841)
	<u>458,711</u>	<u>(572,818)</u>
<i>Investing</i>		
<i>Proceeds from sale of tangible capital assets</i>	93,175	190,514
<i>Purchase of tangible capital assets</i>	(3,522,731)	(6,351,268)
<i>Employee loans receivable</i>	(124,250)	-
<i>Employee future benefit asset, including adjustment to net assets</i>	29,000	2,000
	<u>(3,524,806)</u>	<u>(6,158,754)</u>
<i>Financing</i>		
<i>Accrued severance pay</i>	97,436	(88,965)
<i>Repayment of long-term debt</i>	(855,064)	(738,097)
<i>Proceeds from long-term debt</i>	1,803,712	3,043,462
<i>Contribution agreement funding</i>	691,139	2,059,085
	<u>1,737,223</u>	<u>4,275,485</u>
(DECREASE) IN CASH	<u>(1,328,872)</u>	<u>(2,456,087)</u>
CASH, BEGINNING	<u>12,241,904</u>	<u>14,697,991</u>
CASH, ENDING	<u>\$10,913,032</u>	<u>\$12,241,904</u>
CASH CONSISTS OF:		
<i>Cash on hand</i>	\$ 3,000	\$ 3,000
<i>Current account (overdraft) - operating</i>	(1,173,327)	(864,707)
<i>Short term investments</i>	<u>12,083,359</u>	<u>13,103,611</u>
	<u>\$10,913,032</u>	<u>\$12,241,904</u>

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

GANDER INTERNATIONAL AIRPORT AUTHORITY INC.

NOTES TO FINANCIAL STATEMENTS

AS AT DECEMBER 31, 2023

1. NATURE OF OPERATIONS

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

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

The objectives of the GLAA are:

-to manage operate and develop the Gander International Airport in a safe, secure, efficient, cost effective and financially viable manner with reasonable airport user charges and equitable access to all carriers;

-to undertake and promote the development of the Airport lands, for which it is responsible, for uses compatible with air transportation activities;

-to expand transportation facilities and generate economic activity in ways which are compatible with air transportation activities.

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

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

2. SIGNIFICANT ACCOUNTING POLICIES

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

(a) Cash and cash equivalents

The entity's policy is to disclose bank balances under cash and cash equivalents, including bank overdrafts with balances that fluctuate frequently from being positive to overdrawn and short-term investments cashable within three months or less.

(b) Financial instruments

The entity initially measures its financial assets and liabilities at fair value.

The entity subsequently measures all its financial assets and financial liabilities at amortized cost, except for investments in equity instruments that are quoted in an active market, which are measured at fair value.

Changes in fair value are recognized in excess of revenue over expenses.

Financial assets measured at amortized cost include cash, term deposits, and accounts receivable.

Financial liabilities measured at amortized cost include the accounts payable and long-term debt.

The entity's financial assets measured at fair value include a number of other investments, i.e. quoted shares.

Financial assets measured at cost are tested for impairment when there are indicators of impairment. The amount of the write-down is recognized in net income. The previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in excess of revenue over expenses.

The entity recognizes its transaction costs in net income in the period incurred. However, financial instruments that will not be subsequently measured at fair value are adjusted by the transaction costs that are directly attributable to their origination, issuance or assumption.

GANDER INTERNATIONAL AIRPORT AUTHORITY INC.

NOTES TO FINANCIAL STATEMENTS

AS AT DECEMBER 31, 2023

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) Depreciation

Depreciation was provided on tangible capital assets using the straight-line method at the following rates per annum:

<i>Runway</i>	<i>5%</i>	<i>Vehicles</i>	<i>10%</i>	<i>Roads</i>	<i>6.67%</i>
<i>Approach lighting</i>	<i>5%</i>	<i>Software</i>	<i>10%</i>	<i>Equipment</i>	<i>10%, 20%</i>

Leasehold improvements 10%, 20%

(d) Tangible capital asset additions are recorded at cost.

(e) Inventory

Inventory is recorded at the lower of cost and estimated net realizable value. Inventory cost is calculated on the first in, first out basis. Net realizable value of consumable supplies is its replacement cost.

(f) Facilities Lease

The lease of the International Airport Facilities from the Government of Canada (the "Landlord") is accounted for as an operating lease.

(g) Deferred government assistance

Government assistance received for the purpose of acquiring tangible capital assets is accounted for as deferred government assistance and amortized on the same basis as the related tangible capital assets.

(h) Pension Plan

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

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

The Authority's approach to account for defined benefit pension costs is the going concern funding basis.

The accrued benefit obligation, as presented in Note 9 of the financial statements, is measured using an actuarial valuation prepared for funding purposes. The actuarial costing method used is Projected Unit Credit pro-rated over credited service.

In accordance with Part III, Section 3463 of the Chartered Professional Accountants of Canada Handbook - Accounting, Remeasurement and other items impacting the accrued benefit asset are recognized directly in the Statement of Net Assets rather than in the Statement of Operations.

(i) Revenue Recognition

Revenue is recognized using the deferral basis of accounting.

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of activities. Revenue is shown net of value added tax, rebates and discounts.

Airport improvement fee revenue is recognized as income in the periods passengers depart from the airport.

Landing fees, terminal fees, aviation fuel fees and miscellaneous revenue is recognized as airport facilities are utilized.

GANDER INTERNATIONAL AIRPORT AUTHORITY INC.

NOTES TO FINANCIAL STATEMENTS

AS AT DECEMBER 31, 2023

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(i) Revenue Recognition (cont'd)

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

(j) Foreign currency transactions

The entity uses the temporal method to translate its foreign currency transactions. Monetary assets and liabilities are translated at the exchange rate in effect at the balance sheet date. Other assets and liabilities are translated at the exchange rate in effect at the transaction date. Items appearing in the current year's income statement, except for the cost of inventories and depreciation translated at historic rate, are translated at average year rates. Exchange gains and losses are included in the statement of operations.

(k) Accounting estimates

The preparation of the financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future periods could be significant.

	<u>2023</u>	<u>2022</u>
3. ACCOUNTS RECEIVABLE		
<i>Trade</i>	\$ 783,025	\$ 597,894
<i>Government assistance – capital</i>	-	268,630
	783,025	866,524
<i>Allowance for doubtful accounts</i>	46,415	10,000
	\$ 736,610	\$ 856,524
4. INVENTORY		
<i>Consumable supplies</i>	\$ 502,872	\$ 522,257
<i>Gift shop goods for resale</i>	-	63,699
<i>Restaurant raw materials</i>	51,494	51,494
<i>Vehicles held for resale</i>	-	65,000
	\$ 554,366	\$ 702,450

The carrying amount of inventories carried at other than cost is \$Nil.

The amount of any write-down recognized as an expense in the period is \$Nil.

The amount of reversal of any write-down recognized in the period is \$Nil.

The carrying amount of inventory pledged as security for bank indebtedness is \$ Nil.

GANDER INTERNATIONAL AIRPORT AUTHORITY INC.

NOTES TO FINANCIAL STATEMENTS

AS AT DECEMBER 31, 2023

		<u>2023</u>	<u>2022</u>
5. TANGIBLE CAPITAL ASSETS			
	<i>Cost</i>	<i>Accumulated Depreciation</i>	
<i>Runway</i>	\$28,576,039	\$16,300,937	\$12,275,102
<i>Approach Lighting</i>	1,976,673	1,630,044	346,629
<i>Equipment</i>	2,275,441	1,426,473	848,968
<i>Vehicles</i>	7,734,278	3,737,994	3,996,284
<i>Software</i>	62,560	62,560	-
<i>Leasehold improvements</i>	13,398,203	2,545,798	10,852,405
<i>Land development</i>	1,466,616	-	1,466,616
<i>Roads and parking areas</i>	4,665,086	2,671,625	1,993,461
<i>Water and sewer Infrastructure</i>	1,002,321	335,358	666,963
	<hr/>	<hr/>	<hr/>
	61,157,217	28,710,789	32,446,428
<i>Assets under development</i>	-	-	-
	<hr/>	<hr/>	<hr/>
	\$ 61,157,217	\$28,710,789	\$32,446,428
	<hr/>	<hr/>	<hr/>
		\$32,132,457	

6. BANK INDEBTEDNESS

GLAA has an operating line of credit of \$1,500,000 bearing interest at Scotiabank prime less 0.5%. It is secured by a general security agreement over all present and future personal property, letter of undertaking to maintain and use cash reserves to fund any shortfalls in debt servicing capacity. In addition there are collateral security agreements over specific equipment that are used as security for specific equipment finance contracts. (see Note 8).

GLAA also has available a line of credit of \$2,500,000 bearing interest at Scotiabank prime plus A spread percentage set prior to each advancement to finance tangible capital assets.

Components of long term debt totalling \$1,940,276 (2022 - \$1,819,639) is considered by the bank to reduce the amount of credit available, leaving an unused balance of \$559,724.

<i>Operating</i>	\$ 1,173,327	\$ 864,707
	<hr/>	<hr/>

7. ACCOUNTS PAYABLE

<i>Trade</i>	\$ 1,748,921	\$ 1,334,727
<i>Accrued wages</i>	112,566	79,158
<i>Government remittances</i>	(676)	(116,919)
<i>Accrued vacation pay</i>	140,689	125,160
	<hr/>	<hr/>
	\$ 2,001,500	\$ 1,422,126
	<hr/>	<hr/>

GANDER INTERNATIONAL AIRPORT AUTHORITY INC.

NOTES TO FINANCIAL STATEMENTS

AS AT DECEMBER 31, 2023

	<u>2023</u>	<u>2022</u>
8. LONG-TERM DEBT		
<i>Bank of Nova Scotia</i>		
<i>1.79% Partial Interest Rate Swap term loan, repayable by monthly installments of \$56,250, secured by Bankers Acceptance Agreement, due September 2027, amortized to 2040</i>	\$ 11,545,918	\$12,070,820
<i>2.65% equipment finance contract, repayable by 59 blended monthly Installments of \$13,668 and one final blended payment of 332,813, due 2026, secured by vehicle with net book value of \$830,043</i>	743,300	885,567
<i>2.55% equipment finance contract, repayable by blended monthly Installments of \$1,712 due 2026, secured by vehicles with net book value of \$72,513</i>	56,082	74,928
<i>Base rate plus 1.00% equipment finance contract, repayable by Interest only payments to June 2024 and anticipated blended monthly payments (of \$28,988 at interest rate of 7% anticipated) due 2029, amortized to 2049</i>	3,462,622	2,109,911
<i>4.23% equipment finance contract, repayable by 59 blended monthly Installments of \$1,438, due 2025, secured by vehicle with net book value of \$46,293</i>	22,339	38,287
<i>4.86% equipment finance contract, repayable by 59 blended monthly Installments of \$12,637 and one final blended payment of \$283,053 due 2027, secured by vehicle with net book value of \$874,310</i>	706,585	820,857
<i>6.48% equipment finance contract, repayable by blended monthly installments of \$8,820 due 2028, secured by vehicle with net book value of \$413,417</i>	412,171	-
	16,949,017	16,000,370
<i>Current maturity</i>	959,065	816,235
	\$15,989,952	\$ 15,184,135

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

<i>2024 - \$ 959,065</i>	<i>2026 - \$1,341,978</i>	<i>2028 - \$756,854</i>
<i>2025 - \$1,014,326</i>	<i>2027 - \$1,106,299</i>	

The Authority has an authorized loan in the amount of \$4,100,000 to finance retrofit of the air terminal building heating system project and other facility renewal projects. As of December 31, 2023, \$3,462,622 has been drawn against this credit facility The remaining authorized amount is expected to be drawn down in 2024.

The Bank of Nova Scotia bank indebtedness and long-term debt is secured by additional security of a general security agreement over present and future personal property.

GANDER INTERNATIONAL AIRPORT AUTHORITY INC.

NOTES TO FINANCIAL STATEMENTS

AS AT DECEMBER 31, 2023

8. LONG-TERM DEBT

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

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

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

<i>For the twelve months ended</i>	<i>Amount</i>
<i>March 2023</i>	<i>(\$ 700,000)</i>
<i>June 2023</i>	<i>(\$ 500,000)</i>
<i>September 2023</i>	<i>\$ 300,000</i>
<i>December 2023</i>	<i>\$ 600,000</i>

Thereafter to December 31, 2024 is yet to be determined.

This covenant expires December 31, 2024.

3. For quarters subsequent to December 31, 2024, the ratio of EBITDA to interest on long term debt plus current maturities on long term debt and capital leases is to be maintained at all times at 1.25:1 or greater, calculated quarterly on a rolling four quarter basis.

4. Maximum annual capital expenditures shall be \$3,800,000 for 2023 and \$2,000,000 for subsequent years.

The Authority was compliant with all relevant covenants to December 31, 2023.

9. EMPLOYEE LOANS RECEIVABLE

The Authority has authorized investment in an employee loan receivable. The terms of the loan are 4% interest payable annually, with no set terms of repayment of outstanding principal.

GANDER INTERNATIONAL AIRPORT AUTHORITY INC.

NOTES TO FINANCIAL STATEMENTS

AS AT DECEMBER 31, 2023

	<u>2023</u>	<u>2022</u>
10. EMPLOYEE FUTURE BENEFITS		
<i>The Authority has a defined benefit and a defined contribution group registered retirement savings plan providing retirement benefits to most of its employees. The defined benefit pension plan is based on years of service and final average salary. Pension benefits will increase annually by 50% of the rate of inflation. The authority measures its accrued benefit obligation and the fair value of plan assets for accounting purposes as at January 1 of each year. The most recent actuarial valuation of the pension plans for funding purposes was January 1, 2023 and the next required valuation will be as of January 1, 2023. The reported amounts are based on the January 1, 2023 valuation as extrapolated to December 31, 2023, after adjusting for changes in assumptions.</i>		
<i>(a) The net expense for the Authority's defined benefit Pension plan is as follows:</i>		
<i>Current service cost</i>	\$ 26,000	\$ 58,000
<i>Provision for non-investment expenses</i>	32,000	21,000
<i>Finance costs (return on plan assets in excess of interest incurred on plan obligations)</i>	(26,000)	(30,000)
<i>Net plan expenses</i>	<u>\$ 32,000</u>	<u>\$ 49,000</u>
<i>(b) Information about the Authority's defined benefit Pension plan at December 31 is as follows:</i>		
<i>Plan assets</i>		
<i>Fair market value beginning</i>	\$ 8,238,000	\$ 9,618,000
<i>Return on plan assets</i>	888,000	(1,125,000)
<i>Administrative expenses</i>	(39,000)	(32,000)
<i>Employer contributions</i>	4,000	24,000
<i>Employee contributions</i>	-	7,000
<i>Benefits paid</i>	(293,000)	(254,000)
<i>Market value ending</i>	<u>8,798,000</u>	<u>8,238,000</u>
<i>Plan obligations</i>		
<i>Benefit obligation, beginning</i>	5,542,000	5,560,000
<i>Current service cost</i>	26,000	58,000
<i>Employee contributions</i>	-	7,000
<i>Interest cost</i>	243,000	245,000
<i>Benefits paid</i>	(293,000)	(254,000)
<i>Actuarial (gains) losses</i>	329,000	(74,000)
<i>Benefit obligation, ending</i>	<u>5,847,000</u>	<u>5,542,000</u>
<i>Surplus</i>	2,951,000	2,696,000
<i>Valuation allowance adjustment</i>	(2,017,000)	(2,120,000)
<i>Accrued benefit asset (liability)</i>	<u>\$ 934,000</u>	<u>\$ 576,000</u>

GANDER INTERNATIONAL AIRPORT AUTHORITY INC.

NOTES TO FINANCIAL STATEMENTS

AS AT DECEMBER 31, 2023

	<u>2023</u>	<u>2022</u>
10. EMPLOYEE FUTURE BENEFITS (CONT'D)		
<i>(c) Reconciliation of the funded status of the benefit plan to the amounts recorded in the financial statements</i>		
<i>Fair value of plan assets</i>	\$ 8,798,000	\$ 8,238,000
<i>Accrued benefit obligation</i>	(5,847,000)	(5,542,000)
<i>Funded status of plan</i>	2,951,000	2,696,000
<i>Valuation adjustment allowance</i>	(2,017,000)	(2,120,000)
	<u>\$ 934,000</u>	<u>\$ 576,000</u>
<i>Accrued benefit asset, beginning</i>	\$ 576,000	\$ 658,000
<i>Prior period adjustment (change in accounting policy)</i>	-	-
<i>Accrued benefit asset, beginning as restated</i>	576,000	658,000
<i>Pension cost for the period</i>	(32,000)	(49,000)
<i>Contributions by the Authority</i>	4,000	24,000
<i>Valuation allowance adjustment</i>	103,000	1,280,000
<i>Other remeasurement items charged to net assets</i>	283,000	(1,337,000)
<i>Accrued benefit asset, ending</i>	<u>\$ 934,000</u>	<u>\$ 576,000</u>
<i>(d) Remeasurement and other items</i>		
<i>Actuarial gain/(loss)</i>	\$(329,000)	\$ 74,000
<i>Interest less net return on assets</i>	525,000	(1,553,000)
<i>Gain/(loss) on non-investment expenses</i>	(7,000)	(11,000)
<i>Change in valuation allowance</i>	103,000	1,280,000
<i>Effect of valuation allowance on finance cost</i>	95,000	153,000
<i>Total</i>	<u>\$ 387,000</u>	<u>\$(57,000)</u>
<i>(e) Accumulated Remeasurement Gain (Loss)</i>		
<i>Balance, beginning of year</i>	\$(2,120,000)	\$(3,400,000)
<i>Remeasurement Gain (Loss) for current period</i>	103,000	1,280,000
<i>Balance, end of year</i>	<u>\$(2,017,000)</u>	<u>\$(2,120,000)</u>
<i>(f) The weighted average actuarial assumptions are as follows:</i>		
<i>Discount rate</i>	4.50%	4.50%
<i>Rate of compensation increase</i>	3.50%	2.50%
<i>YMPE Escalation rate</i>	3.50%	2.50%
<i>Indexation rate</i>	3%	2%
<i>Mortality table used for 2023 and 2022 was the CPM2014 (Combined), projection scale CPM-B</i>		
<i>(g) The assets of the plan are invested by a third party administrator and have the following asset mix</i>		
<i>Equity Securities</i>	0.0%	58.5%
<i>Fixed Income Securities</i>	100.0%	29.1%
<i>Other</i>	0.0%	12.4%
	<u>100.0%</u>	<u>100.0%</u>

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

GANDER INTERNATIONAL AIRPORT AUTHORITY INC.

NOTES TO FINANCIAL STATEMENTS

AS AT DECEMBER 31, 2023

	<u>2023</u>	<u>2022</u>
10. EMPLOYEE FUTURE BENEFITS (CONT'D)		
<i>The net expense for the Authority's group registered retirement savings plan is \$149,848 (2022 - \$150,548).</i>		
<i>The expenses for defined benefit pension cost and group registered retirement savings plan contributions are included in wages and employee benefits on the statement of operations.</i>		
11. UNAMORTIZED CAPITAL GRANTS, NET BOOK VALUE		
<i>Balance beginning of year</i>	\$11,197,972	\$10,456,022
<i>Add: Contribution funding received</i>	691,139	2,059,085
<i>Less: Amortization</i>	1,412,884	1,317,135
	<u>\$10,476,227</u>	<u>\$11,197,972</u>
12. REVENUE		
<i>Landing fees</i>	\$ 906,188	\$ 952,173
<i>Terminal fees</i>	390,956	346,667
<i>Aviation fuel fees</i>	829,113	1,304,862
<i>Concessions</i>	738,638	621,995
<i>Rentals</i>	2,164,675	2,126,607
<i>Sale of quarry material</i>	14,084	16,303
<i>Miscellaneous</i>	474,498	415,524
<i>Government assistance</i>	-	9,909
<i>Investment income</i>	441,208	505,709
<i>Gain on disposal of property, plant, and equipment</i>	57,839	-
<i>Change in fair value of short term investments</i>	543,340	(1,471,841)
<i>Foreign exchange gain (loss)</i>	(272)	(64)
	<u>6,560,267</u>	<u>4,827,844</u>
<i>Airport improvement fees</i>	1,819,323	1,715,548
	<u>\$ 8,379,590</u>	<u>\$ 6,543,392</u>

GANDER INTERNATIONAL AIRPORT AUTHORITY INC.

NOTES TO FINANCIAL STATEMENTS

AS AT DECEMBER 31, 2023

	<u>2023</u>	<u>2022</u>
13. CHANGES IN NON-CASH WORKING CAPITAL		
<i>The effect on cash of changes in non-cash working capital is as follows:</i>		
<i>Current assets</i>		
<i>Accounts receivable, trade</i>	\$(148,716)	\$(62,099)
<i>Government assistance - operating</i>	-	85,606
<i>Government assistance - capital</i>	268,630	(268,630)
<i>Advances to International Lounge Foundation</i>	(150,987)	-
<i>Inventory</i>	148,084	(95,960)
<i>Prepaid expenses</i>	(27,234)	(12,590)
	89,777	(353,673)
<i>Current liabilities</i>		
<i>Accounts payable</i>	579,374	778,407
<i>Customer deposits</i>	4,015	(5,893)
<i>Deferred revenue</i>	6,951	(21,476)
<i>Accrued severance liability</i>	(225,000)	225,000
	365,340	976,038
<i>Net effect on cash</i>	\$ 455,117	\$ 622,365

14. FINANCIAL RISK MANAGEMENT

(a) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The entity's main credit risks relate to its accounts receivables and concentration of cash and short-term investments.

The Authority provides credit to its clients in the normal course of its operations. It carries out, on a continuing basis, credit checks on its clients and maintains provisions for contingent credit losses which, once they materialize, are consistent with management's forecasts. The Authority does not normally require a guarantor.

Concentration of credit risk arises when a group of clients having a similar characteristic such that their ability to meet their obligations is expected to be affected similarly by changes in economic or other conditions. The Authority is exposed to credit risk on accounts receivable.

The Authority maintains cash with Canadian chartered banks in excess of federally insured limits and is exposed to credit risk from this concentration of cash.

**GANDER INTERNATIONAL AIRPORT AUTHORITY INC.
NOTES TO FINANCIAL STATEMENTS**

AS AT DECEMBER 31, 2023

2023

2022

14. FINANCIAL RISK MANAGEMENT (CONT'D)

The Authority has placed material amounts of cash with the Investment Account Manager, Scotiabank. The investment account manager has funds invested in accordance with risks and policies approved by the Board. At December 31, 2023 the investment mix was cash and equivalents 2.2% (2022 - 4.0%), fixed income, 48.0% (2022 - 55.6%), and other equities 49.8% (2022 -40.4%). During 2023 the investment mix changed. The change in investment mix represents a change in credit risk during 2023.

(b) Currency risk

The Authority realizes a minimal amount of its revenue in foreign currency. Consequently, some assets and revenues are exposed to foreign exchange fluctuations.

(c) Interest rate risk

Certain components of long term debt bear interest at rates tied to a prime rate as established by its creditor. Consequently, the Authority is exposed to interest rate risk as prime rate varies.

The Authority minimizes its exposure to credit risk by entering into Interest Rate Swap agreements with its creditor, the Bank of Nova Scotia.

15. CONTRACTUAL OBLIGATIONS

The Authority operates under the terms of a Ground Lease with Transport Canada. The Ground Lease provides for lease of the Airport real estate. The Ground Lease and Canadian Airports Act impose restrictions on the authority's activities and provide the framework under which the Authority must operate. Lease amounts are calculated as a 1% of revenue (as defined) in the Range \$5,000,001 to \$10,000,000 and 5% of revenue (as defined) in excess of \$10,000,000. The exact amount of future payments under the terms of the lease are not determinable.

Due to COVID-19 the landlord has waived all lease payments until December 31, 2023.

16. HEDGE ACCOUNTING

The Authority has borrowed funds under an Interest Rate Swap hedge transaction from the Bank of Nova Scotia (see Note 8). The contract expires on July 31, 2029. The Authority has chosen not to apply the optional Hedge Accounting standards found in the Chartered Professional Accountants of Canada Handbook - Accounting.

17. COMMITMENTS

The organization is committed to the following items:

-A capital project for retrofit of the air terminal building heating system. At December 31, 2023, the estimated cost of this project is \$5,918,849. The estimated cost to complete is \$554,340. The project was originally budgeted at a cost of \$5,782,650 and government assistance of \$3,705,000 was committed to the project. Gander International Airport Authority is responsible for the cost overruns.