THUNDER BAY INTERNATIONAL AIRPORTS AUTHORITY
2023 ANNUAL REPORT

TABLE OF CONTENTS

STRATEGIC OBJECTIVES
3
YEAR IN REVIEW
4
GOVERNANCE
9
MOVEMENTS AND FORECASTS
10
FINANCIAL REVIEW
13

STRATEGIC OBJECTIVES

Thunder Bay International Airports Authority Inc. exists so there will be air related transportation for Thunder Bay and the surrounding region. Secondary to this, the Airport also exists as a major contributor to regional economic growth.

This strategic vision is further expanded to focus on the following objectives:

1. **HIGH LEVEL ENDS POLICY 1:**
   Air services for Thunder Bay are sustained, developed and expanded where possible to ensure essential transportation needs are met.

2. **HIGH LEVEL ENDS POLICY 2:**
   Superior safety, customer service excellence and extraordinary customer experience exists at the airports operated by the Authority.

3. **HIGH LEVEL ENDS POLICY 3:**
   Regional economic development is stimulate and expanded for our local and regional businesses using TBIAA assets where appropriate.

As the governing body, the Board recognizes that through this Ends Policy it is committing the use of the resources to achieve the desired Ends (outcomes).

In support of achieving the desired Ends in a cost effective manner, the Board will identify the relative priorities with the Ends Policies. These priorities become assumptions in building the annual budget for the next year.

All Ends should be achieved at a reasonable fee for customers. The board will review on an annual basis the overall envelope of resources to ensure sufficient resources exist to reasonable achieve the desired prioritized Ends.

Fees to the customers should, in a defined and reasonable time frame, be set to:

Provide a sustainable balanced budget which meets net profit goals

Provide financial stability and growth

Not cause undue hardship to customers resulting from sudden or major fee increases

THE YEAR IN REVIEW

January 1, 2023 was the start of the first year in three that would not be defined by the Covid-19 pandemic. Although passenger volumes did not return to pre-pandemic levels, it was definitely a welcome change to return to something closer to normal operations.

March saw Porter introduce twice daily, direct, non-stop service to Ottawa. This welcome addition to Thunder Bay's route structure has been well supported by the market and will continue through 2024. As Porter continues to strengthen its network in Ottawa, local travelers will have one more connecting option to add to Toronto and Winnipeg.

Pilot shortages throughout the airline network tempered post-pandemic recovery. Both Air Canada and WestJet posted less than optimal capacity and frequencies. Flair also decided to divert its winter capacity to sun destinations and ended its winter service to Toronto. As a result, traffic again finished below pre-pandemic levels at 86% of 2019 volumes, (714,070 passengers).

2023 saw the completion of a major runway construction project that dominated 2022. Roughly two percent (2%), or $451,000 worth of work finalized this multi-faceted project that will serve Thunder Bay and Northwestern Ontario for years to come. Work was completed early in the second quarter without operational impediments that could have affected the 2023 airline schedule.

Private hangar investment points to a strong aviation future for Thunder Bay and the region. Air Bravo now operates out of one of the largest hangars on site, measuring over 25,000 square feet.

Home grown KBM Aviation nearly doubled its hangar capacity in 2023. Home to eight aircraft and cutting edge aerial survey equipment, KBM offers exceptional data gathering services to the mining and forestry sectors in Northwestern Ontario and beyond.

TBIAA continues its dialogue with all airlines, and hopes for more permanent capacity for the fall and winter seasons.

March 2023 saw Porter introduce 2x daily non-stop service to Ottawa

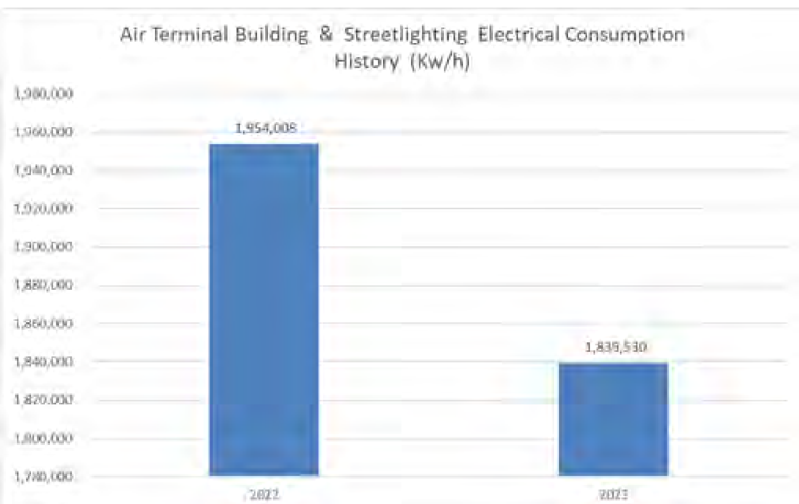
Private hangar investment was a highlight in 2023. Air Bravo's hangar (above) is now the largest hangar on airport property, measuring over 25,000 square feet.

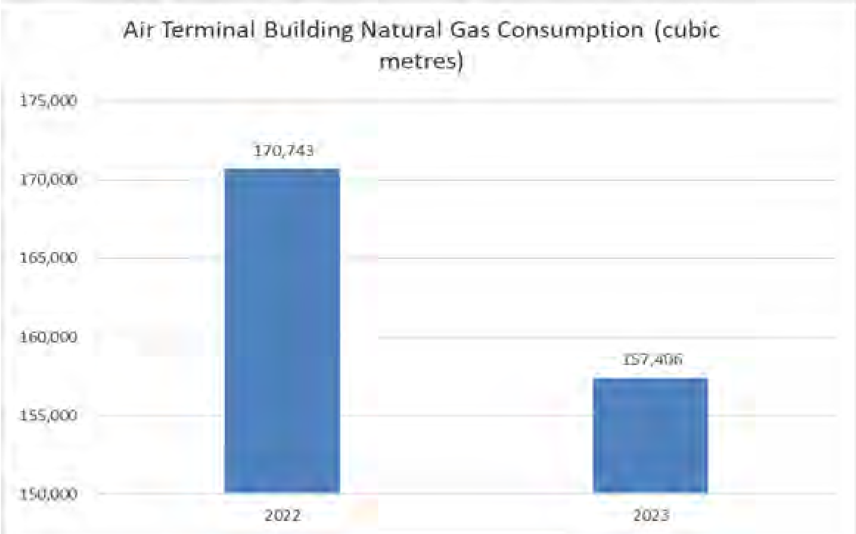
KBM aviation (below) celebrated the completion of their new hangar with a dodge-ball tournament.

Environmental Stewardship

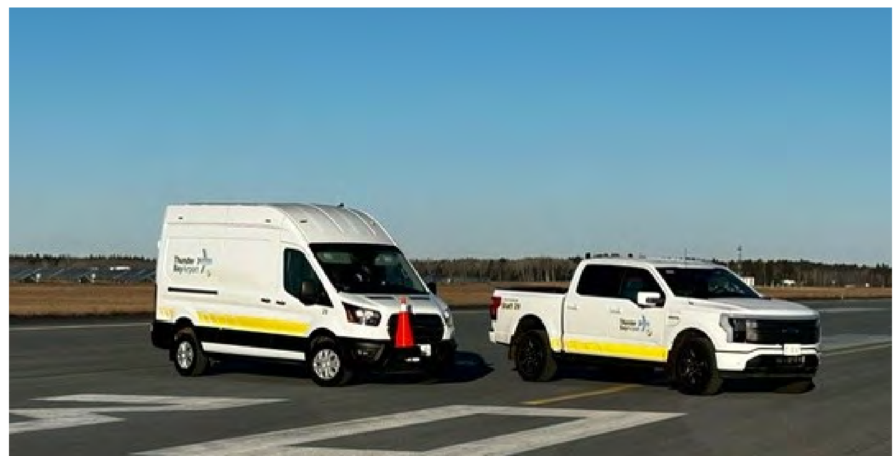
This year saw the completion of carbon reducing technologies in the Air Terminal Building. Work was completed on a dual heat recovery system and other Heating and Ventilation (HVAC) improvements for the Air Terminal Building. this system is estimated to reduce carbon emissions related to building heat by over 300,000 pounds of carbon annually. This work was completed with funding assistance from FEDNOR.

The year also marked the first full year of operating with only LED bulbs in the Air Terminal Building and street lighting systems. Data compiled to date indicates that we are reducing utility consumption. Compared to 2022, hydro consumption in the Air Terminal Building and streetlight networks has dropped by 6% while natural gas consumption in the Air Terminal Building fell by 8%. We hope for greater gains in the Air Terminal Building as we learn the capabilities of new technologies and invest in more state-of-the-art heating and cooling equipment.





In an effort to reduce our consumption of petroleum fuels, TBIAA has purchased a second all electric vehicle. Across the two vehicles, an estimated 2,300 litres of fuel were saved in 2023. With the second vehicle having been purchased in December, these volumes will increase dramatically through 2024.



A second electric vehicle was purchased in 2023, reducing our overall consumption of petroleum fuels

Financial Performance

TBIAA posted a strong surplus of over $4.6million lead by earnings from operations and a strong rebound in returns from the markets.

The year finished without any long-term debt despite completing over $25million in capital works over the last two years.

We remain confident in our ability to operate without an Airport Improvement Fee (AIF) for the foreseeable future and hope that this cost reduction on air travel to/from Thunder Bay will stimulate stronger volumes in 2024. As the first airport (and now one of only two) to retire its AIF, we remain committed to doing our share to stimulate the economy by promoting the lowest possible fares.

Pursuant to the public accountability principles for Canadian Airport Authorities, general by-laws and TBIAA's procurement policy for goods and services, all contracts valued at more than $75,000 (1994 dollars subject to annual adjustment for inflation) shall be awarded following a competitive public tendering process unless the Board of Directors, for reason of efficiency and practicality, decides otherwise. In the fourth quarter, TBIAA sole sourced a CLAAS 5000 Xerion tractor from Eagle Airfield Ltd. at the price of $1.1527 million. The decision to sole source was made due to the implement's unique strength, multi-season and multi-function capabilities.

Buying Local

Last year's runway project assured TBIAA set a new record of dollars spent in the local economy. It will be some time before those levels are achieved again.

We realize that a healthy, local economy is essential to airport success. This year the TBIAA spent over $7.5 million dollars locally. Despite the specialized nature of some of equipment and materials, we seek out every opportunity to spend locally.

A Community Partner

We would like to thank our people for their community mindedness. Our staff were prominent contributors to the 2023 Movember campaign. Our folks also took the time to decorate three fleet vehicles to help the Parade of Lights with their fundraising. We appreciate their efforts in making Thunder Bay better.

TBIAA also donated approximately $15,000 to a number of worthy charities in Northwestern Ontario.

In Memory of Don Oja

We would like to dedicate all that was accomplished this year to our workmate and friend, Don Oja. He was a true gentleman.

Fleet vehicles festively decorated for the 2023 Parade of Lights

BOARD OF DIRECTORS

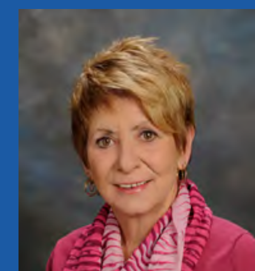
Bianca Garofalo
Thunder Bay International Airports Authority

Darren Harper
Government of Ontario

Ron Hell
City of Thunder Bay

Paul Inksetter
Thunder Bay Labour

Mary Long-Irwin
Government of Canada



Lynn Peterson
Government of Canada

Carol Pollard
City of Thunder Bay
Board Treasurer

Rick Trochimchuk*
Thunder Bay International Airports Authority

Murray Walberg
Thunder Bay Chamber of Commerce, Board Vice Chair

Gary Woodbeck
Thunder Bay Chamber of Commerce, Chair of the Board

**Term expired October 1, 2023*

GOVERNANCE

The Thunder Bay International Airports Authority Inc. (TBIAA) is a non-share capital corporation incorporated under the Canada Corporation Act. Members of the Board of Directors are community leaders nominated by government and non-government organizations who meet monthly to fulfil their strategic and fiduciary responsibilities.

The Board has overall responsibility for the management of the affairs of the Corporation and is fortunate to have attracted Board members who offer a wealth of knowledge and experience. The Board has established an administrative procedure outlined in the TBIAA General Operating By-Law and Letters Patent.

Compliance with Code of Conduct

TBIAA has adopted conflict of interest guidelines to govern the conduct of, and the disclosure and avoidance of conflicts of interest for, all officers and directors. These disclosures are updated as required.

Nominator's Representatives:

as of December 31, 2023

Government of Canada (2)
Mary Long-Irwin
Lynn Peterson

Government of Ontario (1)
Darren Harper

City of Thunder Bay (2)
Ron Hell
Carol Pollard

Thunder Bay Chamber of Commerce (2)
Gary Woodbeck
Murray Walberg

Thunder Bay and District Labour Council / Labour Affiliated Organizations (1)
Paul Inksetter

Thunder Bay International Airports Authority Inc. (1)
Rick Trochimchuk
(*term expired October 1, 2023)*
Bianca Garofalo
(*appointed November 28, 2023)*

The annual compensation for the Board of Directors for the year ending December 31, 2023 was: $159,098.85

Management Team:

President & Chief Executive Officer
Ed Schmidtke

Controller
Sharon Kelly
(retired September 2023)
Joel Schuurman
(*May 2023)*

Manager, Airport Services
Ryan Brading

Manager, Facilities
T.J. Ahvenniemi

Manager, Safety Management System Sarah Parkes

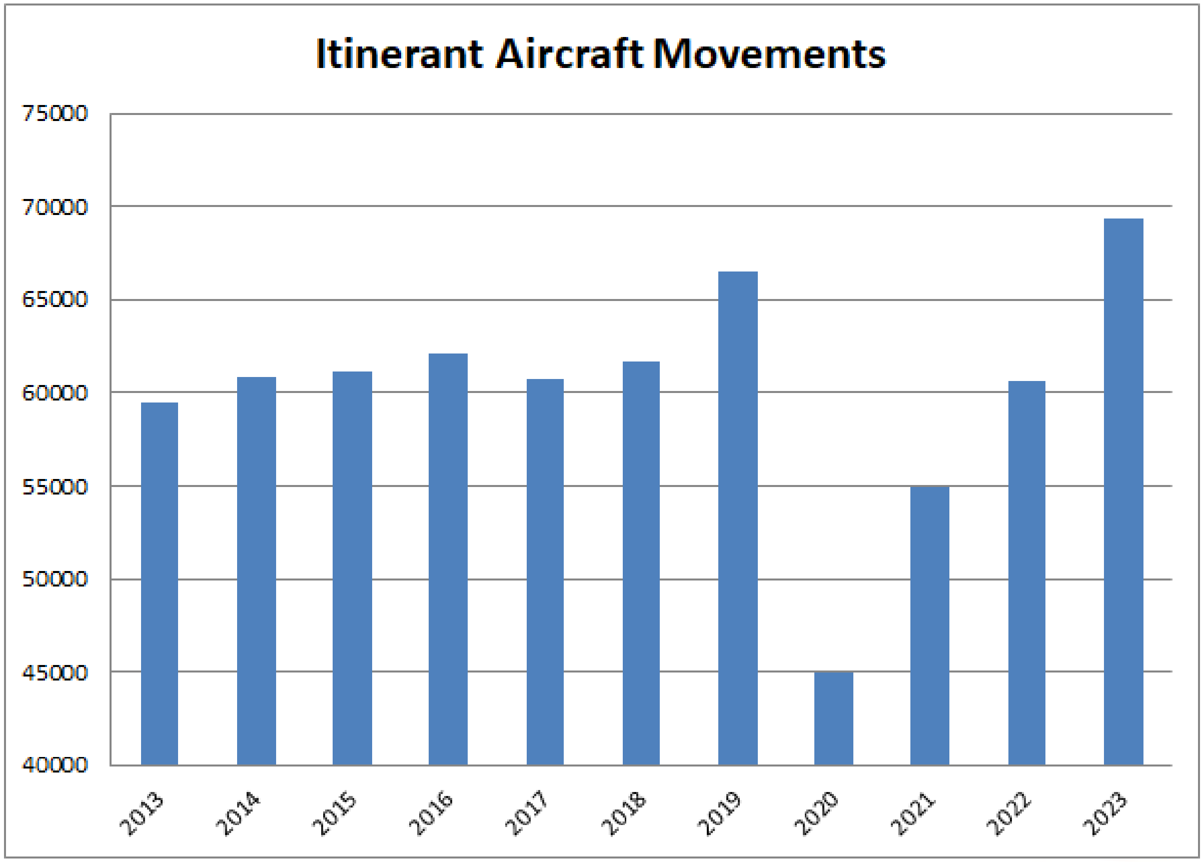
Manager, Security Darren Watts

TBAS, Inc. Red Lake Airport
Duane Riddell

The annual compensation for the senior management team for the year ending December 31, 2023 was: $901,631.60

Movements and Forecasts

MOVEMENTS & FORECASTS



Year	Itinerant Aircraft Movements
2013	59,479
2014	60,823
2015	61,131
2016	62,040
2017	60,694
2018	61,626
2019	66,522
2020	44,973
2021	54,965
2022	56,469
2023	69,347

MOVEMENTS & FORECASTS

FINANCIAL REVIEW

FINANCIAL REVIEW

2023 ACTUAL VS BUSINESS PLAN FORECAST ($000)

	Actual	Plan	Difference	Explanation
Revenues*	14,210	12,521	1,689	*Parking & concessions exceeded budget*
Expenses	11,496	12,044	(548)	*Amortization & debt servicing below budget due to project deferrals*
Capital	3,837	9,247	(5410)	*Projects deferred into subsequent years*

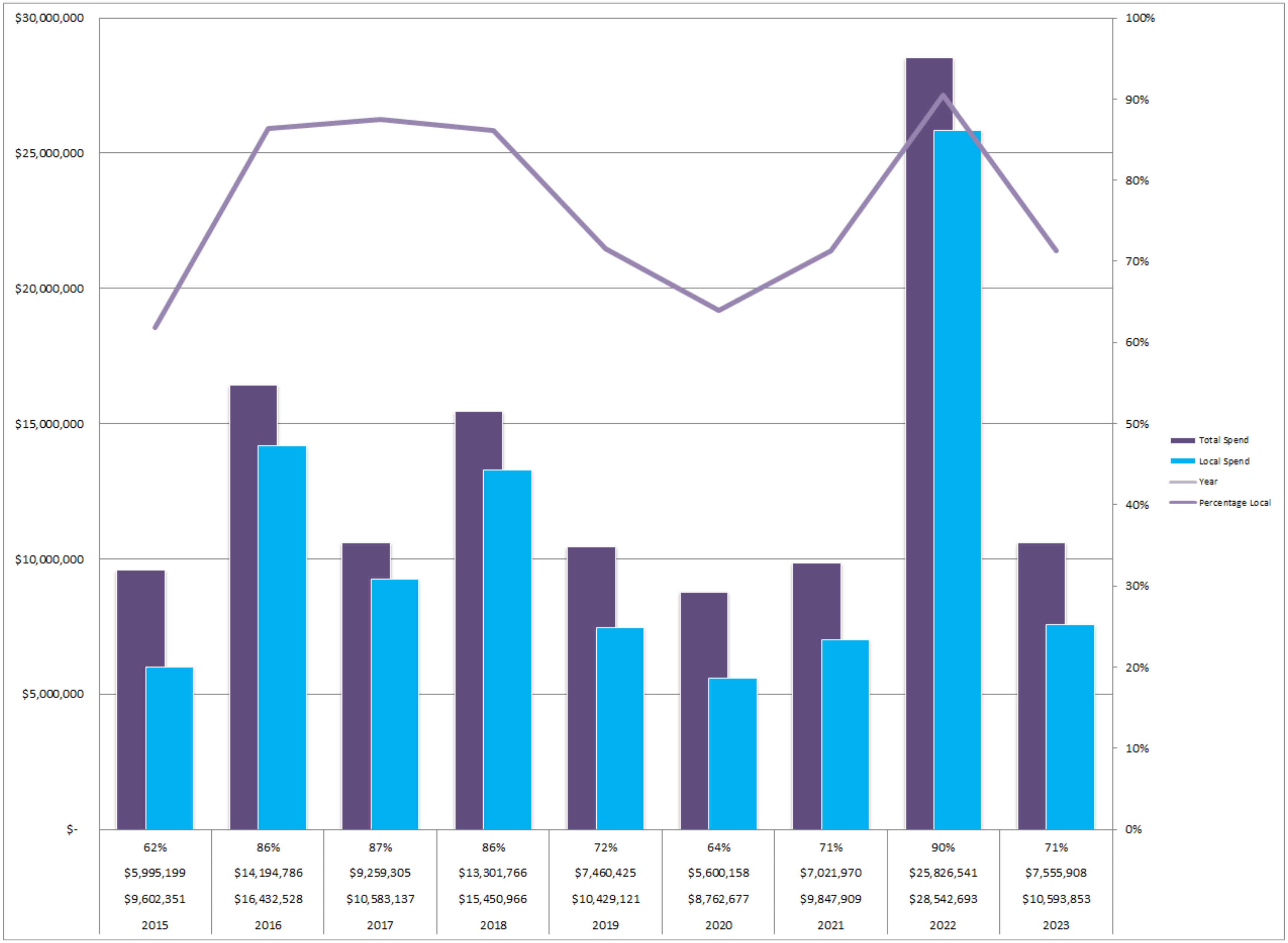
**includes operating revenues*

BUSINESS PLAN FORECAST 2024 - 2028 ($000)

	2024	2025	2026	2027	2028
Revenues	13,124	13,507	13,882	14,268	16,179
Expenses	12,784	13,207	13,470	13,603	14,917
Capital	5,205	4,385	1,270	155	6,405

FINANCIAL REVIEW

Total Expenditures to Local Suppliers ($000)



Independent Auditor's Report

To the Directors of Thunder Bay International Airports Authority Inc.:

Opinion

We have audited the consolidated financial statements of Thunder Bay International Airports Authority Inc. and its subsidiaries (the "Authority"), which comprise the consolidated statement of financial position as at December 31, 2023, and the consolidated statements of operations, changes in net assets and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Authority as at December 31, 2023, and the results of its consolidated operations and its consolidated 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 Consolidated Financial Statements section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Authority to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Authority to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

MNP LLP

Thunder Bay, Ontario

March 26, 2024

Chartered Professional Accountants

Licensed Public Accountants

MNP

Consolidated Statement of Financial Position *As at December 31, 2023*

	2023	2022
Assets		
Current		
Cash and cash equivalents	**726,240**	2,159,519
Accounts receivable *(Note 3)*	**2,142,493**	3,288,808
Prepaid expenses and deposits	**144,697**	220,968
Inventory	**211,157**	130,204
	3,224,587	5,799,499
Tangible capital assets *(Note 4)*	**57,527,304**	57,292,656
Investments *(Note 5)*	**29,835,223**	28,821,582
Defined benefit asset *(Note 6)*	**4,082,000**	3,229,000
Land transfer tax	**104,127**	107,188
	94,773,241	95,249,925
Liabilities		
Current		
Accounts payable and accruals	**1,560,620**	3,762,859
Deferred revenue	**615,985**	300,641
Term loan		4,053,790
	2,176,605	8,117,290
Deferred capital contributions *(Note 8)*	**21,695,096**	21,549,455
Retirement allowance liability *(Note 9)*	**230,000**	323,644
Security deposits	**20,530**	20,530
	24,122,231	30,010,919
Net Assets		
Invested in tangible capital assets	**35,936,335**	31,796,599
Unrestricted	**34,714,675**	33,442,407
	70,651,010	65,239,006
	94,773,241	95,249,925

Approved on behalf of the Board

Director & Chair

Director & Treasurer

Consolidated Statement of Operations

For the year ended December 31, 2023

	2023	2022
Revenue		
Terminal revenue	**4,837,378**	4,187,968
Airside revenue	**3,784,328**	3,110,009
Parking	**2,272,474**	1,753,732
Revenue from business initiatives	**1,209,508**	1,118,079
Amortization of deferred contributions *(Note 8)*	**1,017,747**	750,419
Industrial land leases	**928,459**	907,068
Miscellaneous Income	**161,338**	244,650
Federal rent recovery	**-**	48,352
Commission on equipment and services, net *(Schedule 1)*	**-**	182,31
Parts sales, net *(Schedule 1)*	**(750)**	520,466
	14,210,482	12,323,058
Expenses		
Amortization	**3,597,916**	2,974,104
Salaries and wages	**3,319,755**	3,079,223
Contracted services	**879,453**	753,314
Materials	**650,777**	715,027
Utilities	**528,632**	530,898
Benefits	**429,135**	355,687
Contracted maintenance	**400,879**	364,788
Professional fees	**315,803**	235,366
Insurance	**191,202**	170,527
Directors' fees	**175,746**	149,785
Office and administration	**173,491**	188,086
Property taxes	**151,400**	144,917
Repairs and maintenance	**131,831**	240,974
Advertising	**128,815**	147,800
Training and education	**116,150**	76,922
Interest on debt	**83,178**	36,158
Travel	**71,256**	34,426
Interest and bank charges	**63,519**	53,814
Recruitment expenses	**41,004**	-
Telephone	**37,337**	33,897
Bad debts	**5,569**	2,429
Equipment rental	**4,119**	2,086
Meals and entertainment	**16**	531
Total expenses	**11,496,983**	10,290,759
Excess of revenue over expenses before other items	**2,713,499**	2,032,299
Other items		
Fair market value adjustment	**1,338,252**	(4,761,394)
Realized earnings	**523,717**	1,573,122
Gain on disposal of capital assets	**63,419**	-
Interest income	**35,228**	11,272
Foreign exchange gain	**889**	32,556
Government assistance	**-**	1,128,714
	1,961,505	(2,015,730)
Excess of revenue over expenses	**4,675,004**	16,569

Thunder Bay International Airports Authority Inc.
Consolidated Statement of Changes in Net Assets
For the year ended December 31, 2023

	Invested in tangible capital assets	*Unrestricted*	**2023**	2022
Net assets, beginning of year	**31,796,599**	**33,442,407**	**65,239,006**	65,420,437
Excess (deficiency) of revenue over expenses	**(2,580,168)**	**7,255,172**	**4,675,004**	16,569
	29,216,431	**40,697,579**	**69,914,010**	65,437,006
Net change in invested in tangible capital assets *(Note 10)*	**6,719,904**	**(6,719,904)**	**-**	-
Remeasurement of employee future benefits *(Note 6)*	**-**	**737,000**	**737,000**	(198,000)
Net assets, end of year	**35,936,335**	**34,714,675**	**70,651,010**	65,239,006

The accompanying notes are an integral part of these consolidated financial statements

Thunder Bay International Airports Authority Inc.

Consolidated Statement of Cash Flows

For the year ended December 31, 2023

	2023	*2022*
Cash provided by (used for) the following activities		
Operating		
Excess of revenue over expenses	**4,675,004**	16,569
Amortization	**3,597,916**	2,974,104
Amortization of deferred capital contributions	**(1,017,747)**	(750,419)
Decrease in accrued asset benefit Increase	**(116,000)**	(154,000)
in retirement allowance liability Fair market	**(93,644)**	7,079
value adjustment	**(1,338,252)**	4,761,394
Disposal of capital asset	**7,383**	-
	5,714,660	6,854,727
Changes in working capital accounts		
Accounts receivable Inventory	**1,146,315**	(2,076,904)
Prepaid expenses and deposits	**(80,954)**	20,096
Accounts payable and accruals	**76,271**	1,342,060
Deferred revenue	**(2,202,239)**	2,530,203
	315,344	(1,384,644)
	4,969,397	7,285,538
Financing		
Advances of term loans	**-**	4,100,000
Repayment of term loans	**(4,053,790)**	(46,210)
Deferred capital contributions	**1,163,388**	9,317,792
	(2,890,402)	13,371,582
Investing		
Purchase of capital assets	**(3,836,885)**	(21,874,609)
Decrease in investments, net	**324,611**	488,575
	(3,512,274)	(21,386,034)
Decrease in cash resources Cash	**(1,433,279)**	(728,914)
resources, beginning of year	**2,159,519**	2,888,433
Cash resources, end of year	**726,240**	2,159,519

The accompanying notes are an integral part of these consolidated financial statements

1. Incorporation and nature of the organization

Thunder Bay International Airports Authority Inc. (the “Authority”) was incorporated without share capital on August 3, 1995, under the laws of Canada.

On September 1, 1997, the Authority signed a sixty-year ground lease with a renewal term of twenty years with Transport Canada and assumed the responsibility for the management, operations and development of the Thunder Bay International Airport.

The Authority is exempt from income tax in accordance with the Airport Transfer (Miscellaneous Matters) Act.

2. Significant accounting policies

These consolidated financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations set out in Part III of the CPA Canada Handbook.

Basis of consolidation

The accompanying financial statements are prepared on a consolidated basis to include the accounts of the Authority and its subsidiary, Thunder Bay Airport Services Inc., which is wholly-owned.

Investment in a profit-oriented subsidiary

The Authority’s consolidated financial statements include the accounts of its wholly-owned subsidiary, Thunder Bay Airport Services Inc. Consolidated financial statements are prepared by aggregating the accounts of Thunder Bay Airport Services Inc. with those of the Authority. Transactions between the organizations and inter-organization balances have been eliminated in the consolidated financial statements.

Cash and cash equivalents

Cash and cash equivalents include balances with banks and short-term investments with maturities of three months or less. ***Revenue recognition***

The Authority follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Unrestricted investment income is recognized as revenue when earned.

Landing fees, terminal fees and parking fees are recognized as airport facilities are used and services provided.

Lease revenue is recognized on a straight line basis over the term of the lease.

All other revenue is recognized as point of sale or when the service has been provide and collectability is reasonably assured.

Inventory

Inventory is valued at the lower of cost and net realizable value. Cost is determined by the first in, first out method. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling costs.

2. **Significant accounting policies** *(Continued from previous page)*

Tangible capital assets

Purchased tangible capital assets are recorded at cost. Contributed tangible capital assets are recorded at fair value at the date of contribution plus all costs directly attributable to the acquisition.

Amortization is provided using the straight-line method at rates intended to amortize the cost of assets over their estimated useful lives.

	Method	Rate
Airside facilities	straight-line	5-40 years
Vehicles/equipment	straight-line	5-20 years
Computer equipment/software	straight-line	3 years
Office furniture and fixtures	straight-line	5 years
Parking lots and frontage	straight-line	5-15 years
Air terminal building	straight-line	5-20 years
Land development	straight-line	15-30 years
Industrial facilities and pavements	straight-line	10-15 years
Maintenance garage	straight-line	5-15 years

Long-lived assets

Long-lived assets consist of tangible capital assets. Long-lived assets held for use are measured and amortized as described in the applicable accounting policies.

The Authority writes down long-lived assets held for use when conditions indicate that the asset no longer contributes to the Authority's ability to provide goods and services. The asset are also written-down when the value of future economic benefits or service potential associated with the asset is less than its net carrying amount. When the Authority determines that a long-lived asset is impaired, its carrying amount is written down to the asset's fair value.

Investments

Long-term investments are portfolio investments recorded at fair value for those with prices quoted in an active market, and cost less impairment for those that are not quoted in an active market. They have been classified as long-term assets in concurrence with the nature of the investment.

Foreign currency translation

These consolidated financial statements have been presented in Canadian dollars, the principal currency of the Authority's operations.

Transaction amounts denominated in foreign currencies are translated into their Canadian dollar equivalents at exchange rates prevailing at the transaction dates. Carrying values of monetary assets and monetary liabilities reflect the exchange rates at the consolidated statement of financial position date. Gains and losses on translation or settlement are included in the determination of excess of revenues over expenses for the current period.

Financial instruments

The Authority recognizes financial instruments when the Authority becomes party to the contractual provisions of the financial instrument.

Arm's length financial instruments

Financial instruments acquired in an arm's length transaction ("arm's length financial instruments") are initially recorded at their fair value.

At initial recognition, the Authority may irrevocably elect to subsequently measure any arm's length financial instrument at fair value. The Authority has made such an election during the year.

2. Significant accounting policies *(Continued from previous page)*

Financial instruments *(Continued from previous page)*

The Authority subsequently measures investments in equity instruments quoted in an active market and all derivative instruments, except those designated in a qualifying hedging relationship or that are linked to, and must be settled by delivery of, unquoted equity instruments of another entity, at fair value. Fair value is determined by published price quotations. Investments in equity instruments not quoted in an active market and derivatives that are linked to, and must be settled by delivery of, unquoted equity instruments of another entity, are subsequently measured at cost less impairment. With the exception of financial liabilities indexed to a measure of the Authority's performance or value of its equity and those instruments designated at fair value, all other financial assets and liabilities are subsequently measured at amortized cost. Transaction costs and financing fees directly attributable to the origination, acquisition, issuance or assumption of financial instruments subsequently measured at fair value are immediately recognized in excess of revenues over expenses. Conversely, transaction costs and financing fees are added to the carrying amount for those financial instruments subsequently measured at cost or amortized cost.

Related party financial instruments

The Authority initially measures the following financial instruments originated/acquired or issued/assumed in a related party transaction ("related party financial instruments") at fair value:

- Investments in equity instruments quoted in an active market.
- Debt instruments quoted in an active market.
- Debt instruments when the inputs significant to the determination of its fair value are observable (directly or indirectly).
- Derivative contracts.

All other related party financial instruments are measured at cost on initial recognition. When the financial instrument has repayment terms, cost is determined using the undiscounted cash flows, excluding interest, dividend, variable and contingent payments, less any impairment losses previously recognized by the transferor. When the financial instrument does not have repayment terms, but the consideration transferred has repayment terms, cost is determined based on the repayment terms of the consideration transferred. When the financial instrument and the consideration transferred both do not have repayment terms, the cost is equal to the carrying or exchange amount of the consideration transferred or received.

At initial recognition, the Authority may elect to subsequently measure related party debt instruments that are quoted in active market, or that have observable inputs significant to the determination of fair value, at fair value.

The Authority has not made such an election during the year, thus all such related party debt instruments are subsequently measured at amortized cost.

The Authority subsequently measures investments in equity instruments quoted in an active market and all derivative instruments, except those designated in a qualifying hedging relationship or that are linked to, and must be settled by delivery of, unquoted equity instruments of another entity, at fair value. Fair value is determined by published price quotations. Financial instruments that were initially measured at cost and derivatives that are linked to, and must be settled by, delivery of unquoted equity instruments of another entity, are subsequently measured using the cost method less any reduction for impairment.

Transaction costs and financing fees directly attributable to the origination, acquisition, issuance or assumption of related party financial instruments are immediately recognized in excess of revenues over expenses.

Financial asset impairment

The Authority assesses impairment of all its financial assets measured at cost or amortized cost. The Authority groups assets for impairment testing when there are numerous assets affected by the same factors. Management considers whether the issuer is having significant financial difficulty in determining whether objective evidence of impairment exists. When there is an indication of impairment, the Authority determines whether it has resulted in a significant adverse change in the expected timing or amount of future cash flows during the year.

2. Significant accounting policies *(Continued from previous page)*

Financial instruments *(Continued from previous page)*

With the exception of related party debt instruments and related party equity instruments initially measured at cost, the Authority reduces the carrying amount of any impaired financial assets to the highest of: the present value of cash flows expected to be generated by holding the assets; the amount that could be realized by selling the assets at the consolidated statement of financial position date; and the amount expected to be realized by exercising any rights to collateral held against those assets.

For related party debt instruments initially measured at cost, the Authority reduces the carrying amount of the asset (or group of assets), to the highest of: the undiscounted cash flows expected to be generated by holding the asset, or group of similar assets, excluding the interest and dividend payments of the instrument; the present value of cash flows expected to be generated by holding the assets; the amount that could be realized by selling the assets at the consolidated statement of financial position date; and the amount expected to be realized by exercising any rights to collateral held against those assets.

For related party equity instruments initially measured at cost, the Authority reduces the carrying amount of the asset (or group of assets), to the amount that could be realized by selling the asset(s) at the consolidated statement of financial position date.

Any impairment, which is not considered temporary, is included in current year excess of revenues over expenses.

The Authority reverses impairment losses on financial assets when there is a decrease in impairment and the decrease can be objectively related to an event occurring after the impairment loss was recognized. The amount of the reversal is recognized in excess of revenues over expenses in the year the reversal occurs.

Employee future benefits

The Authority's employee future benefit programs consist of defined benefit and defined contribution pension plans.

Defined benefit plan

The estimated future cost of providing defined benefit plans is determined based on the most recent funding valuation report. A funding valuation is required at least once every three years in Canada.

All actuarial gains and losses and past service costs are included in the cost of the plan for the year.

Defined contribution pension plan

Under the defined contribution pension plan, an expense is recorded in the period when the Authority is obligated to make contributions for services rendered by the employee. Any unpaid contributions are included on the consolidated statement of financial position as an accrued liability.

Measurement uncertainty (use of estimates)

The preparation of consolidated financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period.

Accounts receivable are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary.

Provisions are made for slow moving and obsolete inventory as well as warranty and after sales service costs.

Amortization and deferred capital contributions are based on the estimated useful lives of the tangible capital assets.

Accounts payable and accruals are estimated based on historical charges for unbilled goods and services at year-end.

Defined benefit asset is estimated based on the most recent actuarial report as of December 31, 2023.

These estimates and assumptions are reviewed periodically and, as adjustments become necessary, they are reported in excess of revenues over expenses in the years in which they become known.

2. Significant accounting policies *(Continued from previous page)*

Contributed materials

Contributions of materials are recognized both as contributions and expenses in the consolidated statement of operations when a fair value can be reasonably estimated and when the materials are used in the normal course of the Authority's operations and would otherwise have been purchased.

3. Accounts receivable

	2023	*2022*
Accounts receivable	**2,092,409**	2,908,281
HST receivable	**-**	387,440
Due from Red Lake Airport	**51,592**	-
Allowance for doubtful accounts	**(1,508)**	(6,913)
	2,142,493	3,288,808

4. Tangible capital assets

	Cost	***Accumulated amortization***	***2023 Net book value***	*2022 Net book value*
Airside facilities	**42,491,782**	**12,605,869**	**29,885,913**	29,032,263
Vehicles/equipment	**11,776,839**	**6,265,657**	**5,511,182**	3,081,421
Computer equipment/software	**1,168,631**	**1,122,527**	**46,104**	36,154
Office furniture and fixtures	**315,010**	**282,057**	**32,953**	9,120
Parking lots and frontage	**5,574,523**	**4,576,201**	**998,322**	1,188,351
Air terminal building	**23,307,422**	**10,774,331**	**12,533,091**	13,331,601
Capital assets under construction	**2,165,648**	**-**	**2,165,648**	3,895,295
Land development	**9,122,136**	**3,333,087**	**5,789,049**	6,013,604
Industrial facilities and pavements	**1,166,955**	**977,783**	**189,172**	249,886
Maintenance garage	**1,339,696**	**963,826**	**375,870**	454,961
	98,428,642	**40,901,338**	**57,527,304**	57,292,656

Capital assets under construction includes assets under construction and not yet ready for use with carrying value of $2,165,648 (2022 - $3,895,295). No amortization of this asset has been recorded during the current year because it is currently under construction. Additionally, land development includes land with a carrying value of $2,404,032 (2022 - $2,404,032), on which no amortization has been taken.

5. Investments

	2023 Cost	***2023 Market***	*2022 Cost*	*2022 Market*
Cash and cash equivalents	**1,792,261**	**1,763,841**	**2,951,489**	2,942,595
Fixed income	**7,853,801**	**7,482,329**	**8,073,944**	7,340,580
Equity	**15,961,178**	**20,589,053**	**14,813,518**	18,538,407
	25,607,240	**29,835,223**	**25,838,951**	28,821,582

Fixed income and equity investment values are quoted in an active market or derived from inputs other than quoted prices that are observable.

6. Employee Future Benefits

The Authority is a participating employer in the Canadian Airport Authorities and Canadian Port Authorities Pension Plan, a multi-employer pension plan. The Plan provides pension benefits for those individuals who transferred employment from the federal public service at the time operation of the airport was transferred to the Authority in 1997. The federal government remains responsible for all pension benefits accrued in respect of those individuals up to that time.

The following information concerning the Plan is from an extrapolation of the January 1, 2023 valuation to December 31, 2023. The obligations were determined at January 1, 2023 and then extrapolated to December 31, 2023 with adjustments for current service costs, benefit payments, and interest. The most recent actuarial valuation was provided February 2024 and the next required actuarial valuation will be February 2025.

The significant actuarial assumptions adopted in measuring the Authority's accrued benefit obligations as of January 1, 2023 are as follows:

Discount rate for calculation of net benefit cost	4.50%
Rate of compensation increase	3.50%
Inflation rate	3.00%

	2023	*2022*
Benefit obligation, end of year	**(8,938,000)**	(8,634,000)
Plan assets fair value, end of year	**13,020,000**	12,105,000
Valuation allowance	**-**	(242,000)
Defined benefit asset	**4,082,000**	3,229,000

The changes in accrued pension benefits obligations are:

	2023	*2022*
Balance, beginning of year	**3,229,000**	3,273,000
Total current service and finance cost expense	**116,000**	125,000
Remeasurement and other items	**737,000**	(198,000)
Employer contributions	**-**	29,000
Balance, end of year	**4,082,000**	3,229,000

The Authority pays into a defined contribution plan with Great-West Life for certain employees. During the year, the Authority made total payments of $127,064 (2022 - $120,076) to the plan which was recognized as an expense during the year.

7. Bank indebtedness

At December 31, 2023, the Authority had a line of credit totaling $500,000 (2022 - $500,000), none of which was drawn upon. The line of credit bears interest at the bank's prime lending rate per annum (7.20% at year-end (2022 - 6.45%)).The following has been collateralized in connection with this line of credit:

- General security agreement; representing a first change on all of the Authority's present and after acquired property;
- Assignment of Fire Insurance: and
- Security Postponement Agreement between the Bank and Ministry of Transport and Thunder Bay International Airports Authority Inc., dated August 29, 1997 giving the Ministry of Transport first position on all assets except account, chattel paper, document of title, instrument of money, and subsequently amended granting the bank priority on various equipment.

8. Deferred capital contributions

Deferred capital contributions consist of the unamortized amount of contributions received for the purchase of capital assets. Recognition of these amounts as revenue is deferred to periods when the related capital assets are amortized. Changes in deferred capital contributions are as follows:

	2023	*2022*
Balance, beginning of year	**21,549,455**	12,982,082
Amount received during the year	**1,163,388**	9,317,792
Less: Amounts recognized as revenue during the year	**(1,017,747)**	(750,419)
Balance, end of year	**21,695,096**	21,549,455

9. Retirement allowance liability

Under the terms of the transfer agreement with Transport Canada, the Authority assumed the Government of Canada's obligation to pay its former employees compensation upon retirement or termination in accordance with the collective agreements. The Authority has continued to record the liability in accordance with the agreements on the assumption that the qualifying conditions will be met.

Information about the Authority's retirement allowance liability is as follows:

	2023	*2022*
Balance, beginning of year	**323,644**	316,565
Expense for the year	**32,422**	12,079
Benefits paid during the year	**(126,066)**	(5,000)
	230,000	323,644

10. Change in invested in tangible capital assets

The change in invested in tangible capital assets is calculated as follows:

	2023	*2022*
Purchase of capital assets	**3,836,885**	21,874,608
Disposal of capital asset	**(7,383)**	-
Advancement of debt	**-**	(4,100,000)
Repayment of debt	**4,053,790**	46,210
Funding received	**(1,163,388)**	(9,317,792)
	6,719,904	8,503,026

11. Government assistance

Transport Canada

The Authority received restricted capital contributions from the Federal government, Transport Canada, for various capital projects. During the year ended December 31, 2023, the Authority recognized deferred capital contribution additions totaling$934,668 (2022 - $7,982,656) for the airside rehabilitation project.

Federal Economic Development Agency for Northern Ontario (FedNor)

The Authority received restricted capital contributions from the Federal government, FedNor, for the escalator replacement project and Airport Energy Efficiencies Project. During the year ended December 31, 2023, the Authority recognized deferred capital contributions additions totaling $193,660 (2022 - $970,555).

Northern Ontario Heritage Fund Corporation (NOHFC)

The Authority received restricted capital contributions from the Provincial government, NOHFC for the Airport Energy Efficiencies Project. During the year ended December 31, 2023, the Authority recognized deferred capital contributions additions totaling $Nil (2022 - $265,742).

Northern Ontario Heritage Fund Corporation (NOHFC)

The Authority received restricted capital contributions from the Provincial government, NOHFC for the Airport Energy Efficiencies Project. During the year ended December 31, 2023, the Authority recognized deferred capital contributions additions totaling $35,060.

12. Commitments

The Authority has a Ground Lease with Transport Canada which calculates rent as a percentage of revenue using an escalating percentage of Airport Revenue which has the following ranges: 0% for revenue below $5 million, 1% for revenue between $5 and $10 million, 5% for revenue between $10 and $25 million, 8% for revenue between $25 and $100 million, 10% for revenue between $100 and $250 million, and 12% for revenue in excess of $250 million.

13. Financial instruments

The Authority, as part of its operations, carries a number of financial instruments. It is management's opinion that the Authority is not exposed to significant interest, currency, credit, liquidity or other price risks arising from these financial instruments except as otherwise disclosed.

Credit Risk

Credit risk is the risk of financial loss because a counter party to a financial instrument fails to discharge its contractual obligations.

The Authority manages its credit risk by providing allowances for potentially uncollectible accounts receivable.

Credit concentration

The Authority has a concentration of credit risk because a significant portion of accounts receivable are from airlines. However, no individual customer accounts for greater than 15% of sales in any period.

13. **Financial instruments** *(Continued from previous page)*

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Authority enters into transactions for business operations denominated in USD and Euro currencies for which the related revenues, expenses, accounts receivable and accounts payable balances are subject to exchange rate fluctuations. As at December 31, 2023, the following items are denominated in USD and Euro currency:

	2023 ***CAD$***	*2022* *CAD$*
Cash - USD	**267**	4,641
Cash - Euro	**(25)**	5,828
Portfolio investments - USD	**9,672,187**	9,861,669
	9,672,429	9,872,138

No significant change in exposure from the prior year.

Liquidity risk

Liquidity risk is the risk that the Authority will encounter difficulty in meeting obligations associated with financial liabilities. The Authority enters into transactions to borrow funds from financial institutions for which repayment is required at various maturity dates. The Authority reduces its exposure to liquidity risk by ensuring that it documents when authorized payments become due.

Other price risk

Other price risk is the risk that the fair value or future value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Authority is exposed to other price risk through its investment quoted in an active market.

Thunder Bay International Airports Authority Inc.
Schedule 1 - Consolidated Schedule of Parts Sales and Commissions
For the year ended December 31, 2023

	2023	*2022*
Parts Sales		
Parts	**9,463**	121,226
Consignment parts	**-**	11,312
	9,463	132,538
Direct Costs		
Parts	**9,036**	103,560
Consignment parts	**1,177**	8,511
	10,213	112,071
Gross margin	**(750)**	20,466
Commissions on Sales and Services		
Commission	**-**	212,938
Direct costs		
Commission	**-**	30,623
Gross profit	**-**	182,315

CONNECT WITH US