

Thunder Bay Airport



2021 ANNUAL REPORT

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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

Let's start with the best news the year had to offer: 2021 did not see a single employee test positive for CoVid 19! We thank our staff for taking the pandemic seriously, and protecting us all so we could deliver airport services to our customers on daily basis.

For the second consecutive year, airport operations were otherwise defined by the negative impact of the CoVid 19 pandemic.

The year started very slowly, with CoVid cutting traffic to 20% of pre-pandemic levels for the first six months of 2021. As momentum slowly grew during the second half of the year, Omicron stopped it before the crucial December holiday season. In all, 2021 saw us host 316,025 passengers representing a very small growth of only 8% above 2020 and 64% below 2019 volumes.

Through this extremely difficult year, investments were made to prepare the airport for long-term recovery. Federal government assistance came in multiple forms and was used to reduce debt and design airfield improvements planned for 2022 construction.

Federal government assistance allowed us to service debt after payments that had been postponed to generate cash. A Transport Canada policy decision to include Thunder Bay in its Airport Capital Assistance Program (ACAP), saw the purchase of world class airport fire trucks. More notable still, ACAP allowed us to begin designing the most comprehensive airfield construction project in the airport's history.

By the end of the year, designs were substantially completed for a 2022 construction project that will rehabilitate the airport's primary runway, replacement of runway and approach lights to energy efficient LED alternatives, subsurface drainage replacement and the construction of Runway End Safety Areas.

With financial assistance from both Federal and Provincial levels, two new escalators were installed. Bigger, safer and more energy efficient than the original units, these improvements will help to better serve our existing guests and to position Thunder Bay as a state-of-the-art community to exchange cruise ship passengers. With this support, Thunder Bay showcases as a high-quality terminus for companies such as Viking Cruise Lines as they seek to add new destinations.

Gratitude must also be expressed to the Government of Canada for our continued inclusion in the Canadian Employee Wage Subsidy (CEWS). Our inclusion negated the need for layoffs while we waited for customers to return.



Porter Airlines returned after an 18 month hiatus due to COVID-19. Flights resumed to Thunder Bay as part of their initial re-launch





The inclusion of Transport Canada's Airport Capital Assistance Program (ACAP) saw the purchase of two new world class fire trucks



Financial Performance

With the assistance of the CEWS, a hiring freeze and ever vigilant cost control efforts, we were able to post a modest operating surplus for the year.

Federal liquidity support through the Regional Air Transportation Initiative and Airport Relief Fund permitted the retiring of debt at a rate far in excess of the year's earnings.

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. There were no exceptions to the policy in 2021.

Air Service

Thunder Bay Airport was fortunate to benefit from reduced but consistent scheduled passenger service from Air Canada, Bearskin, Northstar Air, Wasaya Airways and Westjet's Encore.

Charter movements kept patients, essential workers and cargo moving during a difficult year. We appreciate the continued business provided by Air Bravo, Calm Air, Chrono Aviation, ORNGE and Thunder Air to name a few.

Thunder Bay got a glimpse of the future with the arrival of Ultra Low Cost Carrier (ULCC) Flair. Flair and Thunder Bay "connected" immediately, with Flair extending its summer schedule through to the end of the year.

September saw the welcome return of Porter Airlines. Thunder Bay was in some exclusive company for their return to service, with only Toronto, Montreal, Ottawa and Thunder Bay served initially. With both flight crew and maintenance based in Thunder Bay, Porter's return was a boost to both passenger volumes and the local economy.



June saw the introduction of Flair Airlines, an Ultra Low Cost Carrier, servicing flights to Toronto 2-4x a week



Environmental Stewardship

TBIAA is committed to environmental quality. Regular monitoring of storm water quality is an example of the continuous efforts taken to maintain compliance. TBIAA has pledged its commitment to reducing all carbon emissions by joining the Airport Accreditation (ACA) Program. As the only institutionally endorsed global carbon management certification program for airports,

ACA guides TBIAA in implementing best practice carbon management processes and provides public recognition for its achievements through the attainment of accreditation at different levels of participation.

TBIAA has a role to play in the fight against climate change. By maintaining ACA certification through the recognition of carbon footprint impacts and the implementation of decarbonization strategies, including energy efficiency improvements, materials reductions, and other carbon emission elimination strategies, TBIAA will make a tangible impact in the pursuit of a cleaner environment.

Buying Local

Despite reducing spending as much as possible, TBIAA continues to strive to maximize its local spending. We are pleased to report that 74% of all goods and services were purchased through local vendors.



Gary Woodbeck
Chair of the Board



Ed Schmidtke
President & Chief
Executive Officer



Two new escalators were installed, replacing the original units, providing enhanced safety and security for our customers.



TBIAA BOARD OF DIRECTORS - 2021

Representing the City of Thunder Bay



Ken Boshcoff



Dave Siciliano

Representing Thunder Bay International Airport Authority Board



Rick Trochimchuk
Treasurer

Representing the Thunder Bay Chamber of Commerce



Gary Woodbeck
Chair of the Board



Murray Walberg

Representing the Government of Ontario



Darren Harper

Representing Thunder Bay Labour



Paul Inksetter
Vice-Chair

Representing the Government of Canada



Mary Long-Irwin



Lynn Peterson

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, 2021

Government of Canada (2)

Mary Long-Irwin
Lynn Peterson

Government of Ontario (1)

Darren Harper

City of Thunder Bay (2)

Ken Boshcoff
Dave Siciliano

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

The annual compensation for the Board of Directors for the year ending December 31, 2021 was: \$153,408

Management Team:

President & Chief Executive Officer

Ed Schmidtke

Controller

Sharon Kelly

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

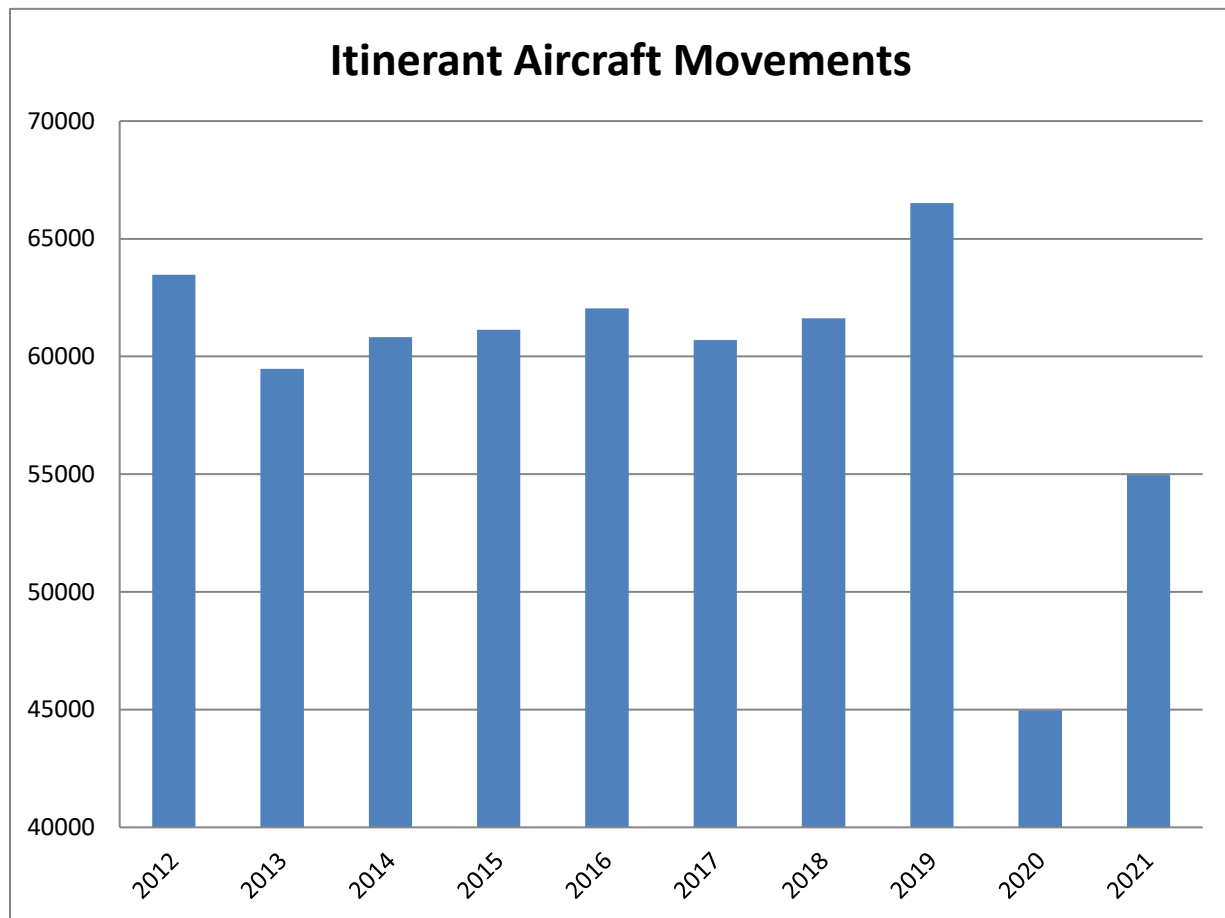
Duane Riddell

The annual compensation for the senior management team for the year ending December 31, 2021 was: \$759,287



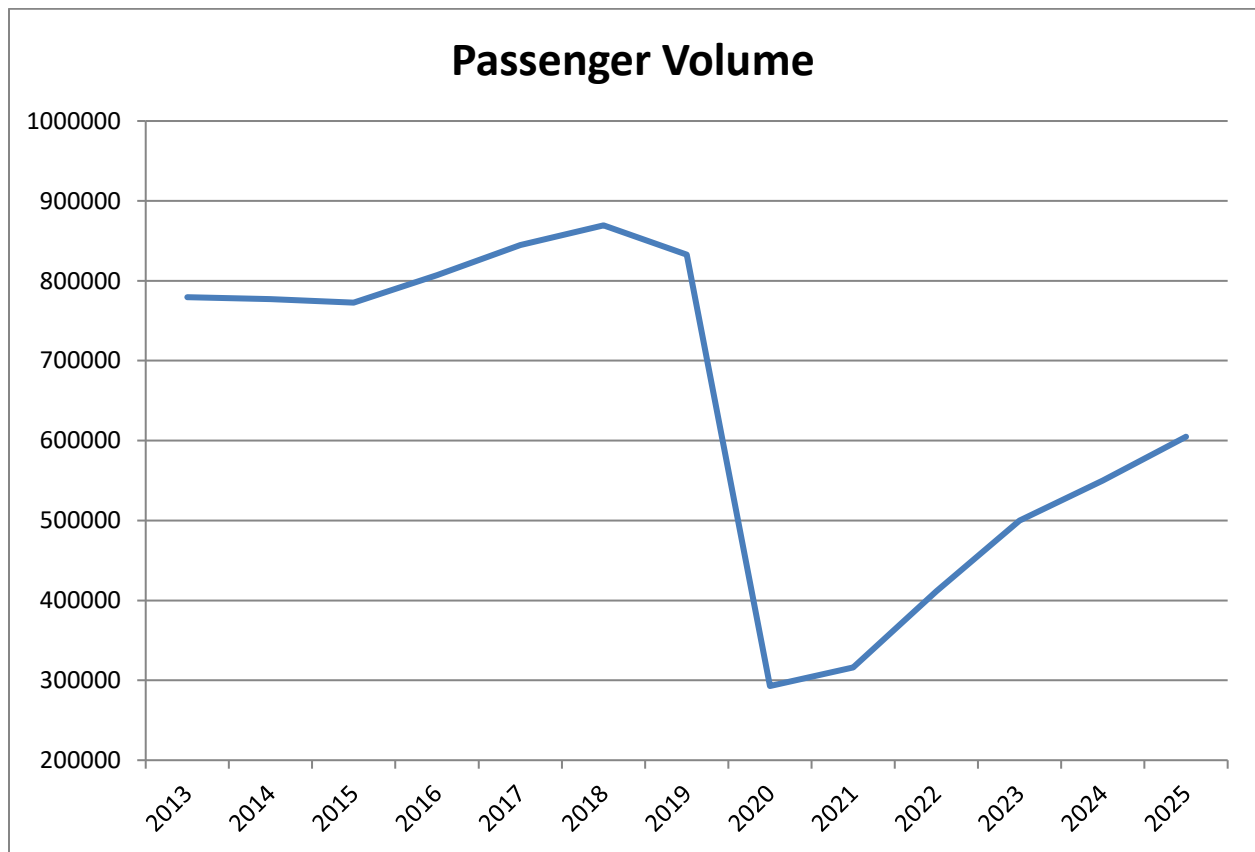
MOVEMENTS & FORECASTS

MOVEMENTS & FORECASTS



Year	Itinerant Aircraft Movements
2012	63,468
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

MOVEMENTS & FORECASTS



Year	Passenger Volume
2013	779,634
2014	776,945
2015	772,519
2016	807,041
2017	844,627
2018	869,404
2019	832,570
2020	292,865
2021	316,025



FINANCIAL REVIEW

FINANCIAL REVIEW

2021 ACTUAL VS BUSINESS PLAN FORECAST (\$000)

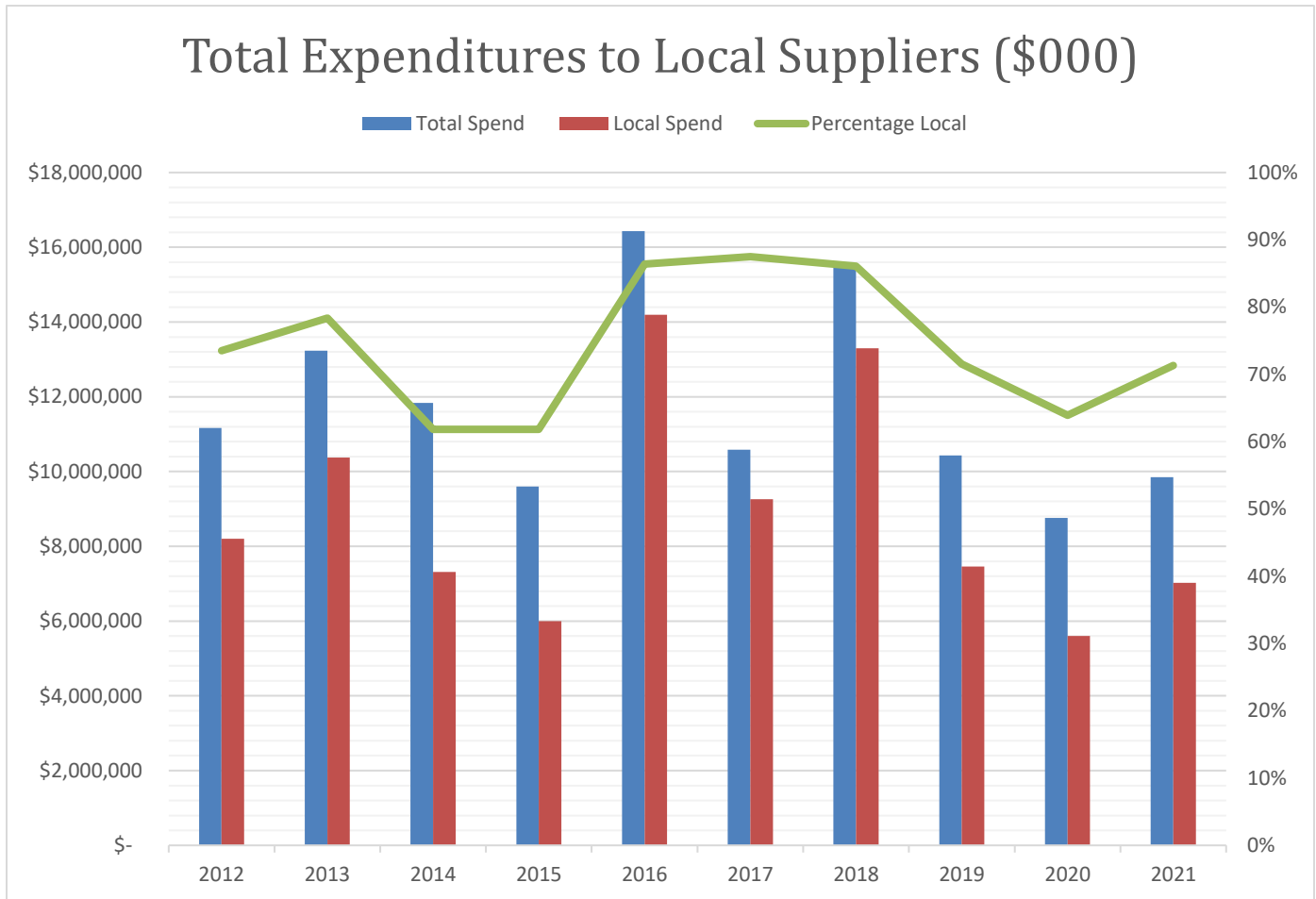
	ACTUAL	PLAN	DIFFERENCE	EXPLANATION
REVENUES*	9,277	6,904	2,373	Recovery beyond forecast
EXPENSES	9,028	9,385	(357)	Vigilant cost control
CAPITAL	4,239	4,716	(477)	Projects cancelled/postponed where possible

**INCLUDES OPERATING REVENUES*

BUSINESS PLAN FORECAST 2022 - 2026 (\$000)

	2022	2023	2024	2025	2026
REVENUES	9,987	10,783	10,919	11,226	11,338
EXPENSES	10,214	11,293	11,529	11,764	11,940
CAPITAL	27,616	2,350	2,305	3,855	305

FINANCIAL REVIEW



YEAR	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
TOTAL SPEND	11,162	13,233	11,836	9,602	16,432	10,583	15,451	10,429	8,763	9,848
LOCAL SPEND	8,204	10,372	7,318	5,955	14,194	9,259	13,302	7,460	5,600	7,022
% LOCAL	73%	78%	62%	62%	86%	87%	86%	72%	64%	71%

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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. ("the Authority"), which comprise the consolidated statement of financial position as at December 31, 2021, 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 Thunder Bay International Airports Authority Inc. as at December 31, 2021, and its consolidated results of 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 other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

Management is responsible for the preparation and fair presentation of these 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 a 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 and the organizations it controls 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.

The logo for Grant Thornton LLP, featuring the company name in a stylized, cursive script.

Thunder Bay, Canada
March 29, 2022

Chartered Professional Accountants
Licensed Public Accountants

Thunder Bay International Airports Authority Inc.

Consolidated Statement of Operations

Year ended December 31	2021	2020
	\$	\$
REVENUE [schedule]	9,277,442	8,041,474
EXPENSES		
Direct		
Advertising and promotion	23,394	85,277
Benefits	354,584	354,285
Contracted maintenance	324,956	433,121
Contracted services	672,480	637,791
Equipment rentals	1,740	10,019
Federal rent	(27,246)	30,918
Materials and supplies	484,948	511,504
Office and administration	55,792	48,607
Professional and consulting fees	203,038	191,787
Purchased repairs	143,719	83,510
Salaries	2,640,269	2,673,523
Telephone	33,873	34,346
Training and meetings	39,913	18,329
Travel	4,621	12,520
Utilities	493,252	474,860
	5,449,333	5,600,397
Indirect		
Amortization	2,717,770	2,733,572
Bad debts	277	14,802
Directors' fees	153,408	120,495
Payment in lieu of property taxes	422,247	428,232
Insurance	151,318	134,041
Interest and bank charges	35,222	32,951
Interest on long-term debt	98,839	206,982
	3,579,081	3,671,075
Total expenses	9,028,414	9,271,472
Earnings (loss) before the following	249,028	(1,229,998)
Government assistance [note 17]	5,783,460	826,523
Realized earnings on investments	1,846,961	290,458
Fair market value adjustment	1,378,775	2,681,516
Foreign exchange gain (loss)	(65,202)	69,354
Excess of revenue over expenses	9,193,022	2,637,853

See accompanying notes to the consolidated financial statements.

Thunder Bay International Airports Authority Inc.

Consolidated Statement of Financial Position

As at December 31

2021

2020

\$

\$

ASSETS

Current

Cash and cash equivalents	2,888,433	2,508,227
Accounts receivable [note 3]	1,211,904	1,411,855
Inventory, at cost	150,300	142,658
Prepaid expenses and deposits	1,563,028	918,767
Total current assets	5,813,665	4,981,507

Property and equipment, net [note 4]	38,499,339	36,976,324
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Other

Investments [note 5]	34,071,551	35,262,177
Defined benefit asset [note 6]	3,273,000	2,702,000
Total other assets	37,344,551	37,964,177
	81,657,555	79,922,008

LIABILITIES AND NET ASSETS

Current

Accounts payable and accrued liabilities [note 7]	1,232,656	1,436,231
Deferred revenue	1,685,285	966,763
Total current liabilities	2,917,941	2,402,994

Non-current

Security deposits	20,530	20,530
Long-term debt [note 8[a]]	-	11,320,114
Retirement allowance liability [note 9]	316,565	311,762
Deferred capital contributions [note 10]	12,982,082	9,996,193
Total non-current liabilities	13,319,177	21,648,599

Net assets

Investment in property and equipment [note 11[a]]	25,517,257	15,660,017
Unrestricted	39,903,180	40,210,398
Net assets	65,420,437	55,870,415
	81,657,555	79,922,008

See accompanying notes to the consolidated financial statements.

On behalf of the Board:

Director & Chair



G. Woodbeck

Director & Treasurer



R. Trochimchuk

Thunder Bay International Airports Authority Inc.

Consolidated Statement of Changes in Net Assets

Year ended December 31

2021

2020

	Investment in property and equipment \$ [note 11]	Unrestricted \$	Total \$	Total \$
Net assets, beginning of year	15,660,017	40,210,398	55,870,415	53,229,562
Excess (shortfall) of revenue over expenses	(2,177,441)	11,370,463	9,193,022	2,637,853
Net change in investment in property and equipment	12,034,681	(12,034,681)	-	-
Pension remeasurement and other items [note 6]	-	357,000	357,000	3,000
Net assets, end of year	25,517,257	39,903,180	65,420,437	55,870,415

See accompanying notes to the consolidated financial statements.

Thunder Bay International Airports Authority Inc.

Consolidated Statement of Cash Flows

Year ended December 31	2021	2020
	\$	\$
OPERATING ACTIVITIES		
Excess of revenue over expenses	9,193,022	2,637,853
Add charges (deduct credits) to earnings not involving a current payment (receipt) of cash		
Amortization	2,717,770	2,733,572
Amortization of deferred capital contributions	(540,329)	(340,714)
Decrease in accrued benefit asset	(214,000)	(269,000)
Increase in retirement allowance liability	4,803	5,859
Fair market value adjustment	(1,378,775)	(2,681,516)
	9,782,491	2,086,054
Net change in non-cash working capital balances related to operations <i>[note 12[a]]</i>	62,995	8,971,650
Cash provided by operating activities	9,845,486	11,057,704
INVESTMENT ACTIVITIES		
Purchase of property and equipment <i>[note 12[b]]</i>	(4,240,785)	(2,870,429)
Decrease (increase) in investments, net	2,569,401	(4,456,553)
Cash used in investment activities	(1,671,384)	(7,326,982)
FINANCING ACTIVITIES		
Repayment of long-term debt	(11,320,114)	(4,961,461)
Deferred capital contributions	3,526,218	1,637,238
Cash used in financing activities	(7,793,896)	(3,324,223)
Increase in cash and cash equivalents during year	380,206	406,499
Cash and cash equivalents, beginning of year	2,508,227	2,101,728
Cash and cash equivalents, end of year	2,888,433	2,508,227

See accompanying notes to the consolidated financial statements.

Thunder Bay International Airports Authority Inc.

Notes to the Consolidated Financial Statements

December 31, 2021

GENERAL

The 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, operation and development of the Thunder Bay International Airport.

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

1. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements of the Authority have been prepared in accordance with Canadian accounting standards for not-for-profit organizations. The more significant of these accounting policies are summarized below.

Basis of consolidation

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

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and balances with banks.

Inventory

Inventory consists of fuel products, foam agents and parts. Inventory is measured at the lower of cost and net realizable value. Cost is determined on a first-in, first-out basis. Net realizable value is the estimated selling price in the ordinary course of business less selling costs.

Thunder Bay International Airports Authority Inc.

Notes to the Consolidated Financial Statements

December 31, 2021

Property and equipment

Property and equipment are initially recorded at cost and subsequently measured at cost less accumulated amortization.

Amortization is provided on the basis and at the rates below. It is expected these procedures will charge earnings with the cost of the property and equipment over their estimated useful lives. Gain or loss on disposal of individual assets is recognized in earnings in the year of disposal.

Airside equipment	1/15 straight-line - salvage value 10%
Computer hardware	1/3 straight-line
Computer software	1/3 straight-line
Land transfer costs	1/60 straight-line
Land development costs	1/30 straight-line
Leasehold improvements	1/5 straight-line
Office furniture and equipment	1/5 straight-line
Runway upgrades	1/15 to 1/30 straight-line
Security upgrades	1/5 straight-line
Vehicles and equipment	1/5 straight-line

Property and equipment acquired during the year and not ready for productive use are not amortized.

Normal maintenance and repairs are expensed as incurred.

Revenue recognition

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

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

The Authority follows the deferral method of accounting for contributions, which include government grants. Restricted contributions are reflected as deferred contributions and are recognized as revenue in the year in which the related expenses are incurred. Restricted contributions for the purchase of property and equipment that will be amortized are deferred and recognized as revenue at the same rate of amortization as the related property and equipment. 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.

All other revenue is recognized at point of sale or when the good or service has been provided and collectability is reasonably assured.

Thunder Bay International Airports Authority Inc.

Notes to the Consolidated Financial Statements

December 31, 2021

Financial instruments

The Authority considers any contract creating a financial asset, liability or equity instrument as a financial instrument, except in certain limited circumstances. The Authority accounts for the following as financial instruments:

- cash and cash equivalents
- accounts receivables
- investments
- due to/from the Red Lake Airport
- accounts payable and accrued liabilities
- security deposits
- long-term debt

A financial asset or liability is recognized when the Authority becomes party to contractual provisions of the instrument.

Measurement

Financial assets or liabilities obtained in arm's-length transactions are initially measured at their fair value. In the case of a financial asset or liability not being subsequently measured at fair value, the initial fair value will be adjusted for financing fees and transaction costs that are directly attributable to its origination, acquisition, issuance or assumption.

Financial assets and financial liabilities in related party transactions are initially measured at cost, with the exception of certain instruments which are initially measured at fair value. The Authority does not have any financial assets or financial liabilities in related party transactions which are initially measured at fair value. Gains or losses arising on initial measurement differences are generally recognized in net income when the transaction is in the normal course of operations, and in equity when the transaction is not in the normal course of operations, subject to certain exceptions.

Financial assets and financial liabilities recognized in related party transactions are subsequently measured based on how the Authority initially measured the instrument. Financial instruments initially measured at cost are subsequently measured at cost, less any impairment for financial assets. Financial instruments initially measured at fair value, of which the Authority has none, would be subsequently measured at amortized cost or fair value based on certain conditions.

Thunder Bay International Airports Authority Inc.

Notes to the Consolidated Financial Statements

December 31, 2021

Financial assets and financial liabilities are subsequently measured according to the following methods:

Financial instrument

Cash and cash equivalents

Accounts receivable

Investments

Due to/from the Municipality of Red Lake

Accounts payable and accrued liabilities

Security deposits

Long-term debt

Subsequent measurement

Amortized cost (which approximates fair value)

Amortized cost

Fair value

Amortized cost

Amortized cost

Amortized cost

Amortized cost

Derecognition

The Authority removes financial liabilities, or a portion of, when the obligation is discharged, cancelled or expires.

Impairment

Financial assets measured at cost are tested for impairment when there are indicators of impairment. Previously recognized impairment losses are reversed to the extent of the improvement provided the asset is not carried at an amount, at the date of the reversal, greater than the amount that would have been the carrying amount had no impairment loss been recognized previously. The amounts of any write-downs or reversals are recognized in the consolidated statement of operations.

Employee future benefits

The Authority sponsors two pension plans for its employees: a defined benefit plan and a defined contribution plan.

Defined benefit pension plan

For the Authority's defined benefit pension plan, the defined benefit obligations are determined using the most recent actuarial valuation report prepared for funding purposes.

Plan assets are measured at fair value.

The Authority recognizes the plan's funded surplus, which is the net amount of the defined benefit obligations and the fair value of plan assets, on the consolidated statement of financial position.

Actuarial gains and losses and past service costs are included in the cost of the plan for the year in the consolidated statement of operations.

The Authority only recognizes a plan funded surplus on the consolidated statement of financial position to the extent it is expected to be realized. A valuation allowance is recognized for any excess of the plan surplus over the expected future benefit.

Thunder Bay International Airports Authority Inc.

Notes to the Consolidated Financial Statements

December 31, 2021

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.

Foreign currency translation

Foreign currency transactions entered into directly by the Authority are translated using the temporal method. Under this method, monetary assets and liabilities are translated at the consolidated statement of financial position date exchange rates. Other statement of financial position items are translated at historical exchange rates. Revenue and expense items are translated at average rates of exchange prevailing during the year. Any resulting exchange gains and losses are included in the consolidated statement of operations in the current year. At year-end, monetary assets and liabilities denominated in U.S. dollars and European euros are translated using the exchange rate of U.S. \$1 = Cdn \$1.2678 and EUR €1 = Cdn \$1.4391, respectively.

Management estimates

Management reviews the carrying amounts of items in the consolidated financial statements at each consolidated statement of financial position date to assess the need for revisions or any possibility of impairment. Many items in the preparation of these consolidated financial statements require management's best estimate based on assumptions that reflect the most probable set of economic conditions and planned courses of action.

These estimates are reviewed periodically and adjustments are made to earnings as appropriate in the year they become known.

Significant items subject to management estimates include:

<u>Financial statement element</u>	<u>Management estimate</u>
Accounts receivable	Allowance for doubtful accounts
Inventory	Obsolete inventory provision
Property and equipment	Asset useful lives
Defined benefit asset	Actuarial assumptions

Thunder Bay International Airports Authority Inc.

Notes to the Consolidated Financial Statements

December 31, 2021

Government assistance

The Authority recognizes government assistance toward current expenses in the statement of operations. When government assistance relates to future expenses, the Authority defers the assistance and recognizes it in the statement of operations as the related expenses are incurred. When government assistance relates to the acquisition of property, plant and equipment, the Authority defers the assistance and recognizes it in the statement of operations on the same basis as the related property, plant and equipment is amortized.

2. BANK INDEBTEDNESS

Toronto-Dominion Bank

The Authority has available a demand operating loan of \$500,000 [2020 - \$500,000] bearing interest at the bank's prime lending rate per annum [2.45% at December 31, 2021]. \$Nil [2020 - \$nil] was outstanding at year-end.

The security for all indebtedness with Toronto-Dominion Bank consists of the following:

- General security agreement representing a first charge on all of the Authority's present and after acquired property.
- Assignment of fire insurance;
- 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 and money, and subsequently amended granting the Bank priority on various equipment.

The Authority has guaranteed bank advances of its subsidiary, Thunder Bay Airport Servicecs Inc. up to a maximum of \$1,500,000. At December 31, 2021, advances of \$nil [2020 - \$nil] were outstanding.

3. ACCOUNTS RECEIVABLE

	2021 \$	2020 \$
Trade accounts receivable	1,196,850	1,277,943
Allowance for doubtful accounts	(53,991)	(57,849)
Harmonized Sales Taxes receivable	69,045	191,761
	1,211,904	1,411,855

Thunder Bay International Airports Authority Inc.

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4. PROPERTY AND EQUIPMENT

Details of year-end property and equipment balances are as follows:

	Cost \$	Accumulated amortization \$	2021 Net book value \$	2020 Net book value \$
Airside equipment	3,968,423	3,004,111	964,312	1,201,864
Computer hardware	374,687	371,340	3,347	3,607
Computer software	768,094	687,730	80,364	43,539
Land and land transfer costs	1,158,108	73,492	1,084,616	1,087,678
Land development costs	7,740,464	2,883,982	4,856,482	5,081,032
Leasehold improvements	32,897,807	12,596,583	20,301,224	19,497,292
Office furniture and equipment	292,097	291,900	197	5,919
Runway upgrades	17,635,506	8,786,357	8,849,149	9,636,423
Security upgrades	3,183,786	3,183,786	-	-
Vehicles and equipment	4,972,823	2,613,175	2,359,648	418,970
Total	72,991,795	34,492,456	38,499,339	36,976,324

Amortization for the year is \$2,717,770 [2020 - \$2,733,572]. Included in property and equipment balances are \$2,354,886 [2020 - \$4,060,537] of assets not being amortized as they are not ready for productive use.

5. INVESTMENTS

	2021 Cost \$	2021 Market \$	2020 Cost \$	2020 Market \$
Cash and cash equivalents	872,069	871,962	1,887,833	1,887,949
Fixed income *	12,433,961	12,540,081	12,893,424	13,485,723
Equity *	13,021,498	20,659,508	14,115,672	19,888,505
Total	26,327,528	34,071,551	28,896,929	35,262,177

* quoted in an active market or derived from inputs other than quoted prices that are observable

Thunder Bay International Airports Authority Inc.

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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, 2021 valuation to December 31, 2021. The obligations were determined at January 1, 2021 and then extrapolated to December 31, 2021 with adjustments for current service costs, benefit payments, and interest.

	2021 \$	2020 \$
Benefit obligation, end of year	(8,667,000)	(8,624,000)
Plan assets fair value, end of year	14,045,000	12,925,000
Plan surplus	5,378,000	4,301,000
Valuation allowance	(2,105,000)	(1,599,000)
Defined benefit asset	3,273,000	2,702,000

The changes in accrued pension benefits obligations are:

	2021 \$	2020 \$
Balance, beginning of year	2,702,000	2,430,000
Total current service and finance cost expense	86,000	65,000
Remeasurement and other items	357,000	3,000
Employer contributions	128,000	204,000
Balance, end of year	3,273,000	2,702,000

The significant actuarial assumptions adopted in measuring the Authority's accrued benefit obligations as of January 1, 2021 are as follows:

Discount rate	4.50%
Expected long-term rate of return on plan assets	4.50%
Rate of compensation increase	2.50%
Inflation rate	2.00%

The Authority pays into a defined contribution plan with Great-West Life for certain employees. During the year, the Authority made total payments of \$110,261 [2020 - \$117,257] to the plan which was recognized as an expense during the year.

Thunder Bay International Airports Authority Inc.

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7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2021 \$	2020 \$
Accounts payable and accrued liabilities	1,232,656	1,403,577
Income taxes payable	-	32,654
	1,232,656	1,436,231

8. LONG-TERM DEBT

	2021 \$	2020 \$
Fully repaid in year.	-	11,320,114
Long-term portion	-	11,320,114

As collateral for the Toronto-Dominion Bank term loans, the Authority has provided a general security agreement and other security as described in note 2.

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:

	2021 \$	2020 \$
Balance, beginning of year	311,762	305,903
Expense for the year	4,803	5,859
Balance, end of year	316,565	311,762

Thunder Bay International Airports Authority Inc.

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10. DEFERRED CAPITAL CONTRIBUTIONS

Deferred capital contributions consist of the unamortized balance of contributions received by the Authority which have been expended on capital assets as approved by the contributors. The amortization of capital contributions is recorded as revenue in the consolidated statement of operations.

	2021 \$	2020 \$
Balance, beginning of year	9,996,193	8,699,669
Contributions received during year	3,526,218	1,637,238
Amortization	(540,329)	(340,714)
Balance, end of year	12,982,082	9,996,193

11. INVESTMENT IN PROPERTY AND EQUIPMENT

[a] Investment in property and equipment is calculated as follows:

	2021 \$	2020 \$
Property and equipment at net book value	38,499,339	36,976,324
Amounts financed by:		
Deferred capital contributions	(12,982,082)	(9,996,193)
Long-term debt	-	(11,320,114)
	25,517,257	15,660,017

[b] Change in net assets investment in property and equipment is calculated as follows:

	2021 \$	2020 \$
Excess (shortfall) of revenue over expenses		
Amortization of deferred capital contributions	540,329	340,714
Amortization of property and equipment	(2,717,770)	(2,733,572)
	(2,177,441)	(2,392,858)

[c] Net change in investment in property and equipment:

	2021 \$	2020 \$
Purchase of property and equipment	4,240,785	2,870,429
Amounts funded by:		
Restricted contributions	(3,526,218)	(1,637,238)
Repayment of long-term debt	11,320,114	4,961,461
	12,034,681	6,194,652

Thunder Bay International Airports Authority Inc.

Notes to the Consolidated Financial Statements

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12. STATEMENT OF CASH FLOWS

[a] The net change in non-cash working capital accounts related to operations is represented by the following:

	2021 \$	2020 \$
Decrease (increase) in current assets		
Accounts receivable	199,951	11,329,337
Inventory, at cost	(7,642)	(25,797)
Prepaid expenses and deposits	(644,261)	(392,312)
	(451,952)	10,911,228
Increase (decrease) in current liabilities		
Accounts payable and accrued liabilities	(203,575)	(2,363,049)
Deferred revenue	718,522	443,471
Security deposits	-	(20,000)
	514,947	(1,939,578)
	62,995	8,971,650

[b] During the year, property and equipment were acquired at an aggregate cost of \$4,240,785 [2020 - \$2,870,429] of which \$3,526,218 [2020 - \$1,637,238] were funded by restricted contributions and \$714,567 [2020 - \$1,233,191] were funded by 2019 debt proceeds.

13. 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. In the year, there was an amendment to the Ground Lease with Transport Canada which waived rent payments in their entirety for 2021.

The Authority's subsidiary has entered into contracts to act as the agent for the purchase/sale agreements of Jetbroom sweeper units. The contracts are valued at \$2,238,414. By year-end, deposits of \$1,411,607 had been made with the final payments and deliveries to take place in 2022.

Thunder Bay International Airports Authority Inc.

Notes to the Consolidated Financial Statements

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14. FINANCIAL INSTRUMENTS

The Authority is exposed to various risks through its financial instruments. The following analysis provides a measure of the Authority's risk exposure and concentration at December 31, 2021.

[a] Credit risk

Credit risk is the risk that a third party will fail to discharge its obligation to the Authority reducing the expected cash inflow from the Authority assets recorded at the consolidated statement of financial position date. Credit risk can be concentrated in debtors that are similarly affected by economic or other conditions. A significant portion of the Authority's revenues and resulting receivable balances are derived from airlines. The Authority performs ongoing credit valuations of receivable balances and maintains provisions for potential credit losses. There was no significant change in exposure from the prior year.

[b] Liquidity risk

Liquidity risk is the risk that the Authority will encounter difficulty in raising funds to meet its obligations to suppliers and debtors. The Authority is exposed to this risk mainly in respect of its long-term debt, contributions to the pension plan and accounts payable. To manage liquidity, the Authority maintains sufficient cash balances and has sufficient credit facilities in place should cash requirements exceed cash generated from operating activities. There was no significant change in exposure from the prior year.

[c] Market risk

Market risk is the risk that the fair value or expected future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

i) Currency risk

Exposure to currency risk arises due to fluctuations in foreign exchange rates, which will affect the cash flows of financial instruments. At year-end, equities of CDN\$2,924,739 were denominated in U.S. dollars and cash and cash equivalents of CDN\$799,769 were denominated in European euros and translated to Canadian dollars. There was no significant change in exposure from the prior year.

Thunder Bay International Airports Authority Inc.

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ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Authority is exposed to interest rate risk on its floating interest rate financial instruments. Given the current composition of long-term debt, floating-rate instruments subject it to a cash flow risk and fixed rate instruments subject it to a fair value risk. There was no significant change in exposure from the prior year.

iii) Other price risk

Other price risk is the risk that the fair 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 investments quoted in an active market.

15. COMPARATIVE CONSOLIDATED FINANCIAL STATEMENTS

The comparative consolidated financial statements have been reclassified from statements previously presented to conform to the presentation of the 2021 consolidated financial statements.

16. COVID-19 IMPACT

Since early 2020, the spread of COVID-19 has severely impacted many economies around the globe. In many countries, including Canada, businesses were forced to cease or limit operations for long periods of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown. Global stock markets have also experienced great volatility and a significant weakening. Governments and central banks have responded with monetary and fiscal interventions to stabilize economic conditions.

Revenue continued to be impacted by the COVID-19 pandemic in 2021. Passenger volumes reached 38% of 2019 levels and reflect a similar dramatic drop in aeronautical fee revenue and ancillary revenues, such as parking and concessions. Despite some good news in the fall that saw Flair extend its inaugural season and Porter return to service, the Omicron variant dampened any growth seen up to that point.

To some extent, the Authority's performance was insulated from losses due to COVID-19 by the sale of one Boschung Jetbroom and revenues derived from supporting the installation of Boschung equipment at many National Defense air force bases.

The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and central bank responses, remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of the Authority for future periods.

Thunder Bay International Airports Authority Inc.

Notes to the Consolidated Financial Statements

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17. GOVERNMENT ASSISTANCE

In 2020 and 2021, the Authority applied for and received funding from the Federal government under the Canada Emergency Wage Subsidy Program ("CEWS"). During the year ended December 31, 2021, the Authority recognized payroll subsidies under CEWS totaling \$495,460 [2020 - \$826,523]. These subsidies were recognized as revenue in the consolidated statement of operations.

In 2021, the Authority applied for and received funding from the Provincial government under the Regional Air Transportation Initiative ("RATI"). During the year ended December 31, 2021, the Authority recognized expense subsidies under RATI totaling \$3,500,000 [2020 - \$nil]. These subsidies were recognized as revenue.

In 2021, the Authority applied for and received funding from the Federal government under the Airport Relief Fund ("ARF"). During the year ended December 31, 2021, the Authority recognized expense subsidies under ARF totaling \$1,748,000 [2020 - \$nil]. These subsidies were recognized as revenue.

In 2021, the Authority applied for and received funding from the Provincial government under the Ontario Small Business Support Grant. During the year ended December 31, 2021, the Authority recognized grant funding of 40,000 [2020 - \$nil] as revenue.

In 2020 and 2021, the Authority received restricted capital contributions from the Provincial government, NOHFC, for the escalator replacement project. During the year ended December 31, 2021, the Authority recognized deferred capital contribution additions totaling \$389,535 [2020 - \$77,593].

In 2021, the Authority received restricted capital contributions from the Federal government, Transport Canada, for various capital projects. During the year ended December 31, 2021, the Authority recognized deferred capital contribution additions totaling \$2,527,440 [2020 - \$nil] for the acquisition of the two fire trucks, a Jetbroom installment, as well as runway rehabilitation expenses.

Thunder Bay International Airports Authority Inc.

Consolidated Schedule of Revenue

Year ended December 31	2021	2020
	\$	\$
Airside	2,536,833	2,071,382
Industrial land leases	856,689	805,692
Miscellaneous	279,700	230,606
Parking and ground transportation	854,655	800,636
Terminal	2,879,049	2,575,565
Amortization of deferred capital contributions <i>[note 10]</i>	540,329	340,714
Federal rent recovery	100,552	89,900
Revenue from business initiatives	1,229,635	1,126,979
	9,277,442	8,041,474

Included in revenue from business initiatives are net sales and commissions as follows:

	2021	2020
	\$	\$
Part sales	116,680	87,848
Consignment part sales	36,199	27,212
Commission	89,182	98,404
Other	161,715	90,995
	403,776	304,459
Direct costs		
Cost of parts	85,619	68,050
Cost of consignment parts	24,812	19,073
Cost of commission	8,371	16,257
Other	48,311	25,317
	167,113	128,697
Net sales and commissions	236,663	175,762

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