THUNDER BAY
Airport

Thunder Bay International Airports Authority Inc.

2014 Annual Report

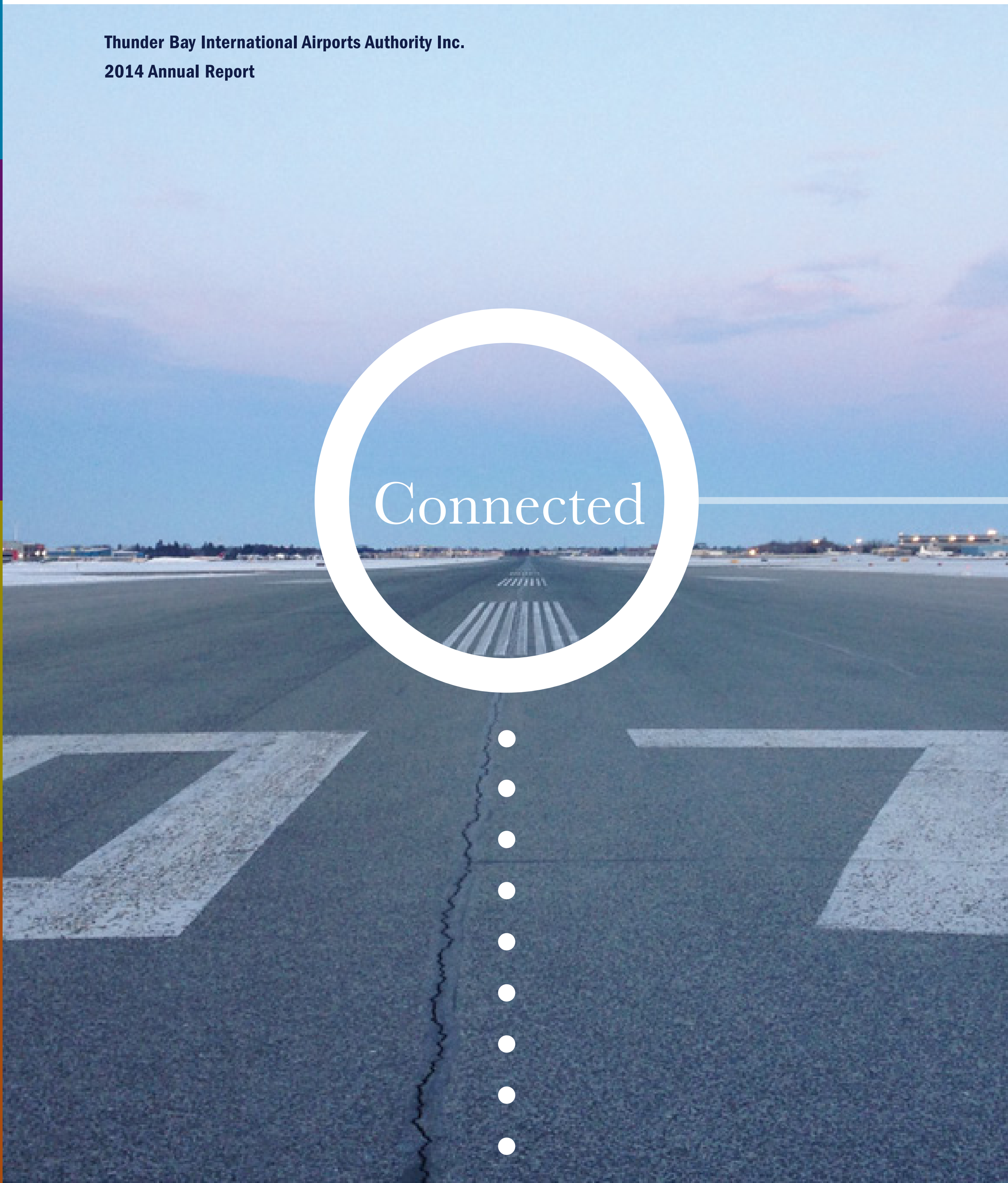


Table of contents

Strategically Positioned for Future Growth

TBIAA holds a unique place in our regional economy.

Our success lays the foundation for a vibrant economy by providing fast, affordable connectivity.

To focus our efforts in the right directions on behalf of stakeholders, the Board has developed these key Strategic Objectives:

1.

Ensure sustainable air services for Thunder Bay making certain essential transportation needs are met.

2.

Provide superior standards of safety and customer service at airports operated by the Authority.

3.

Retain, develop, and expand air services.

4.

Work to develop the regional economy by:

Becoming a centre for aerospace related activities including aviation manufacturing, maintenance, and training facilities.

Being a stimulus for the development of small to medium size businesses reasonably using TBIAA assets to support this economic development.


PILATUS


sunwing
flysunwing.com

Airport Safety

Safety is our highest priority. The past year was again accident free, where many strides were made in our ongoing effort to keep our airports as safe as possible. TBIAA employees continue to identify hazards and monitor safety compliance through integration of management systems in key operational areas of the airport. Investments in capital expenditures on guidance lighting for aircraft in Red Lake and reduced visibility infrastructure in Thunder Bay improved safety and runway availability.

Investments were also made in our staff through additional training. Training on the human factors affecting decision making, bird and wildlife techniques and annual refresher training on snow removal equipment outline some examples. Given the growing propensity for turboprop aircraft, we launched a propeller awareness campaign.

We appreciate the continued vigilance of our employees, contractors and customers in keeping safety at the forefront of day-to-day operations.

Air Service

For the third consecutive year, passenger volumes finished above 750,000. Air service alternatives changed significantly in 2014. The most notable changes saw the withdrawal of United Airlines in April and the introduction of WestJet's regional carrier Encore. While some lamented the loss of jet service, additional flight frequencies combined to increase daily weekday departures to Toronto to 15.

We reiterate our continued commitment to provide the most extensive air service network possible for Northwestern Ontario. Although it offers little comfort to our local market, changes in United's business have led to their withdrawal from six other Canadian airports in the past year. We continue to explore every possible option to improve connections to US and other destinations.

Thunder Bay marked two major anniversaries during the year. WestJet celebrated its fifteenth anniversary of service to our community in March, while Porter celebrated their fifth in June. Both companies have made positive contributions to our connectivity and the cost of air travel. We thank them both for their continued service to our community.

Financial Results

TBIAA reported another strong year of consolidated earnings. The operating surplus of $1.4 million and the total earnings from all sources reached $2.8 million. Capital investments in the operation exceeded $2.5 million in 2014.

Employee Performance

From the delivery of a diverse capital plan, safe winter operations, to coordinating special events, our staff are committed to providing a turbulent free transportation hub. We thank them all for their daily contributions.

We are also pleased to report that a new collective agreement was negotiated this year without the need of third party mediation or arbitration. We thank all parties to the collective bargaining process for their dedication and constructive dialogue towards this very positive achievement.

We would also like to thank Scott McFadden for his many years of dedication to making TBIAA the best it can be.


B5


SKYTRAK


96

Customer Service & Operational Performance

With the assistance of Small Business Consulting Services, two surveys of Terminal Building customers were completed, reporting consistently strong levels of customer satisfaction. Guidance on required improvements was provided through customer comments that will see the addition of different seating options and increased plug-in locations.

The past year again saw the runway open in all weather conditions with no flight cancellations due to surface conditions. Through the investment in snow removal equipment, increased winter crews and a customer-centric focus, our snow response efforts eliminated the impact of storms as quickly and as safely as possible.

We would like to thank our friends at TBayTel for making our Air Terminal Building a hotspot and offering free wireless internet to our mutual customers.

A Community Partner

TBIAA's consolidated cash outlay (operating and capital) exceeded $11.8 million in 2014. Of that, over $ 8 million or 70% was expended in the local economy. Given the Airport's need for specialized services and equipment, we are proud of the efforts our staff made to find and support local businesses wherever possible.

We're also very proud of our contributions to multiple organizations in Northwestern Ontario through cash and in-kind support, including volunteer hours from our community-oriented staff. TBIAA values our opportunity to make Northwestern Ontario a continuously better place to live, work and play.

Advocacy

Through our industry associations, the Canadian Airports Council (CAC) and the Airport Management Council of Ontario (AMCO), we continue to advocate with our industry colleagues for a policy regime that will be forward thinking and position Canada, Ontario and Thunder Bay to achieve world-class aviation customer service. We particularly appreciated our opportunity to contribute to the CAC's recommendations to the Canadian Transportation Agency review of air transportation policy.

Thank You

In closing we would like to thank all of our customers for their continued support and patronage. By supporting and servicing our customers in the most timely, efficient and forward-thinking way possible, TBIAA proudly works to expand the aviation reach and economic prosperity of Northwestern Ontario.

Ian McCormack
Chair of the Board

Ed Schmidtke
Interim President & Chief Executive Officer

TBIAA Board of Directors, 2014

Top row: John Henderson, Will Major, Paul Fitzpatrick
Middle row: Jim McCuaig, Dave Siciliano, Roberta Simpson
Bottom row: Craig Urquhart, Jim Howie, Ian McCormack

Management Team

Top row: Ed Schmidtke, Sharon Kelly, Ryan Brading
Middle row: Walter Turek, Sarah Parkes, Malcolm Armstrong
Bottom row: Duane Riddell

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.

Nominator's Representatives as of December 31, 2014

Government of Canada (2)
John Henderson
Will Major

Government of Ontario (1)
Paul Fitzpatrick

City of Thunder Bay (2)
Jim McCuaig
Dave Siciliano

Thunder Bay Chamber of Commerce (2)
Roberta Simpson
Craig Urquhart

Thunder Bay Labour (1)
Jim Howie

Thunder Bay International Airports Authority Inc. (1)
Ian McCormack

Management Team

Ed Schmidtke
Interim President & Chief Executive Officer

Sharon Kelly
Controller

Ryan Brading
Interim Manager, Airport Services

Walter Turek
Manager, Facilites

Sarah Parkes
Manager, Quality Assurance & Safety

Malcolm Armstrong
SGE Ltd.

Duane Riddell
TBAS, Inc. Red Lake Airport

Combined salaries of the senior management team: $633,335.48

Board of Directors remuneration consisting of honorariums and per diems: $165,450.36


STAAL FOUNDATION OPEN
CANADA
Airport

Operational Review

Thunder Bay Airport passenger volumes finished above the three quarter of a million passenger plateau for the third consecutive year. Aircraft activity continued to hover around the 100,000 movement mark.

The Airport executed over $2.5 million in capital projects including the replacement of one passenger loading bridge and the refurbishment of another. The public address system was also replaced in the Air Terminal Building. Further investments were also made in snow removal equipment to improve storm and post-storm responses.

Airfield specific lighting projects installed the equipment to safely operate in reduced visibility conditions resulting in greater airport "up time" in both Thunder Bay (RVOP) and Red Lake (ODALS).

The year saw the delivery of another strong season of winter maintenance ensuring that our primary runway was not closed during storm conditions. Extra effort was also made in public parking areas to assist customers travelling to and from their vehicles. Our compliments to our winter crews.

Operations of our subsidiary interests continued to bring both financial and operational benefits back to Thunder Bay. A special note must be made of our team in Red Lake and their continued operation of the Municipality's airport in a safe and cost efficient manner.

The Airport as A Community Partner

TBIAA and its staff were proud participants in numerous community activities. From decorating the community's biggest snowblower for the Parade of Lights to supporting the inaugural Staal Foundation Golf Open, Thunder Bay Airport values its community and our opportunities to continuously make Thunder Bay an even better place to live, work and play.

A special thank you to our Red Lake team for their essential contributions to the annual Norseman Festival.

Over $8 million of the total $11.8 million cash outlay in operating and capital expenditures was paid to local sources of goods and services.

Airport operations posted a $1.4 million operating surplus, in the face of contractions in air service and the need to increase expenditures to improve winter storm responses.

TBIAA generated cash in excess of $5.8million.

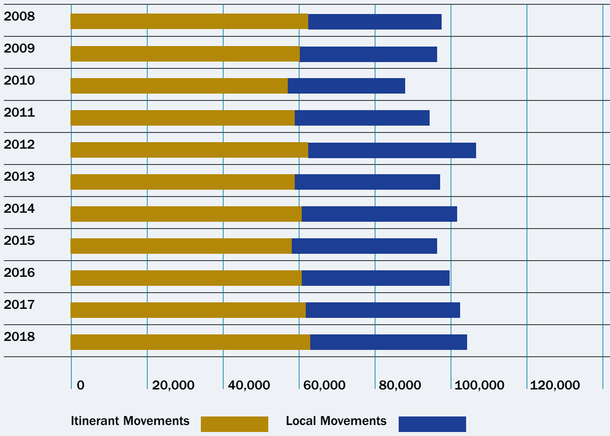
Net Assets grew to over $37 million in a combination of equipment, property and retained surpluses.

The Airport by the Numbers

Historical Performance & 5-Year Forecast

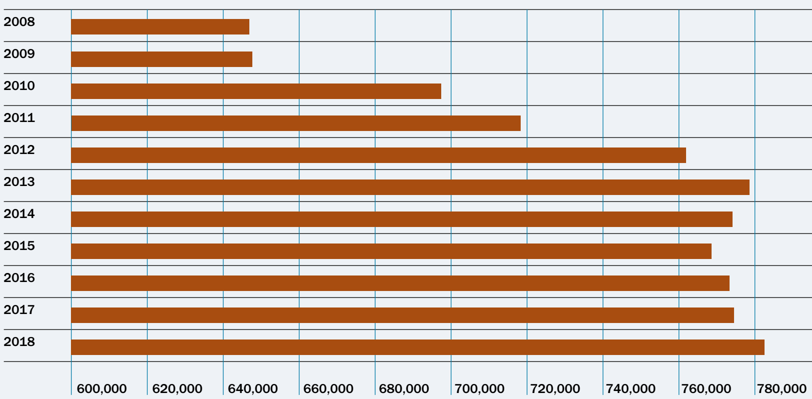
The following charts offer historical and forward thinking estimates of key performance indicators.

Aircraft Movements with Forecasts



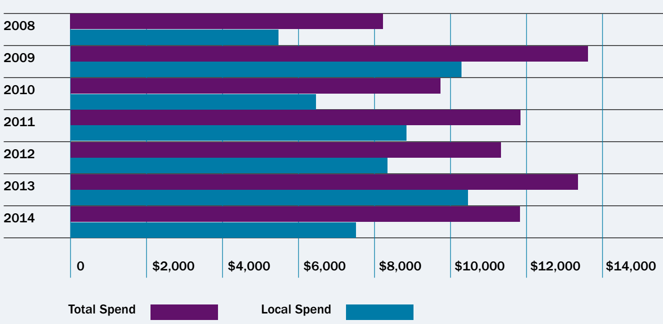
	Itinerant Movements	Local Movements
2008	61,626	34,743
2009	61,598	35,317
2010	57,634	30,105
2011	60,332	35,184
2012	63,648	44,662
2013	59,312	38,294
2014	60,344	40,139
2015	59,741	39,738
2016	60,039	39,936
2017	60,339	40,136
2018	60,641	40,337

Passenger Traffic with Forecasts



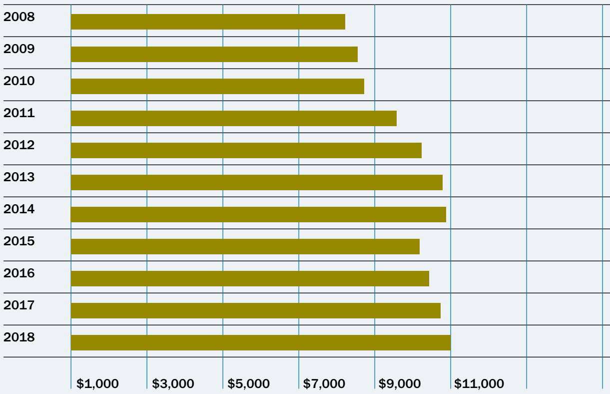
	Actual
2008	645,164
2009	653,106
2010	691,476
2011	719,490
2012	761,693
2013	779,634
2014	776,945
2015	769,176
2016	773,021
2017	776,887
2018	780,771

Total Expenditures to Local Suppliers ($000)



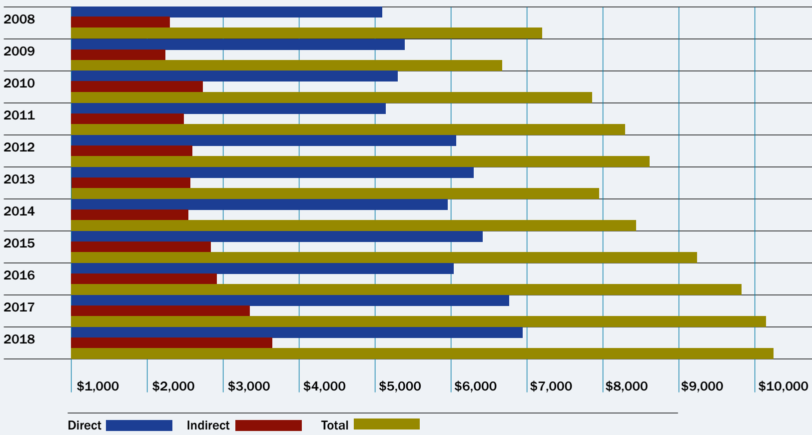
	Total Spend	Local Spend	Percentage Local
2008	$ 8,818	$ 5,513	63%
2009	$ 13,670	$ 10,062	74%
2010	$ 9,733	$ 6,397	66%
2011	$ 11,960	$ 8,601	72%
2012	$ 11,161	$ 8,203	73%
2013	$ 13,233	$ 10,372	78%
2014	$ 11,836	$ 7,317	62%

Consolidated Revenues with Forecasts ($000)



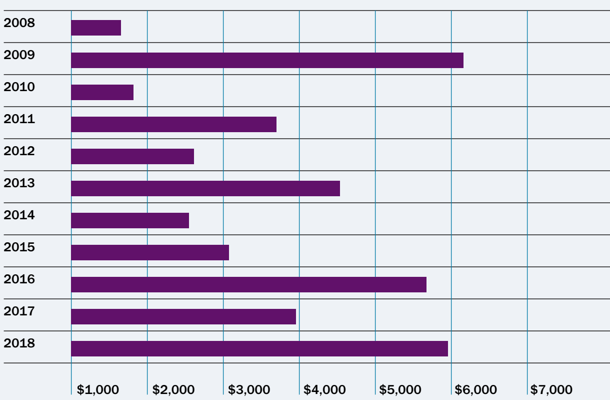
	Actual
2008	$ 8,118
2009	$ 8,386
2010	$ 8,745
2011	$ 9,493
2012	$ 10,162
2013	$ 10,717
2014	$ 10,757
2015	$ 9,965
2016	$ 10,288
2017	$ 10,619
2018	$ 10,960

Operating Expeditures with Forecasts ($000)



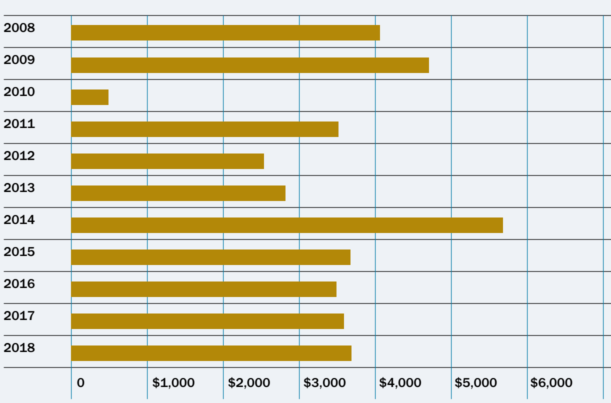
	Direct	Indirect	Total
2008	$ 5,020	$ 2,201	$ 7,221
2009	$ 5,314	$ 2,235	$ 7,549
2010	$ 5,233	$ 2,710	$ 7,943
2011	$ 5,670	$ 2,647	$ 8,317
2012	$ 6,083	$ 2,518	$ 8,602
2013	$ 6,232	$ 2,509	$ 8,741
2014	$ 6,578	$ 2,756	$ 9,335
2015	$ 6,383	$ 2,858	$ 9,241
2016	$ 6,570	$ 3,140	$ 9,710
2017	$ 6,762	$ 3,392	$ 10,154
2018	$ 6,966	$ 3,648	$ 10,614

Capital Expenditures with Forecasts ($000)



	Actual
2008	$ 1,596
2009	$ 6,121
2010	$ 1,790
2011	$ 3,643
2012	$ 2,559
2013	$ 4,492
2014	$ 2,501
2015	$ 3,071
2016	$ 5,745
2017	$ 3,945
2018	$ 5,936

Cash Provided by Operating Activities ($000)



	Actual
2008	$ 4,064
2009	$ 4,896
2010	$ 405
2011	$ 3,602
2012	$ 2,623
2013	$ 2,990
2014	$ 5,819
2015	$ 3,733
2016	$ 3,527
2017	$ 3,658
2018	$ 3,794

Grant Thornton

Independent Auditor's Report

To the Directors of
Thunder Bay International Airports Authority Inc.

We have audited the accompanying consolidated financial statements of Thunder Bay International Airports Authority Inc., which comprise the consolidated statement of financial position as at December 31, 2014, and the consolidated statements of operations, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian accounting standards for notforprofit 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.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Thunder Bay International Airports Authority Inc. as at December 31, 2014 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for notforprofit organizations.

Grant Thornton LLP

Chartered Accountants Licensed Public Accountants

Thunder Bay, Canada
March 23, 2015

Thunder Bay International Airports Authority Inc.

Consolidated Statement of Operations

Year ended December 31		2014		2013
REVENUE [schedule]	**$**	**10,757,250**	$	10,717,055
EXPENSES				
Direct Advertising and promotion	$	**123,550**	$	127,187
Benefits		**646,146**		555,139
Contracted maintenance		**345,047**		349,943
Contracted services		**645,802**		633,963
Equipment rentals		**3,086**		8,006
Federal rent		**149,605**		95,661
Materials and supplies		**543,994**		557,842
Office and administration		**92,580**		83,308
Professional and consulting fees		**222,873**		265,748
Purchased repairs		**70,618**		221,998
Salaries		**3,109,382**		2,684,648
Telephone		**33,805**		39,601
Training and meetings		**40,482**		71,389
Travel		**61,202**		67,932
Utilities		**501,455**		469,785
	$	**6,589,627**	$	6,232,150
Indirect				
Amortization	**$**	**1,892,436**	$	1,672,670
Bad debts		**2,420**		58
Directors' fees		**165,450**		153,367
Payment in lieu of property taxes		**388,838**		370,322
Insurance		**135,179**		145,634
Interest and bank charges		**58,608**		54,277
Interest on long-term debt		**113,338**		113,214
	$	**2,756,269**	$	2,509,542
Total expenses	**$**	**9,345,896**	$	8,74 1,692
Earnings before the following	**$**	**1,411,354**	$	1,975,363
Realized earnings on investments		**1,897,771**		1,104,064
Fair market value adjustment		**(436,563)**		1,015,024
Foreign exchange gain		**2,204**		-
Gain on sale of property and equipment		**-**		12,300
Earnings (loss) of IFIDS.COM INC. [note 5[b]]		**(85,730)**		25,295
Excess of revenue over expenses	**$**	**2,789,036**	$	4,132,046

See accompanying notes to the consolidated financial statements.

Thunder Bay International Airports Authority Inc.

Consolidated Statement of Financial Position

Year ended December 31	**2014**	2013
		[restated note 18]
ASSETS		
Current		
Cash and cas equivalents	$ **1,222,923**	$ 253,193
Accounts receivable [note 2]	**1,270,701**	2,795,151
Inventory, at cost	**99,995**	88,637
Prepaid expenses and deposits	**190,027**	143,523
Investment in IFIDS.COM INC. [note 5 [a]]	**-**	32,207
Due from Marcel Boschung AG	**-**	11,033
Deposit	**-**	20,000
Due from the Municipality of Red Lake	**268,457**	-
Total current assets	**$ 23,590, 926**	$ 22,976,027
Property and equipment, net [note 3]	**23, 590,926**	22,976,027
Other		
Investments [note 4]	**20,208,918**	18,767,147
Accrued benefit asset [note 15]	**1,674,000**	1,112,000
Total other assets	**21,882,918**	18,879,147
	$ **48,525,947**	$ 46,198,918
LIABILITIES AND NET ASSETS		
Current		
Accounts payable and accrued liabilities [note 7]	**$ 1,621,883**	$ 1,702,200
Due to the Municipality of Red Lake	**-**	120,306
Due to Marcel Boschung AG	**51,961**	-
Interim construction demand facility [note 8]	**-**	2,017,000
Current portion of long-term debt [note 9[a]]	**544,699**	544,699
Deferred revenue	**141,165**	133,065
Investment in IFIDS.COM INC. [note 5[a]]	**53,523**	-
Total current liabilities	**$ 2,413,231**	$ 4,517,270
Non-current		
Security deposits	$ **40,530**	$ 34,080
Long-term debt [note 9[a]]	**4,257,634**	2,771,195
Deferred capital contributions [note11]	**3,2780,603**	3,845,757
Retirement allowance liability [note 10]	**456,717**	422,420
Total non-current liabilities	**$ 8,535,484**	$ 7,073,452
Net assets		
Investment in property and equipment [note 12[a]]	**$ 15,007,990**	$ 13,797,376
Unrestricted	**22,569,242**	20,810,820
Net assets	**$ 37,577,232**	$ 34,608,196
	$ 48,525,947	$ 46,198,918

See accompanying notes to the consolidated financial statements

On behalf of the Board:

Director
Ian McCormack

Director
Paul Fitzpatrick

Consolidated Statement of Changes in Net Assets

Year ended December 31			**2014**	2013
	Investment in property and equipment [note 12]	**Unrestricted**	**Total**	Total [restated note 18]
Net assets, beginning of year	$ **13,797,376**	**$ 20,810,820**	**$ 34,608,196**	$ 30,789,150
Excess (shortfall) of revenue over expenses	**(1,760,982)**	**4,550,018**	**2,789,036**	4,132,046
Net change in investment in property and equipment	**2,971,596**	**(2,971,596)**	**-**	-
Pension remeasurement and other items	**-**	**180,000**	**180,000**	(313,000)
Net assets, end of year	**$ 15,007,990**	**$ 22,569,242**	**$ 37,577,232**	$ 34,608,196

See accompanying notes to the consolidated financial statements.

Consolidated Statement of Cash Flows

Year ended December 31	2014	2013
		[restated note 18]
OPERATING ACTIVITIES		
Excess of revenue over expenses	**$ 2,789,036**	$ 4,132,046
Add charges (deduct credits) to earnings not involving a current payment (receipt) of cash Amortization	1,892,436	1,672,670
Amortization of deferred capital contributions	**(137,186)**	(81,033)
Increase in accrued benefit asset	**(382,000)**	(335,000)
Increase in retirement allowance liability	**34,297**	18,841
Interest added to long-term debt	**5,732**	7,289
Fair market value adjustment	**436,563**	(1,015,024)
Gain on sale of property and equipment	**-**	(12,300)
Loss (earnings) of IFIDS.COM INC.	**85,730**	(25,295)
	$ 4,724,608	$ 4,362,194
Net change in non-cash working capital balances related to operations [note 13[a]]	**$ 1,095,052**	$ (1,372,180)
Cash provided by operating activities	**$ 5,819,660**	$ 2,990,014
INVESTMENT ACTIVITIES		
Purchase of property and equipment [note 13[b]]	**$ (2,435,303)**	$ (1,650,073)
Purchase of investments, net	**(1,878,334)**	(1,089,758)
Proceeds on disposal of property and equipment	-	17,350
Cash used in investment activities	**$ (4,313,637)**	$ (2,722,481)
FINANCING ACTIVITY		
Repayment of long-term debt	**$ (536,293)**	$ (594,950)
Cash used in financing activity	**(536,293)**	(594,950)
Increase (decrease) in cash and cash equivalents during year	**$ 969,730**	$ (327,417)
Cash and cash equivalents, beginning of year	**253,193**	580,610
Cash and cash equivalents, end of year	**$ 1,222,923**	$ 253,193

See accompanying notes to the consolidated financial statements.

Notes to the Consolidated Financial Statements

GENERAL

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

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., Sleeping Giant Enterprises Ltd. and Superior Aerospace Services Ltd. which are wholly-owned. IFIDS.COM INC. which is 50% owned has been accounted for using the equity basis.

Investments in which the Authority has the ability to exercise significant influence but does not have control are accounted for using the equity method. Under the equity method, the investment is initially recorded at cost and the carrying value is adjusted thereafter to reflect the Authority's share of earnings or loss. When there is a loss in the value that is other than a temporary decline, the investment is written-down to recognize the loss.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances with banks, and cash held in money market instruments with maturity dates of less than three months from the date they are acquired. They are recorded at the lower of cost or market value.

Inventory

Inventory is valued at the lower of cost and net realizable value. Cost is determined on a first-in, first-out basis.

Property and equipment

Property and equipment are initially recorded at cost. Normal maintenance and repair expenditures are expensed as incurred.

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 straight-line and 1/30 straight-line
Security upgrades	1/5 straight-line
Vehicles and equipment	1/5 straight-line -salvage value 10%

Property and equipment acquired during the year, but not placed into use, are not amortized in the year of acquisition.

Revenue recognition

The Authority follows the deferral method of accounting for contributions, which includes government grants. Restricted contributions are reflected as deferred contributions and 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. Sales and services revenue is recognized at point of sale or when the service has been provided and collectability is reasonably assured. Annual licence fees and product support are recognized over the period of service. Lease revenue is recognized in the period in which it was earned.

FINANCIAL INSTRUMENTS

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
- accounts payable and accrued liabilities
- 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 or liabilities obtained in related party transactions are measured in accordance with the accounting policy for related party transactions except for those transactions that are with a person or entity whose sole relationship with the Authority is in the capacity of management in which case they are accounted for in accordance with financial instruments.

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

Financial instrument	Subsequent measurement
Cash and cash equivalents	Amortized cost (which approximates fair value)
Accounts receivable	Amortized cost
Investments in publicly traded companies	Fair value (determined using closing prices)
Accounts payable and accrued liabilities	Amortized cost
Long-term debt	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 statement of operations.

Employee future benefits
The Authority uses the immediate recognition approach to account for its defined benefit pension plans. Under this approach, the Authority recognizes the amount of the accrued benefit obligation, net of the fair market value of plan assets measured as at the date of the statement of financial position, adjusted for any valuation allowance, in the statement of financial position.

Current service and interest costs are included in the cost of the plans for the year and recorded in the statement of operations in the year they are incurred. Remeasurement gains and losses and other items which include actuarial gains and losses, past service costs and gains and losses arising from settlements and curtailments are recognized directly in net assets in the statement of financial position.

The Authority accrues its obligations under the defined benefit plan as the employees render the services necessary to earn the pension and other retirement benefits determined using the projected benefit method prorated on services method, which incorporates management's best estimate of future salary levels, other cost escalation, retirement ages of employees and other actuarial factors.

The Authority recognized an accrued benefit asset on the statement of financial position, which is the net of the amount of the accrued benefit obligation, the fair value of plan assets. The measurement date of the plan assets and accrued benefit obligation for the pension plan coincides with the Authority's fiscal year. Actuarial valuations are required to be performed at least every three years for the defined benefit pension plan by the applicable regulations. The pension plans assets are measured at fair value as at the date of the statement of financial position.

The Authority offers a defined contribution pension plan to employees. 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 in "Accrued benefit asset" on the statement of financial position.

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 statement of financial position 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 are translated using the exchange rate of U.S. $1 = Cdn $1.0636.

Management estimates

Management reviews the carrying amounts of items in the financial statements at each statement of financial position date to assess the need for revisions. Many items in the preparation of these 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:

Financial statement element	**Management estimate Accounts**
receivable	Allowance for doubtful accounts
Inventory	Obsolete inventory provision
Property and equipment	Asset useful lives

2. ACCOUNTS RECEIVABLE

	2014	2013
Trade	**$ 1,124,851**	$ 1,370,101
Allowance for doubtful accounts	**(46,043)**	(47,426)
Harmonized Sales Taxes receivable	**191,893**	56,977
Grants receivable	**-**	1,415,499
	$ 1,270,701	$ 2,795,151

3. PROPERTY AND EQUIPMENT

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

	Cost	**Accumulated amortization**	**2014 Net book value**	2013 Net book value
Airside equipment	**$ 4,412,358**	**$ 1,500,358**	**$ 2,912,000**	$ 2,642,439
Computer hardware	**238,315**	**215,828**	**22,487**	28,453
Computer software	**522,793**	**516,138**	**6,655**	26,621
Land and land transfer costs	**1,032,163**	**52,058**	**980,105**	982,415
Land development costs	**6,878,450**	**1,313,384**	**5,565,066**	5,578,264
Leasehold improvements	**11,593,314**	**4,318,437**	**7,274,877**	6,617,787
Office furniture and equipment	**275,662**	**190,334**	**85,328**	101,629
Runway upgrades	**9,845,072**	**3,695,047**	**6,150,025**	6,629,498
Security upgrades	**3,183,786**	**3,183,786**	**-**	-
Vehicles and equipment	**2,622,034**	**2,027,651**	**594,383**	368,921
	$ 40,603,947	**$ 17,013,021**	**$ 23,590,926**	$ 22,976,027

Amortization for the year is $1,892,436 [2013 -$1,672,670]. Included in property and equipment balances are $62,645 assets not being amortized as they are not in use.

4. INVESTMENTS

	2014 Cost	**2014 Market**	2013 Cost	2013 Market
Cash and cash equivalents	**$ 333,802**	**$ 333,888**	$ 471,438	$ 471,519
Fixed income	**5,893,924**	**5,916,117**	7,580,256	7,646,413
Equity	**12,161,328**	**13,958,13**	8,459,023	10,649,215
Total	**$ 18,389,054**	**$ 20,208,918**	$ 16,510,717	$ 18,767,147

5. INVESTMENT IN IFIDS.COM INC.

[a] The Authority's 50% interest in IFIDS.COM INC. is accounted for using the equity method.

	2014	2013
Balance, beginning of year	**$ 32,207**	$ 6,912
Earnings (loss) for year	**(85,730)**	25,295
Balance, end of year	**$ (53,523)**	$ 32,207

[b] Financial information of IFIDS.COM INC. is as follows:

	2014	2013
Balance sheet		
Total assets	**$ 259,854**	$ 411,467
Total liabilities	**469,277**	449,431
Net assets	**(209,423)**	(37,964)
Authority's share of deficit	**$ (104,712)**	$ (18,982)
Earnings statement		
Sales	$ **445,992**	$ 504,475
Cost of sales	**218,737**	193,970
	227,255	310,505
Expenses	**410,203**	263,111
Interest and other income	**11,489**	3,195
Earnings (loss) for year	**(171,459)**	50,589
Authority's share of net earnings (loss)	**$ (85,730)**	$ 25,295

6. BANK INDEBTEDNESS

TD Canada Trust

The Authority has available a demand operating loan of $500,000 [2013 -$950,000] bearing interest at the bank's prime lending rate plus 0.5% per annum [3.5% at December 31, 2014].

The security for all indebtedness consists of the following:

- a general security agreement representing a first floating charge subject to the Ministry of Transport's first position on all assets except accounts receivable, chattel paper, document of title, instrument and money.
- fixed charge on Jetbroom runway sweeper and Snowbooster -assignment of insurance;
- postponement agreement between the Bank and Ministry of Transport, dated August 29, 1997 giving the Ministry of Transport first position on all assets except accounts receivable, chattel paper, document of title, instrument and money;
- subordination agreement in the amount of $1,200,000 dated August 29, 1997 between the Bank and the Ministry of Transport giving the Bank priority on the Runway Sweeper;
- Subordination agreement amendment in the amount of $2,490,000 dated July 21, 2006 between the Bank and the Ministry of Transport giving the Bank priority on an additional Runway Sweeper and a new Snowbooster;
- Bankers Acceptances Agreement with Power of Attorney; and
- Updated Subordination and Priorities Agreement signed by the Federal Ministry of Transport/TD Bank/Thunder Bay International Airports Authority Inc.

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2014	2013
Accounts payable and accrued liabilities	**$ 1,612,619**	$ 1,697,607
Government remittances	**4,997**	4,348
Income taxes	**4,267**	245
	$ 1,621,883	$ 1,702,200

8. INTERIM CONSTRUCTION DEMAND FACILITY

	2014	2013
Demand facility was converted to a term loan in the year.	**$ -**	$ 2,017,000

9. LONG-TERM DEBT

[a]	**2014**	2013
Ontario Ministry of Finance $360,000 interest-free loan, payable in five equal instalments commencing 2011, discounted using a 4.2% effective interest rate.		
Undiscounted balance outstanding of $72,055.	**$ 67,543**	$ 133,866
Toronto-Dominion Bank Term loan repayable in monthly instalments of $10,750 plus interest and a stamping fee of 0.95% per annum [2.23% combined at year-end] maturing December 31, 2015. As collateral, the Authority has provided a general security agreement as described in note 6 and a fixed charge on specific equipment and assignment of insurance.	**139,750**	268,750
Term loan repayable in monthly instalments of $20,232 plus interest and a stamping fee of 0.95% per annum [2.23% combined at year-end] maturing January 31, 2016. As collateral, the Authority has provided a general security agreement as described in note 6 and a fixed charge on specific equipment, compensating balance in investments, and assignment of insurance.	**2,670,495**	2,913,278
Term loan repayable in monthly instalments of $8,405 plus interest and a stamping fee of 0.95% per annum [2.23% combined at yearend], maturing January 1, 2016. As collateral, the Authority has provided a general security agreement as described in note 6 and a fixed charge on specific equipment, compensating balance in investments, and assignment of insurance.	**1,924,545**	
	$ 4,802,333	$ 3,315,894
Less amounts included in current liabilities	**544,699**	544,699
Long-term portion	**$ 4,257,634**	$ 2,771,195

[b] Principal repayments are based on managment's intentions to renew terms loans under similar terms. The undiscounted cash flows required over the next five years, are as follows:

2015	$ 544,699
2016	354,394
2017	343,644
2018	343,644
2019	343,644
Thereafter	2,876,820
	$ 4,806,845

10. 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

	2014	2013
Balance, beginning of year	**$ 422,420**	$ 403,579
Expense for the year	**34,297**	18,841
Benefits paid during the year	**-**	-
Balance, end of year	**$ 456,717**	$ 422,420

11. DEFERRED CAPITAL CONTRIBUTIONS

Deferred capital contributions related to property and equipment represent the unamortized amount of contributions received for the purchase of property and equipment. The amortization of capital contributions is recorded as revenue in the consolidated statement of operations.

	2014	2013
Balance, beginning of year	**$ 3,845,757**	$ 1,997,583
Contributions received during year	**72,032**	1,929,207
Amortization	**(137,186)**	(81,033)
Balance, end of year	$ 3,780,603	$ 3,845,757

12. INVESTMENT IN PROPERTY AND EQUIPMENT

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

	2014	2013
Property and equipment at net book value	**$ 23,590,926**	$ 22,976,027
Amounts financed by:		
Deferred capital contributions	**(3,780,603)**	(3,845,757)
Long-term debt	**(4,802,333)**	(5,332,894)
	$ 15,007,990	$ 13,797,376

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

	2014	2013
Excess (shortfall) of revenue over expenses		
Amortization of deferred capital contributions	**$ 137,186**	$ 81,033
Amortization of property and equipment	**(1,892,436)**	(1,672,670)
Interest added to long-term debt	**(5,732)**	(7,289)
Gain on sale of property and equipment	**-**	12,300
	$ (1,760,982)	$ (1,586,626)

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

	2014	2013
Purchase of property and equipment	**$ 2,507,335**	$ 4,479,280
Amounts funded by:		
Restricted contributions	**(72,032)**	(1,929,207)
Loan proceeds	**-**	(900,000)
Repayment of long-term debt	**536,293**	594,950
Disposal of property and equipment	**-**	(17,350)
	$ 2,971,596	$ 2,227,673

13. STATEMENT OF CASH FLOWS

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

	2014	2013
Decrease (increase) in current assets		
Accounts receivable	**$ 1,524,450**	$ (1,511,933)
Inventory, at cost	**(11,358)**	61,866
Prepaid expenses and deposits	**(46,504)**	217,371
Due from Marcel Boschung AG	**11,033**	(11,033)
Deposit	**20,000**	(20,000)
Due from the Municipality of Red Lake	**(268,457)**	-
	$ 1,229,164	$ (1,263,729)
Increase (decrease) in current liabilities		
Accounts payable and accrued liabilities	(80,317)	(19,018)
Due to the Municipality of Red Lake	(120,306)	25,189
Due to the Marcel Boschung AG	51,961	(115,427)
Deferred revenue	8,100	805
Security deposits	6,450	-
	(134,112)	(108,451)
	1,095,052	(1,372,180)

[b] During the year, property and equipment were acquired at n aggregate cost of $2,507,335 [2013 -$4,479,280] of which $72,032 [2013 -$1,929,207] were funded by restricted contributions and $nil [2013 -$900,000] were funded by means of long-term debt. Cash payments and net proceeds of disposition of $2,435,303 [2013 $1,650,073] were used to purchase property and equipment.

14. 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.

15. PENSION PLANS

The Authority sponsors a pension plan on behalf of its employees which has defined benefit and defined contribution components. The Authority has adopted ASNPO 3463 “reporting employee future benefits by not-for-profit organizations”.

Based on the actuarial valuation, the fair value of the entire plan assets and the accrued benefit obligation as of the most recent actuarial extrapolation at December 31, 2014:

	2014	2013
Benefit obligation, end of year	**$ (6,296,000)**	$ (6,748,000)
Plan assets fair value, end of year	**7,970,000**	7,860,000
Funded status -plan surplus	**$ 1,674,000**	$ 1,112,000

The total plan surplus at December 31, 2014 is $1,674,000 [2013 -$1,112,000].

The changes in accrued pension benefits obligations are:

	2014	2013
Balance, beginning of year	**$ 1,112,000**	$ 1,090,000
Total current service and finance cost expense	**(80,000)**	(160,000)
Remeasurement and other items	**180,000**	(313,000)
Employer contributions	**462,000**	495,000
Balance, end of year	**$ 1,674,000**	$ 1,112,000

The significant actuarial assumptions adopted in measuring the Authority’s accrued benefit obligations as of January 1, 2014 are as follows:

Discount rate	5.50%
Expected long-term rate of return on plan assets	6.50%
Rate of compensation increase	4.00%

The Authority pays into a defined contribution plan with Great-West Life for certain employees. During the year, the Authority made total payments of $35,744 to the plan which was recognized as an expense during the year.

16. FINANCIAL INSTRUMENTS

[a] Fair value

The fair values of cash and cash equivalents, accounts receivables, and accounts payable and accrued liabilities are not materially different from their carrying values due to the short-term nature of these financial instruments. The fair value of investments and long-term debt are reflected in the consolidated statement of financial position.

[b] 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 statement of financial position date. Credit risk can be concentrated 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 provision for potential credit losses.

[c] Interest rate risk

The Authority is exposed to interest rate risk for certain of its financial assets and liabilities. Under the revolving terms of credit, the Authority may have short-term borrowings for working capital purposes, which would expose the Authority to fluctuations in short-term interest rates (borrowings in the form of prime rate loans in Canadian dollars).

[d] Foreign exchange risk

The Authority's foreign currency translation policy is described in note 1. The Authority does not enter into foreign currency futures and forward contracts to manage its exposure to foreign currency fluctuations.

[e] Market 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 investment quote in an active market.

The Authority mitigates price and concentration risk of these financial instruments by holding investment with three different investment management companies and managing the investment mix of Canadian, U.S. and International equities and fixed income bonds and preferred shares.

17. COMPARATIVE FINANCIAL STATEMENTS

The comparative consolidated financial statements have been reclassified from statements previously presented to conform to the presentation of the 2014 consolidated financial statements.

18. ACCOUNTING POLICY CHANGE AND RESTATEMENT OF COMPARATIVE INFORMATION

During the year, the Authority adopted ASNPO 3463, "Reporting employee future benefits by not-for-profit organizations, which replaces ASPE 3461 -Employee future benefits and supplements ASPE 3462. Section 3462 and 3463 require immediate recognition of all gains and losses arising from defined benefit plans as they are incurred. Additionally, Section 3463 requires remeasurement and other items for the period be recognized directly in net assets in the statement of financial position rather than in the statement of operations. Current service costs and finance costs continue to flow through the statement of operations.

A summary of the impact of the changes is noted as follows:

	2013
Accrued benefit asset, as previously reported for the year ended December 31	1,425,000
Pension obligation remeasurement and other items	(313,000)
	1,112,000
Net assets, as previously reported for the year ended December 31	34,921,196
Pension obligation remeasurement and other items	(313,000)
	34,608,196

Thunder Bay International Airports Authority Inc.

Consolidated Schedule of Revenue

Year ended December 31	**2014**	2013
Airside	**$ 2,920,293**	$ 3,052,526
Industrial land leases	**730,545**	667,557
Miscellaneous	**121,129**	154,211
Parking and ground transportation	**1,602,241**	1,548,447
Terminal	**4,178,953**	4,137,375
Amortization of deferred capital contributions [note 11]	**137,186**	81,033
Federal rent recovery	**95,784**	51,211
	9,786,131	9,692,360
Revenue from business initiatives	**971,119**	1,024,695
	$ 10,757,250	$ 10,717,055

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

	2014	2013
Equipment sales revenue	**$ 990,500**	1,861,000
Parts sales and other commissions	**99,350**	53,357
	1,089,850	1,914,357
Direct costs		
Cost of equipment	**898,390**	959,693
Parts	83,847	33,839
	982,237	993,532
	$ 107,613	$ 920,825

True to our belief in community partnership, we collaborated with Thunder Bay's ski hills & clubs alongside providers of local accommodations in the "Snow Better Place" promotion.

Thunder Bay International
Airports Authority Inc.
340 - 100 Princess Street
Thunder Bay, ON
P7E 6S2

www.tbairport.on.ca