THUNDER BAY INTERNATIONAL AIRPORTS AUTHORITY INC.

2022 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

2022 will be remembered as the year we re-built our primary runway. Easily the largest project undertaken in the history of the airport authority, this work literally laid a foundation for 15 to 20 years of continued air service for the region of Northwestern Ontario.

By the conclusion of the work, invisible yet essential subsurface foundational repairs were completed, new asphalt was paved, 60-year old drainage pipes were installed and new LED approach and runway edge lights replaced out of date high energy consuming lighting.

Work was completed over a 29-week period with the primary runway closed for a full 6 months. By completion, over 46,000 tonnes of new asphalt was paved into place, 25 kilometers of new electrical cable was installed, and over 47 kilometers of new sub-drains and sewers were replaced.

A project of this magnitude required assistance from a number of partners. We thank Transport Canada for providing $9.0 million of funding towards this $22.0 million project through its Airport Capital Assistance Program (ACAP). The time sensitive design work by the engineering firm AVIA NG was essential to getting started early enough in 2022 to have any hope of completing this massive project in one construction season.

The selected construction contractor was Pioneer Construction with significant support from Nadin Contracting. The project management efforts of these two companies to work around unfavourable weather and to work with us to maintain a safe airport operation through the work was essential and is greatly appreciated.

Lastly, this project required support from every one of our employees. Without their commitment to taking on the major project while maintaining day-to-day operations, there was no hope of safely completing the work on time, on scope, and under budget. Their efforts were essential to project's success.

Entering 2022 under the specter of the Omicron variant, we began the year concerned that it may be another year dominated by pandemic depressed passenger demand. Thankfully, travel did begin to rebound and the year finished much stronger than it started.

The year welcomed back service from Porter Airlines, Flair and, by December, Sunwing. Air Canada brought jet service back to the market immediately following completion of runway construction. Regional service also benefited from new service by Bearskin Airlines to Geraldton.

Although passenger volume finished at 70% of pre-pandemic levels, a strong second half points to a much better result for 2023.

The rehabilitation of YQT's primary runway was the largest construction project undertaken in the history of the Airport Authority

In the summer, we were excited to do our part in hosting the passengers of Viking's Octantis' maiden season on the Great Lakes. Even though the interrupting of the runway construction to accommodate the large charter jets added to construction costs, the Airport Authority considered this support a worthwhile investment in growing a lucrative sector of the tourism economy.

Third party hangar construction saw two major developments over the year. Both Air Bravo and Levaero Aviation expanded their presence at Thunder Bay Airport. We welcome their continued growth.

In August we joined the #NotinMyCity campaign against human trafficking. #NotInMyCity is a facilitative organization that is raising awareness and taking collective action to prevent, disrupt and end sexual exploitation and trafficking, focusing on children and youth. In the transport sector, #NotInMyCity is a leading partner who is helping address human trafficking across sectors and geographic areas.

Gratitude must also be expressed to the Government of Canada for our continued inclusion in liquidity funding through the Regional Air Transportation Initiative which saw $950,000 granted to the airport to assist with funding operations.

This year started with us firmly entrenched in another round of the Covid pandemic and ended with hope that air travel will return to normal through 2023. We would look forward to hosting our customers at something closer to pre-pandemic levels next year.

Financial Performance

TBIAA posted a modest consolidated surplus of $16,569 from all sources for 2023. The airport is, however, well positioned for a cost-effective future. Despite delivering over $21million in total capital project works, the year finished with TBIAA carrying only $4million in long term debt.

We remain confident in our ability to operate without an Airport Improvement Fee (AIF) for the foreseeable future and hope that this cost reduction on air travel from Thunder Bay will stimulate strong volumes in 2023. As the first airport (and now one of only two) to retire its AIF, we remain committed to doing our share to stimulate the economy by promoting the lowest possible fares.

Pursuant to the public accountability principles for Canadian Airport Authorities, general by-laws and TBIAA's procurement policy for goods and services, all contracts valued at more than $75,000 (1994 dollars subject to annual adjustment for inflation) shall be awarded following a competitive public tendering process unless the Board of Directors, for reason of efficiency and practicality, decides otherwise. There were no exceptions to the policy in 2022.

Signage throughout the Air Terminal Building was installed as part of the #NotInMyCity campaign to raise awareness of human trafficking within aviation

2022 marked the first year of welcoming passengers of Viking Octantis with a turn stop in Thunder Bay. Although interruptions were made to the runway construction, this was a worthwhile investment to help support our tourism economy

Air Service

Air service recovery was muted in 2022 due to the combination of the Omicron variant and runway construction. Many carriers reduced capacity in January and February in response to reduced demand related to the Omicron scare. Flair Airlines cancelled the entire February schedule. International travel restrictions also suspended all Sunwing flying to winter sunspot destinations. By the end of February, passenger volumes were only at 39% of pre-pandemic levels.

The airfield restoration project closed the primary runway from May 15 to October, leaving Thunder Bay unable to service jet traffic through the peak summer travel period. This also resulted in reduced capacity for the summer.

Despite these negative pressures, passenger volumes rebounded to 70% of pre-pandemic levels for the year, with the last six months of 2022 reaching 80% of 2019 numbers.

Environmental Stewardship

In 2022, TBIAA pledged tis commitment to reducing all carbon emissions by joining the Airports Council International Airport Carbon Accreditation Program.

This year saw investments in carbon reducing technologies. Design work was completed on a dual heat recovery system and other Heating and Ventilation (HVAC) improvements for the Air Terminal Building. When completed in 2023, this system is estimated to reduce carbon emissions related to building heat by over 300,000 pounds of carbon annually. This work will be completed with funding assistance by FEDNOR.

In an effort to reduce our consumption of petroleum fuels, we have purchased our first all electric vehicle.

Buying Local

Since 2015, we have proudly published expenses incurred through local suppliers. We realize that a healthy local economy is essential to airport success and contribute where we can by buying local.

This year's $20million runway project saw the airport's local spend exceed all previous years by several million dollars. With most materials and services delivered through local contractors, almost $27million of a total 2023 spend of $28.5million was spent locally.

A Community Partner

It was a heartwarming snowy day in Thunder Bay on December 10 when representatives from the Department of Immigration Refugees and Citizenship Canada welcomed a chartered aircraft carrying Afghan refugees to assist them in settling in our community.

Despite having a difficult year financially, TBIAA continued to strategically invest in our region's future. This past year saw the completion of $50,000 in donations to both the Cardiac Care campaign and the expansion of Confederation College's Flight Program.

Afghan refugees arrive to a snowy welcome at YQT

TBIAAI BOARD OF DIRECTORS - 2022

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 Thunder Bay Labour

Paul Inksetter
Vice-Chair

Representing the Government of Canada

Mary Long-Irwin

Lynn Peterson

Representing the Government of Ontario

Darren Harper*

Notes:
Ken Boshcoff - Term ended October 25, 2022
Dave Siciliano - Term ended November 30, 2022
Darren Harper - Term ended October 2, 2022

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, 2022

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

Government of Ontario (1)
Darren Harper - term ended October 2, 2022

City of Thunder Bay (2)
Dave Siciliano - term ended November 30, 2022
Ken Boschcoff - term ended October 25, 2022

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, 2022 was: $138,255.56

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

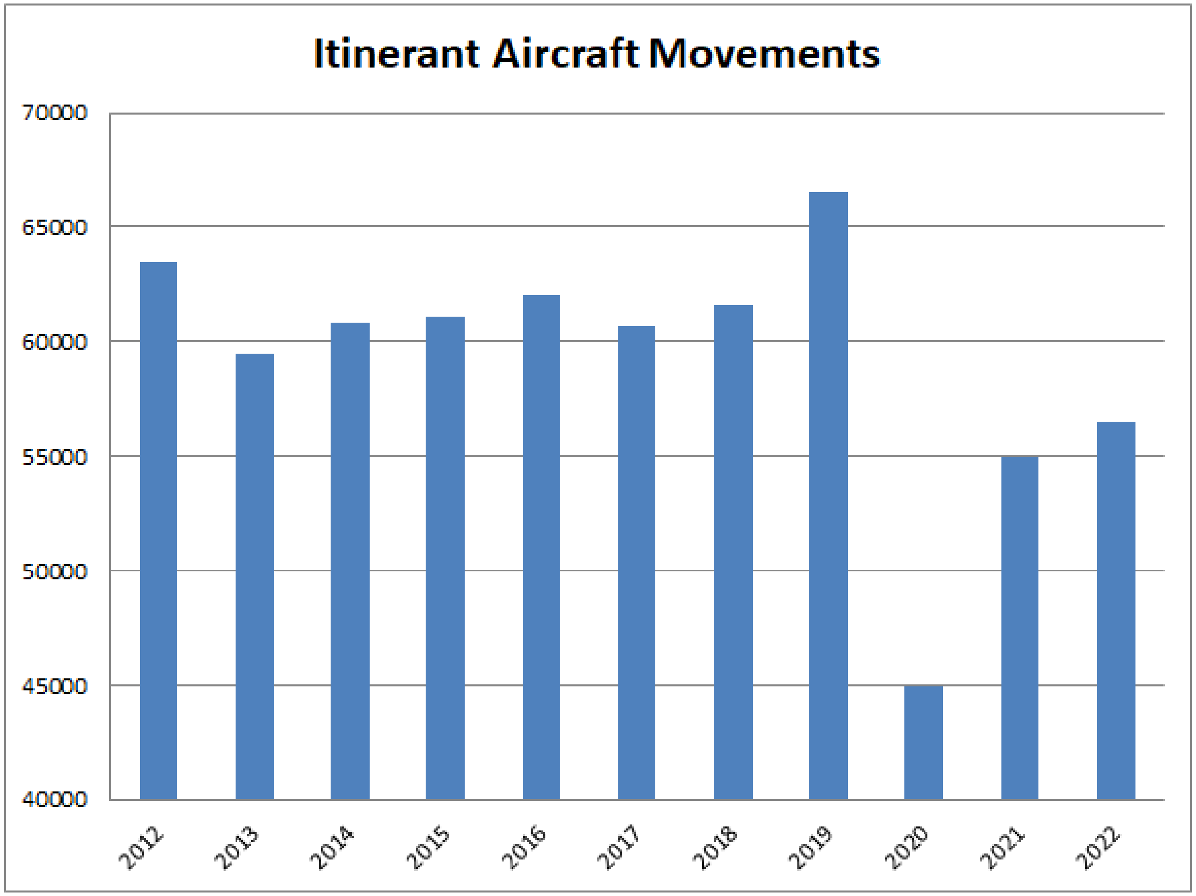
Manager, Security Darren Watts

TBAS, Inc. Red Lake Airport
Duane Riddell

The annual compensation for the senior management team for the year ending December 31, 2022 was: $843,278.86

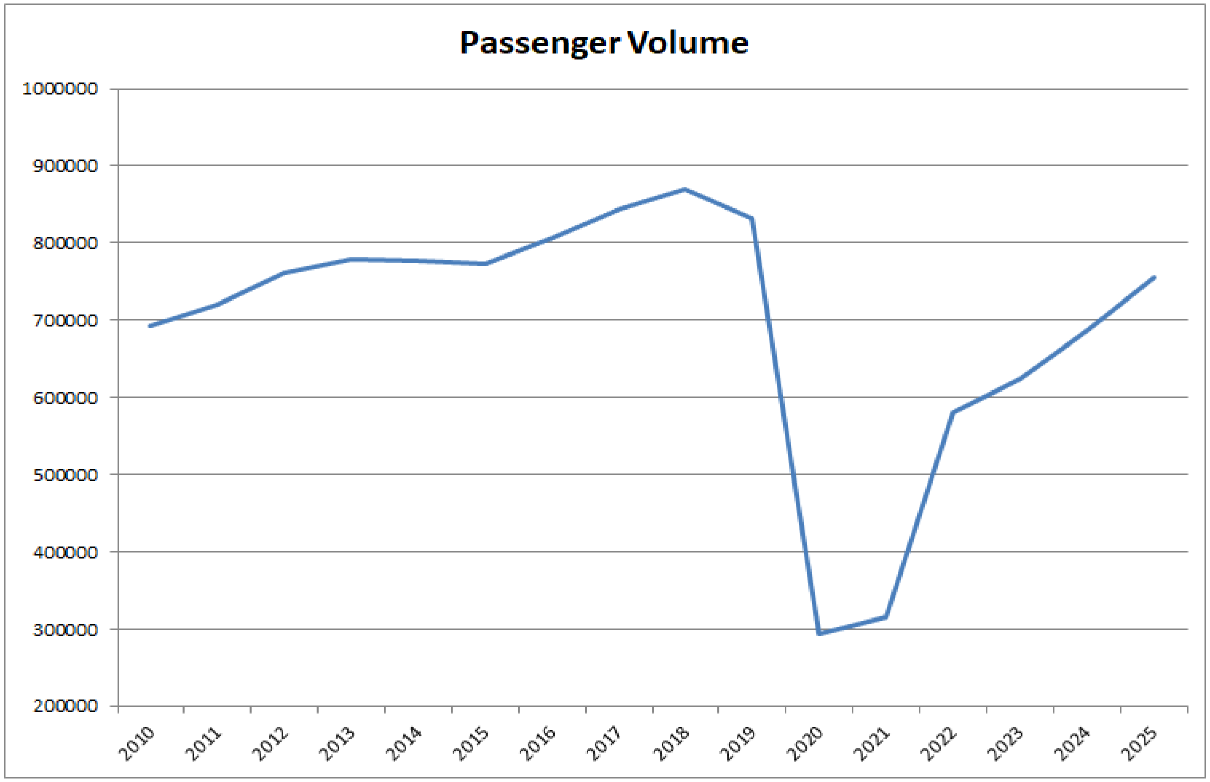
MOVEMENTS & FORECASTS

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
2022	56,469

MOVEMENTS & FORECASTS



Year	Passenger Volume
2010	691,826
2011	719,490
2012	761,693
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
2022	581,095
2023	624,428
2024	686,870

FINANCIAL REVIEW

FINANCIAL REVIEW

2022 ACTUAL VS BUSINESS PLAN FORECAST ($000)

	ACTUAL	PLAN	DIFFERENCE	EXPLANATION
REVENUES*	11,632	9,866	1,766	Recovery beyond forecast
EXPENSES	9,640	10,214	(574)	Vigilant cost control
CAPITAL	21,875	27,616	(5,741)	Projects under budget

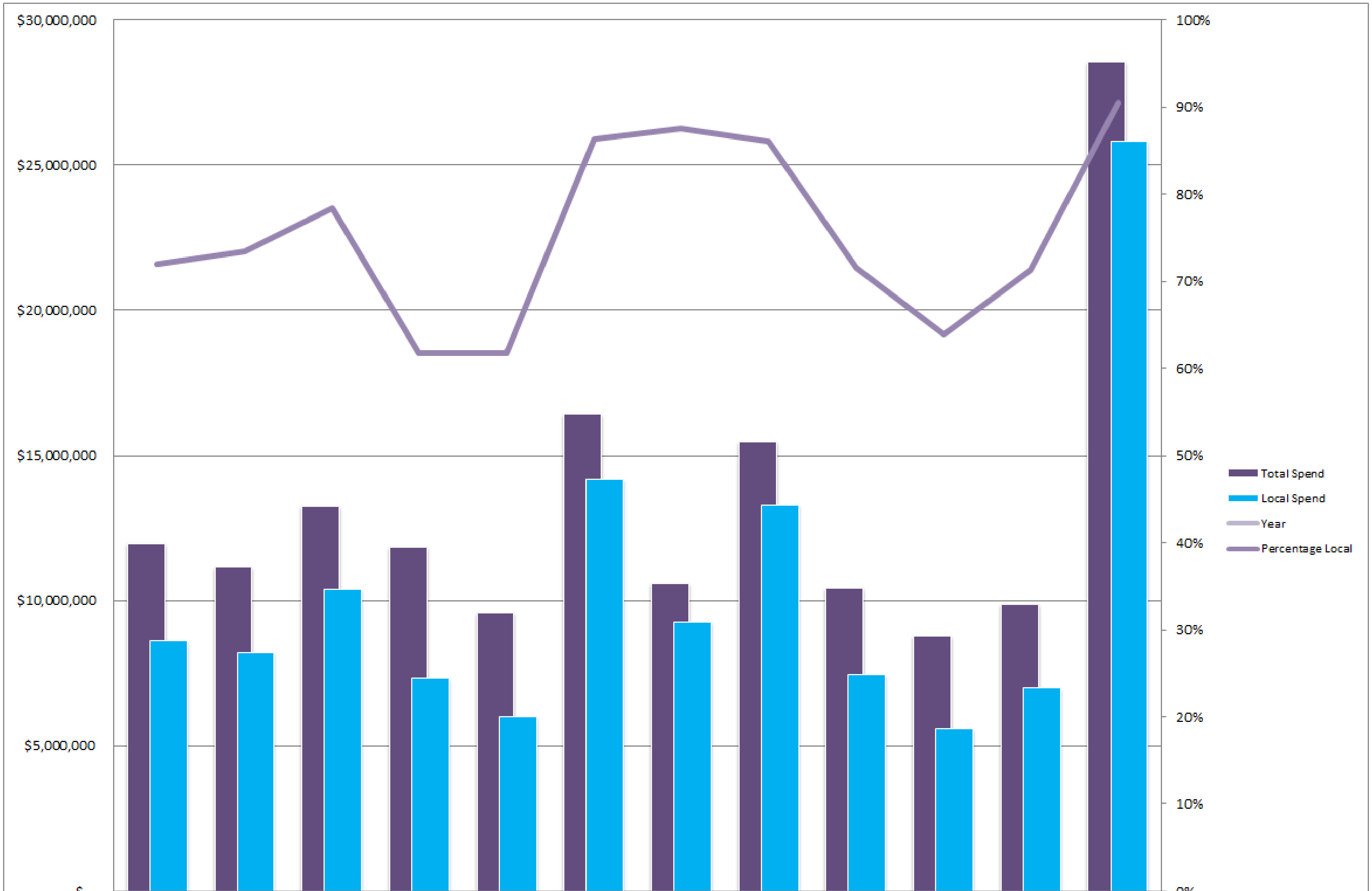
**INCLUDES OPERATING REVENUES*
**NON-CONSOLIDATED FIGURES*

BUSINESS PLAN FORECAST 2023 - 2027 ($000)

	2023	2024	2025	2026	2027
REVENUES	12,334	13,124	13,507	13,882	14,268
EXPENSES	11,848	12,784	13,207	13,470	13,603
CAPITAL	8,918	5,205	4,385	1,270	155

FINANCIAL REVIEW

Total Expenditures to Local Suppliers ($000)



72%	73%	78%	62%	62%	86%	87%	86%	72%	64%	71%	90%
$8,601,778	$8,203,714	$10,372,100	$7,317,698	$5,995,199	$14,194,786	$9,259,305	$13,301,766	$7,460,425	$5,600,158	$7,021,970	$25,826,541
$11,960,712	$11,161,830	$13,233,496	$11,836,195	$9,602,351	$16,432,528	$10,583,137	$15,450,966	$10,429,121	$8,762,677	$9,847,909	$28,542,693
2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022

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

Opinion

We have audited the consolidated financial statements of Thunder Bay International Airports Authority Inc. and its subsidiaries (the "Authority"), which comprise the consolidated statement of financial position as at December 31, 2022, and the consolidated statements of operations, changes in net assets and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Authority as at December 31, 2022, and the results of its consolidated operations and its consolidated cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our 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.

Other Matter

The consolidated financial statements for the year ended December 31, 2021 were audited by another auditor who expressed an unmodified opinion on those statements on March 29, 2022.

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

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

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

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

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

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

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

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

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

MNP LLP

Thunder Bay, Ontario

April 25, 2023

Chartered Professional Accountants

Licensed Public Accountants

Thunder Bay International Airports Authority Inc.

Consolidated Statement of Financial Position *As at December 31, 2022*

	2022	2021
Assets		
Current		
Cash and cash equivalents	**2,159,519**	2,888,433
Accounts receivable *(Note 3)*	**3,288,808**	1,211,904
Prepaid expenses and deposits	**220,968**	1,563,028
Inventory	**130,204**	150,300
	5,799,499	5,813,665
Tangible capital assets *(Note 4)*	**57,292,656**	38,389,087
Investments *(Note 5)*	**28,821,582**	34,071,551
Defined benefit asset *(Note 6)*	**3,229,000**	3,273,000
Land transfer tax	**107,188**	110,252
	95,249,925	81,657,555
Liabilities		
Current		
Accounts payable and accruals	**3,762,859**	1,232,656
Deferred revenue	**300,641**	1,685,285
Term loan *(Note 7)*	**4,053,790**	-
	8,117,290	2,917,941
Deferred capital contributions *(Note 9)*	**21,549,455**	12,982,082
Retirement allowance liability *(Note 10)*	**323,644**	316,565
Security deposits	**20,530**	20,530
	21,893,629	13,319,177
	30,010,919	16,237,118
Net Assets		
Invested in tangible capital assets	**31,796,599**	25,517,257
Unrestricted	**33,442,407**	39,903,180
	65,239,006	65,420,437
	95,249,925	81,657,555

Approved on behalf of the Board

Director & Chair

Director & Treasurer

Thunder Bay International Airports Authority Inc.
Consolidated Statement of Operations
For the year ended December 31, 2022

	2022	*2021*
Revenue		
Amortization of deferred contributions *(Note 9)*	**750,419**	540,329
Airside revenue	**3,110,009**	2,536,833
Terminal revenue	**4,187,968**	2,879,049
Parking	**1,753,732**	854,655
Industrial land leases	**907,068**	856,689
Miscellaneous Income	**244,650**	279,700
Federal rent recovery	**48,352**	100,552
Revenue from business initiatives	**1,118,079**	1,104,918
Commission on equipment and services, net *(Schedule 1)*	**182,315**	80,811
Parts sales, net *(Schedule 1)*	**20,466**	42,448
	12,323,058	9,275,984
Expenses		
Advertising	**147,800**	23,394
Amortization	**2,974,104**	2,717,770
Bad debts	**2,429**	277
Benefits	**355,687**	354,584
Contracted maintenance	**364,788**	324,956
Contracted services	**753,314**	672,480
Directors' fees	**149,785**	153,408
Equipment rental	**2,086**	1,740
Federal rent	**-**	(27,246)
Insurance	**170,527**	151,318
Interest and bank charges	**53,814**	35,222
Interest on debt	**36,158**	98,839
Materials	**715,027**	484,948
Meals and entertainment	**531**	-
Office and administration	**188,086**	55,792
Professional fees	**235,366**	203,038
Property taxes	**144,917**	422,247
Repairs and maintenance	**240,974**	143,719
Salaries and wages	**3,079,223**	2,640,269
Telephone	**33,897**	33,873
Training and education	**76,922**	39,913
Travel	**34,426**	4,621
Utilities	**530,898**	493,252
Total Expenses	**10,290,759**	9,028,414
Excess of revenue over expenses before other items	**2,032,299**	247,570
Other items		
Realized earnings	**1,573,122**	1,846,961
Foreign exchange gain (loss)	**32,556**	(65,202)
Government assistance *(Note 12)*	**1,128,714**	5,783,460
Fair market value adjustment	**(4,761,394)**	1,378,775
Interest income	**11,272**	1,458
	(2,015,730)	8,945,452
Excess of revenue over expenses	**16,569**	9,193,022

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

Consolidated Statement of Changes in Net Assets

For the year ended December 31, 2022

	Invested in tangible capital assets	*Unrestricted*	*2022*	*2021*
Net assets, beginning of year	**25,517,257**	**39,903,180**	**65,420,437**	55,870,415
Excess of revenue over expenses	**(2,223,684)**	**2,240,253**	**16,569**	9,193,022
	23,293,573	**42,143,433**	**65,437,006**	65,063,437
Net change in invested in tangible capital assets *(Note 11)*	**8,503,026**	**(8,503,026)**	**-**	-
Remeasurement of employee future benefits *(Note 6)*	-	**(198,000)**	**(198,000)**	357,000
Net assets, end of year	**31,796,599**	**33,442,407**	**65,239,006**	65,420,437

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

Thunder Bay International Airports Authority Inc.
Consolidated Statement of Cash Flows
For the year ended December 31, 2022

	2022	*2021*
Cash provided by (used for) the following activities Operating		
Excess of revenue over expenses	**16,569**	9,193,022
Amortization	**2,974,104**	2,717,770
Amortization of deferred capital contributions	**(750,419)**	(540,329)
Decrease in accrued asset benefit	**(154,000)**	(214,000)
Increase in retirement allowance liability	**7,079**	4,803
Fair market value adjustment	**4,761,394**	(1,378,775)
	6,854,727	9,782,491
Changes in working capital accounts		
Accounts receivable	**(2,076,904)**	199,951
Inventory	**20,096**	(7,642)
Prepaid expenses and deposits	**1,342,060**	(644,261)
Accounts payable and accruals	**2,530,203**	(203,575)
Deferred revenue	**(1,384,644)**	718,522
	7,285,538	9,845,486
Financing		
Advances of term loans	**4,100,000**	-
Repayment of term loans	**(46,210)**	(11,320,114)
Deferred capital contributions	**9,317,792**	3,526,218
	13,371,582	(7,793,896)
Investing		
Purchase of capital assets	**(21,874,609)**	(4,240,785)
Decrease in investments, net	**488,575**	2,569,401
	(21,386,034)	(1,671,384)
Increase (decrease) in cash resources	**(728,914)**	380,206
Cash resources, beginning of year	**2,888,433**	2,508,227
Cash resources, end of year	**2,159,519**	2,888,433

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

1. Incorporation and nature of the organization

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

On September 1, 1997, the Authority signed a sixty-year ground lease with a renewal term of twenty years with Transport Canada and assumed the responsibility for the management, operations and development of the Thunder Bay International Airport.
The Authority is exempt from income tax in accordance with the Airport Transfer (Miscellaneous Matters) Act.

2. Significant accounting policies

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

Basis of consolidation

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

Investment in a profit-oriented subsidiary

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

Cash and cash equivalents

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

Revenue recognition

The Authority follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Unrestricted investment income is recognized as revenue when earned.
Landing fees, terminal fees and parking fees are recognized as airport facilities are used and services provided.
Lease revenue is recognized on a straight line basis over the term of the lease.
All other revenue is recognized as point of sale or when the service has been provide and collectability is reasonably assured.

Inventory

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

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

Tangible capital assets

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

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

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

Long-lived assets

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

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

Investments

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

Foreign currency translation

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

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

Financial instruments

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

Arm's length financial instruments

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

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

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

Financial instruments *(Continued from previous page)*

The Authority subsequently measures investments in equity instruments quoted in an active market and all derivative instruments, except those designated in a qualifying hedging relationship or that are linked to, and must be settled by delivery of, unquoted equity instruments of another entity, at fair value. Fair value is determined by published price quotations. Investments in equity instruments not quoted in an active market and derivatives that are linked to, and must be settled by delivery of, unquoted equity instruments of another entity, are subsequently measured at cost less impairment. With the exception of financial liabilities indexed to a measure of the Authority's performance or value of its equity and those instruments designated at fair value, all other financial assets and liabilities are subsequently measured at amortized cost.

Transaction costs and financing fees directly attributable to the origination, acquisition, issuance or assumption of financial instruments subsequently measured at fair value are immediately recognized in excess of revenues over expenses. Conversely, transaction costs and financing fees are added to the carrying amount for those financial instruments subsequently measured at cost or amortized cost.

Related party financial instruments

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

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

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

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

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

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

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

Financial asset impairment

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

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

Financial instruments *(Continued from previous page)*

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

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

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

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

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

Employee future benefits

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

Defined benefit plan

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

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

Defined contribution pension plan

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

Measurement uncertainty (use of estimates)

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

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

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

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

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

Defined benefit asset is estimated based on the most recent actuarial report as of December 31, 2022.

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

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

Contributed materials

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

3. Accounts receivable

	2022	*2021*
Accounts receivable	**2,908,281**	1,150,656
HST receivable	**387,440**	115,239
Allowance for doubtful accounts	**(6,913)**	(53,991)
	3,288,808	1,211,904

4. Tangible capital assets

	Cost	***Accumulated amortization***	***2022 Net book value***	*2021 Net book value*
Airside facilities	**40,102,613**	**11,070,350**	**29,032,263**	11,241,171
Vehicles/equipment	**9,049,649**	**5,968,228**	**3,081,421**	3,324,158
Computer equipment/software	**1,127,999**	**1,091,845**	**36,154**	83,711
Office furniture and fixtures	**287,765**	**278,645**	**9,120**	-
Parking lots and frontage	**5,478,818**	**4,290,467**	**1,188,351**	1,401,093
Air terminal building	**23,111,593**	**9,779,992**	**13,331,601**	13,299,216
Capital assets under construction	**3,895,295**	-	**3,895,295**	2,354,886
Land development	**9,122,136**	**3,108,532**	**6,013,604**	5,830,847
Industrial facilities and pavements	**1,166,955**	**917,069**	**249,886**	310,601
Maintenance garage	**1,330,021**	**875,060**	**454,961**	543,404
	94,672,844	**37,380,188**	**57,292,656**	38,389,087

Capital assets under construction includes assets under construction and not yet ready for use with carrying value of $3,895,295 (2021 - $2,354,886) and Airside facilities includes asphalt with a carrying value of $219,995 (2021 - $Nil). No amortization of this asset has been recorded during the current year because it is currently under construction. Additionally, land development includes land with a carrying value of $2,404,032 (2021 - $1,996,725), on which no amortization has been taken.

5. Investments

	2022 Cost	***2022 Market***	*2021 Cost*	*2021 Market*
Cash and cash equivalents	**2,951,489**	**2,942,595**	**872,069**	871,962
Fixed income	**8,073,944**	**7,340,580**	**12,433,961**	12,540,081
Equity	**14,813,518**	**18,538,407**	**13,021,498**	20,659,508
	25,838,951	**28,821,582**	**26,327,528**	34,071,551

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

6. Employee Future Benefits

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

The following information concerning the Plan is from an extrapolation of the January 1, 2022 valuation to December 31, 2022. The obligations were determined at January 1, 2022 and then extrapolated to December 31, 2022 with adjustments for current service costs, benefit payments, and interest. The most recent actuarial valuation was provided February 2023 and the next required actuarial valuation will be February 2024.

The significant actuarial assumptions adopted in measuring the Authority's accrued benefit obligations as of January 1, 2022 are as follows:

Discount rate for calculation of net benefit cost Rate of	4.50%
compensation increase	2.50%
Inflation rate	2.00%

	2022	*2021*
Benefit obligation, end of year	**(8,634,000)**	(8,667,000)
Plan assets fair value, end of year	**12,105,000**	14,045,000
Valuation allowance	**(242,000)**	(2,105,000)
Defined benefit asset	**3,229,000**	3,273,000

The changes in accrued pension benefits obligations are:

	2022	*2021*
Balance, beginning of year	**3,273,000**	2,702,000
Total current service and finance cost expense Remeasurement and other	**125,000**	86,000
items	**(198,000)**	357,000
Employer contributions	**29,000**	128,000
Balance, end of year	**3,229,000**	3,273,000

The Authority pays into a defined contribution plan with Great-West Life for certain employees. During the year, the Authority made total payments of $120,076 (2021 - $110,261) to the plan which was recognized as an expense during the year.

7. Term loan

The Authority has a committed reducing term facility available amounting to $15,000,000 (2021 - $Nil) to be used to finance the runway renovation. Interest is calculated using the bankers' acceptance rate plus the stamping fee at 0.82% per annum (4.48% at year-end, ranging between 3.67% to 4.48% throughout the year). The balance of the term facility was $4,053,790 at year-end (2021 - $Nil). Interest is payable monthly and the facility's principal balance renews on the first banking day of each month.

The security for all credit facilities with Toronto-Dominion Bank consists of the following:
- General security agreement representing a first change 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 of money, and subsequently amended granting the Bank priority on various equipment.

8. Bank indebtedness

Bank indebtedness includes an operating loan amounting to $500,000 (2021 - $500,000) and bearing interest at the bank's prime lending rate per annum (6.45% at year-end (2021 - 2.45%)). The balance of the operating line of credit was $Nil at year-end (2021 - $Nil).

Security is the same as described in Note 7.

9. Deferred contributions related to capital assets

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

	2022	*2021*
Balance, beginning of year	**12,982,082**	9,996,193
Amount received during the year	**9,317,792**	3,526,218
Less: Amounts recognized as revenue during the year	**(750,419)**	(540,329)
Balance, end of year	**21,549,455**	12,982,082

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 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:

	2022	*2021*
Balance, beginning of year	**316,565**	311,762
Expense for the year	**12,079**	4,803
Benefits paid during the year	**(5,000)**	-
	323,644	316,565

11. Change in invested in tangible capital assets

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

	2022	*2021*
Purchase of capital assets	**21,874,608**	4,240,785
Advancement of debt	**(4,100,000)**	-
Repayment of debt	**46,210**	11,320,114
Funding received	**(9,317,792)**	(3,526,218)
	8,503,026	12,034,681

12. Government assistance

Hardest-Hit Business Recovery Program ("HHBRP")

In response to the negative economic impact of COVID-19, the Government of Canada announced the CEWS program in April 2020, which later evolved into the HHBRP program in October 2021. HHBRP provides a wage subsidy on eligible remuneration, subject to limits per employee, to eligible employers based on certain criteria, including demonstration of revenue declines as a result of COVID-19. This subsidy is retroactive to October 24, 2021. The qualification and application of the HHBRP is being assessed over multiple four-week application period segments.

The Authority determined that it qualifies for this subsidy and has applied for $48,556 (2021 - $495,460) (CEWS) in assistance relating to periods between January to May. The assistance has been recorded as government assistance in other income. The Authority has not applied for any assistance relating to subsequent periods but intends to continue to apply for the HHBRP in subsequent application periods subject to meeting the application qualification criteria.

Any subsidies received that are subsequently determined to not meet the eligibility criteria are subject to repayment with interest and possible penalties in certain cases. Management believes the Authority has met the eligibility criteria for these subsidies and that they have been calculated correctly. As such, no contingent liability for repayment has been recorded in relation to these subsidies.

Transport Canada

In 2022, the Authority received restricted capital contributions from the Federal government, Transport Canada, for various capital projects. During the year ended December 31, 2022, the Authority recognized deferred capital contribution additions totaling $7,982,656 (2021 - $2,527,440) for the airside rehabilitation project.

Federal Economic Development Agency for Northern Ontario (FedNor)

In 2022, the Authority received restricted capital contributions from the Federal government, FedNor, for the escalator replacement project and Airport Energy Efficiencies Project. During the year ended December 31, 2022, the Authority recognized deferred capital contributions additions totaling $970,555 (2021 - $Nil).

Northern Ontario Heritage Fund Corporation (NOHFC)

In 2022, the Authority received restricted capital contributions from the Provincial government, NOHFC for the Airport Energy Efficiencies Project. During the year ended December 31, 2022, the Authority recognized deferred capital contributions additions totaling $265,742 (2021 - $389,535).

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 2022.

The Authority has also entered into various agreements for runway rehabilitation, HVAC upgrades and LED retrofits. At year-end, the outstanding payments remaining on these agreements totaled $753,013 with payment expected to be made in 2023.

The Authority's subsidiary has entered into a contract to act as the agent for the purchase/sale of a Jetbroom sweeper unit. The contract is valued at $1,112,749. At year-end, a deposit of $1,030,324 has been made with final payment of $82,425 to be made up delivery in 2023.

14. Financial instruments

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

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

Credit Risk

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

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

Credit concentration

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

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Authority enters into transactions for business operations denominated in USD and Euro currencies for which the related revenues, expenses, accounts receivable and accounts payable balances are subject to exchange rate fluctuations. As at December 31, 2022, the following items are denominated in USD and Euro currency:

	2022 ***CAD$***	*2021* *CAD$*
Cash-USD	**4,641**	1,781
Cash-Euro	**5,828**	799,769
Portfolio investments - USD	**9,861,669**	2,924,739
	9,872,138	3,726,289

No significant change in exposure from the prior year.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. Changes in market interest rates may have an effect on the cash flows associated with some financial assets and liabilities, known as cash flow risk, and on the fair value of other financial assets or liabilities, known as price risk.

The Authority is exposed to interest rate cash flow risk with respect to its debt. The debt is subject to floating interest rate between 3.67% and 6.45%

Liquidity risk

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

Other price risk

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

15. Comparative figures

Certain comparative figures have been reclassified to conform with current year presentation.

Thunder Bay International Airports Authority Inc.
Schedule 1 - Consolidated Schedule of Parts Sales and Commissions
For the year ended December 31, 2022

		2022	*2021*
Parts Sales			
	Parts Consignment parts	**121,226**	116,680
		11,312	36,199
		132,538	152,879
Direct Costs			
	Parts Consignment parts	**103,560**	85,619
		8,511	24,812
		112,071	110,431
Gross profit		**20,466**	42,448
Commissions on Sales and Services			
	Commission	**212,938**	89,182
Direct costs			
	Commission	**30,623**	8,371
Gross profit		**182,315**	80,811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