



**Fredericton  
is home.  
The world  
is ours.**

**2018 ANNUAL REPORT**



Travellers:  
The Quick Family

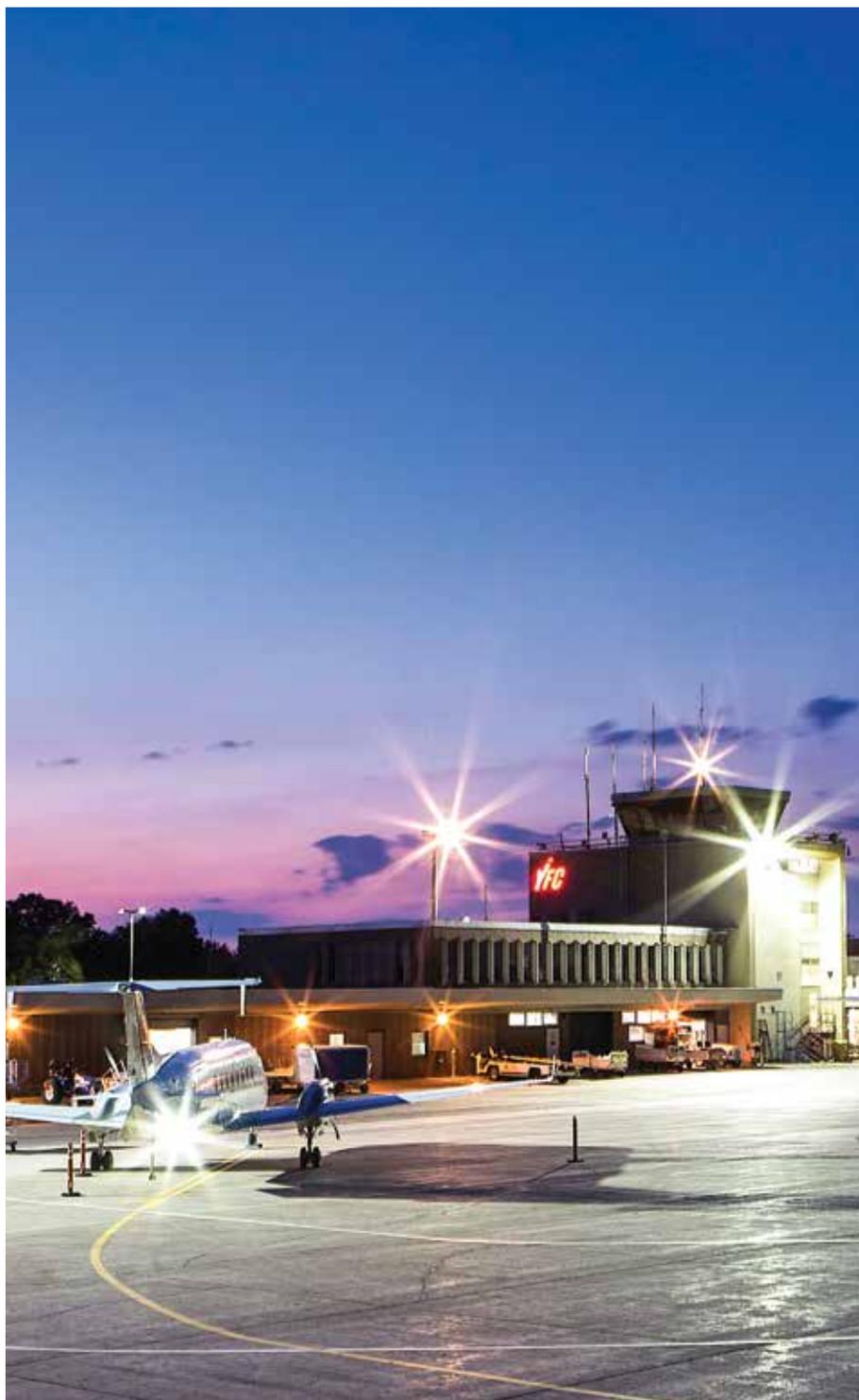
Destination:  
Florida on vacation

(Front cover)

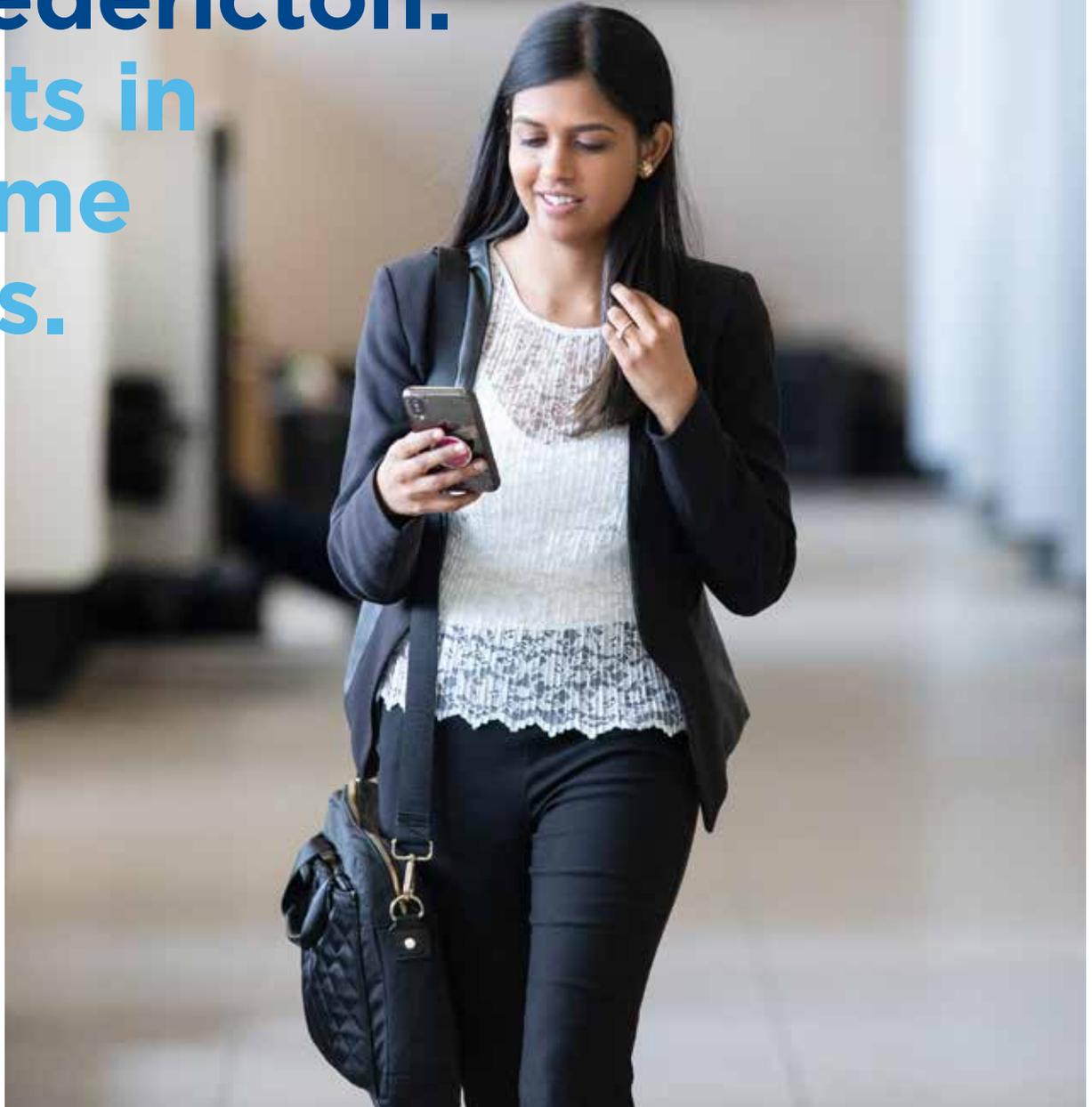
## 2018 ANNUAL REPORT

### Table of contents

Headquarters in Fredericton. Clients in six time zones.	2
Breakfast in Fredericton. Lunch on the beach.	4
From the world stage to our stage.	6
The sky isn't the limit. It's just the beginning.	9
Safety isn't just our job. It's our passion.	11
Above and beyond: Blue-sky thinking is our default setting.	12
Meet the FIAA team	14
Meet the FIAA Board of Directors	16
Financials	18
Annual Report 2018	20



# Headquarters in Fredericton. Clients in six time zones.



**Traveller:**  
Natasha Dhayagude,  
CEO, Chinova Bioworks

**Destination:**  
Anaheim, California for  
Natural Expo West

## Canada's startup capital

Fredericton's entrepreneurial ecosystem is thriving. Recognized nationally for our collaborative approach to supporting and scaling startups, we're home to a host of inventive companies creating the next generation of exports. That growth requires reliable access to outside markets, and that's just what YFC offers. Our city is small. Our ambitions—and connections—are vast.

## Many happy returns

At YFC, we don't measure success by numbers alone. It's about how you treat people, too. Our airport staff do whatever it takes to put passengers first. Their friendliness has been recognized within our industry, scoring high in the ASQ's annual survey of the most courteous airport staff. Business travel a pleasure? You bet.

## Knowledge really *is* power

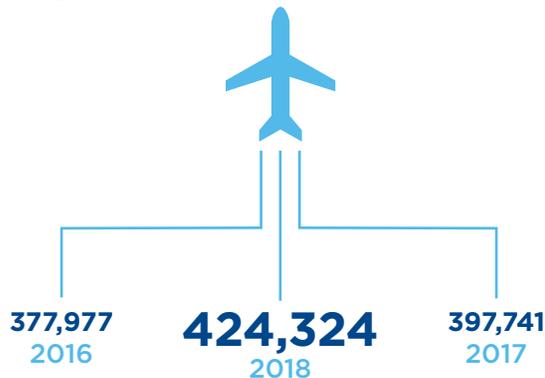
All this, and brains, too. Fredericton is home to three universities. Our business-savvy research sector includes a growing innovation district and more than 60 research institutions, chairs and organizations with partners around the world. YFC is the gateway where the province's leading knowledge economy accesses its global network.

## The price is right

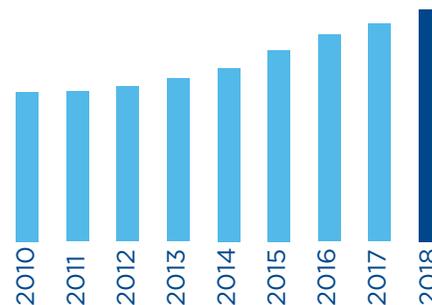
Fredericton is open for investment, and the value is outstanding. Our job is to make the most cost-competitive city in Canada easy to access. Along with Fredericton's highly educated workforce, low labour costs, and competitive lease, tax and utility rates, YFC offers regular routes to numerous Canadian hubs, and connections from there to almost anywhere, further enhancing one of the best-value jurisdictions on the continent.

## Our growth at a glance

### PASSENGERS IN 2018



### 7% PASSENGER GROWTH 2018





# Breakfast in Fredericton. Lunch on the beach.



**Travellers:**  
The Mwenga Family,  
owners of Heights  
Cold Brew

**Destination:**  
Vancouver to visit  
family

## Straight to the sun

Winter can be tough. Thanks to Sunwing and Air Transat, in 2018 YFC offered leisure travellers a variety of easy escapes from the cold. With direct seasonal flights to five balmy destinations in Cuba, Mexico and Dominican Republic, our sun-seeking locals go from parka to flip-flops in a matter of hours.

## The world awaits

With three major airlines — Air Canada, WestJet and Porter — offering year-round service to a host of Canadian hubs, the rest of the country — and beyond — is just a short hop away. With multiple daily flights to Toronto, Montreal, Ottawa and Halifax, the world is truly yours.

## Up, up and away

Our passenger numbers are on a growth trajectory that just won't quit. In 2018, for the first time, more than 400,000 passengers used our airport. That record-breaking figure — up almost 7% from the previous year — continues a nine-year trend that's positioned YFC as the fastest-growing airport in Atlantic Canada. Year 10, here we come.

## Building for the future

Plans for an expanded, renovated terminal have been in the works for years: 2018 is the year they became reality. With federal and provincial government funding support, YFC can move ahead with its ambitious plans for a contemporary terminal that meets the needs of the community and our tenants and partners.

### 5 AIRLINES

### 10 ROUTES

YFC ✈️ YUL

YFC ✈️ YOW

YFC ✈️ YYZ

YFC ✈️ YTZ

YFC ✈️ YHZ

YFC ✈️ CUN

YFC ✈️ SNU

YFC ✈️ CCC

YFC ✈️ POP

YFC ✈️ PUJ



# From the world stage to our stage.

## Gateway to talent

From Grammy Award-winning artists coming to perform at our famed Harvest Jazz & Blues Festival to stars in all fields, YFC enables world-class talent to come to Fredericton. As the first and last impression for visitors, we go above and beyond to keep them coming back.

## Painting the town

Fredericton's art history is rich and deep. New Brunswick's capital city is home to culture of all kinds, from public art and our poet laureate to renowned galleries and celebrated creators. Here at YFC, we celebrate our local culture by showcasing New Brunswick artworks in a rotating exhibition curated by Gallery 78.

## Tunes in the terminal

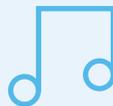
Our airport isn't just a place for coming and going. It's where community and culture connect. That's why we invite local musicians to come and play in the terminal. And we love to host special events, too, to kick off new routes and carriers. The sound of clapping is sweet music to our ears.

## Connecting to community

Our community is why we exist. So every year, we set aside a day to invite people to experience the airport in a new way. The annual YFC Runway Run is our chance to give back. Working with community partners such as the Capital City Road Runners and the Canadian Owners and Pilots Association, we've raised over \$114,000 for the Canadian Mental Health Association of New Brunswick.



**OVER \$32,000 RAISED**  
BY THE YFC RUNWAY  
RUN IN 2018



**11 LOCAL**  
PERFORMANCES IN  
THE TERMINAL



**27: NUMBER OF**  
HARVEST JAZZ & BLUES  
STAGES EACH YEAR



**Traveller:**  
Jeff Richardson,  
General Manager  
of Harvest Jazz  
& Blues Festival

**Destination:**  
YFC. Picking  
up Harvest  
headliner



**Traveller:**

Rick McCaskill,  
cybersecurity  
professional, IBM

**Destination:**

Ottawa for team  
strategy meeting



# The sky isn't the limit. It's just the beginning.

## All together now

Fredericton gets it done. There's a powerful team dynamic in our city, and Fredericton International Airport Authority (FIAA) is honoured to be a key player in a close-knit network of business, government and community leaders pulling together for the greater good. This can-do, collaborative attitude is driving record growth across the city, including at our bustling airport.

## Small and nimble

Rated by fDi magazine as the #1 Micro-City in North America, we're leveraging our small size to produce outsized results. The close-knit nature of our cozy community makes for an agile and responsive approach. In Fredericton, support and success is never far away. At YFC, we make sure nowhere is out of reach.

## Looking out

Every day at the airport, we see Fredericton connecting to the world, and the world, in turn, coming to us. Whether it's an ambitious startup building international markets, tourists exploring the East Coast for the first time or newcomers arriving with dreams for a new life, we help them, coming and going.

## So good to come home to

Friendly Fredericton is the city that feels like a village. That's why we're one of the Top 10 best places to live in Canada. To us, the good life is one where family and friends are close. Where commutes are short and great jobs are abundant. Where fresh air and nature abound. We see it in happy passengers' faces: life is good in Fredericton.



**322,670**

**NUMBER OF  
PEOPLE LIVING IN  
A ONE-HOUR RADIUS  
OF FREDERICTON**



**INCREASE IN  
POPULATION SINCE  
LAST CENSUS**

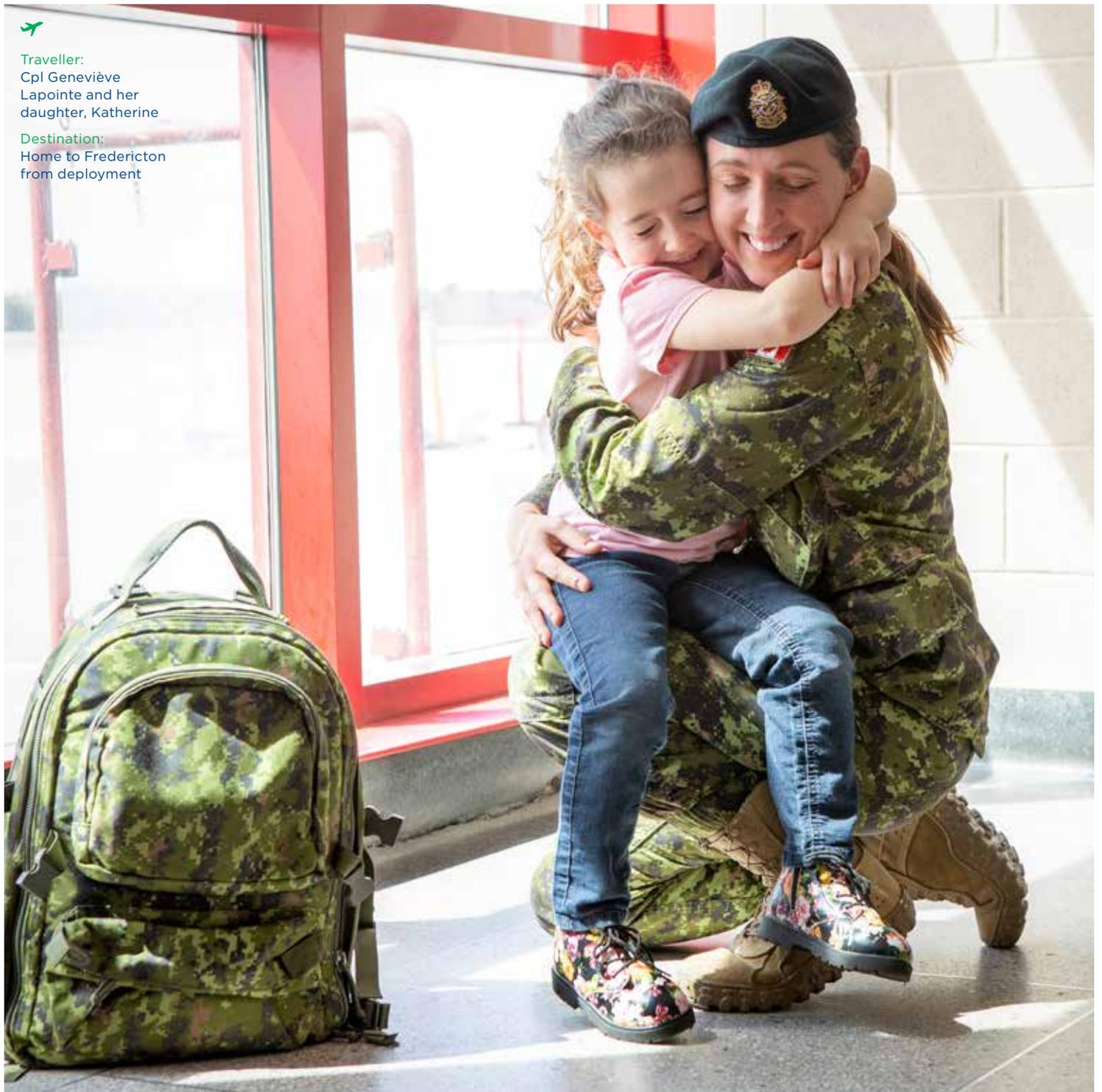


**NEWCOMERS TO NEW  
BRUNSWICK WHO COME  
TO FREDERICTON**



**Traveller:**  
Cpl Geneviève  
Lapointe and her  
daughter, Katherine

**Destination:**  
Home to Fredericton  
from deployment



# Safety isn't just our job. It's our passion.

## A culture of safety

In everything we do, safety is top priority. From keeping our staff and our partners in the airport safe on the job to adding cutting-edge safety features to our terminal expansion project, safety rules. That's why we're on-track for our goal of being a leader in this area among North American small airports.

## Always improving

Our staff train year-round to upgrade their skills and stay on the leading edge of safety practices. Our annual emergency preparedness exercises include a range of community organizations, including local fire departments, RCMP, Department of National Defence, 911 and hospitals. Together, we make sure we're ready for anything.

## On the cutting edge

At YFC, we are always finding new and better ways to keep things safe, including working more closely with other emergency responders in the community. In 2018, we partnered with the City of Fredericton's 911 dispatch services on its Trunked Mobile Radio (TMR) System. This central shared radio ensures everyone's got the same information fast. In the event of an emergency, we're ready, and we're coordinated.

## Based in security

CFB Gagetown isn't only the largest military training base in the Commonwealth, it's a neighbour. It's also one of our valued community partners in emergency response. Along with the Department of National Defense Fire Department, YFC is fortunate to have the RCMP as well as the Oromocto and Fredericton Fire Departments in just a five-minute radius.

# Above and beyond: Blue-sky thinking is our default setting.

## Message from our CEO and Chair

FIAA exists because of our community, and thrives because of our team.

That team starts with the talented, dynamic staff of our airport authority who do whatever it takes to make your journey smooth. Our team also connects outward, through the business and community leaders who serve on our board of directors and sit on our advisory committee, the community organizations we partner with and the hundreds of thousands of travellers we serve.

Our vision as a dynamic, progressive and growing airport isn't just words on paper — we live it every day.

In 2018, our powerful growth trajectory continued, accelerating us to record passenger numbers and increased seat capacity. This is accomplished by working closely with our air carriers, who see such potential in our airport and community. Along with the airlines, there's a host of other businesses who call YFC home. Some work in support of the airlines, while others, such as the Moncton Flight College and Maritime Helicopters, are standalone.

This was also the year we secured funding to expand and renovate our terminal, to build facilities that reflect our community's culture, growth and ambitions. Thank you to our funding partners, the Government of Canada and the Province of New Brunswick, for investing in our future.

We don't do any of this alone. Our community is behind every success. Thank you. You are fueling our growth. Our highest goal is to fuel yours.

**Johanne Gallant**  
President and CEO

**Mary Goggin**  
Chair



# Meet the FIAA team



These are the people who go above and beyond to make FIAA a growing, progressive and dynamic airport. Working behind the scenes, they support our front-line partners in delivering an unparalleled experience. Ours is a complicated and competitive industry, and they meet the challenges every day with dedication, determination and a smile.

## Our Mission

Contributing to the community's vitality and economic prosperity by providing a gateway to the world.

## Our Vision

We are a dynamic, progressive, and growing airport.

## Our Values

**Safety is fundamental** — we put safety first in everything we do.

**Customer focus** — we strive to provide efficient and caring service.

**People are our foundation** — we respect each other, our customers, and our community.

**Integrity** — we perform our work diligently and ethically, in accordance with all laws and regulations.

**Positive** — we support each other and create a positive work environment.

**Committed to our community** — we are active partners in supporting our community, fostering its growth, and reducing our impact on the environment.

## Management

**Johanne Gallant**

President and CEO

**Meredith Boyle**

Director of Finance

**Peter Bryden**

Director of Infrastructure

**Alvin Nason**

Director of Operations

**Perry Dyke**

Manager of Human Resources and Administration

**Andrew Isbill**

Manager of Regulatory Affairs

## Administration

**Heidi Boulter**

Corporate Administrative Assistant

**Faye Downing**

Operations Clerk

**Kate O'Rourke**

Communications Officer

**Mike Ripley**

Safety, Security and Systems Officer

**Rose-Hélène Trenholm**

Social Media and Administrative Assistant

## Operations

**Gregory Bessie**

Airport Operations Specialist

**Randal Chessie**

Airport Electrical Maintenance

**Dan Clark**

Airport Operations Specialist

**Donald Cornford**

Airport Building Maintenance

**Tom Dalton**

Seasonal Mechanic

**Jeffrey Edwards**

Seasonal Airfield Safety Maintenance

**Steven Goodspeed**

Seasonal Airfield Safety Maintenance

**Dan Hovey**

Airport Operations Specialist

**Phillip Hoyt**

Mechanic

**Alex Hughson**

Airport Operations Specialist

**Billy Lee**

Airport Electrical Maintenance

**Derek Libby**

Airport Operations Specialist

**Brandon Luke**

Airport Operations Specialist

**Jason Meyer**

Airport Operations Specialist

**Lester Mitchell**

Airfield Safety Maintenance

**Randy Munn**

Operations Supervisor

**Robert Nevers**

Seasonal Airfield Safety Maintenance

**Kyle Price**

Airport Operations Specialist

**Rodney Sharpe**

Seasonal Mechanic

**Mike Thomas**

Airport Operations Specialist

**Rick Tompkins**

Airport Operations Specialist

**Brian Wallace**

Airfield Safety Maintenance

**Scott Webb**

Airport Operations Specialist

# Meet the FIAA Board of Directors



## Meet our new chair

We are delighted to welcome Mary Goggin as our new board chair. After several years as a director with the FIAA, Mary was appointed to the role at our AGM in May 2018.

Mary brings extensive business and community experience to her role at the helm of the FIAA board. A seasoned consultant and businessperson, Mary has worked in the information technology field for over 30 years, contributing greatly to Fredericton's thriving knowledge economy. Mary has extensive leadership experience and has held a variety of roles during her career, including as a business owner, project manager, management consultant and information system specialist.



**Andrew Steeves**  
Past Chair



**Anthony Knight**  
Vice Chair & Chair of Finance &  
HR Committee



**Blake Anderson**



**Kenny Kyle**  
Chair of Audit Committee



**Lily Fraser**  
Chair of Governance Committee



**Karina LeBlanc**



**Laura O'Blenis**



**Cathy Pugh**



**Johanne Gallant**

# Financials

## Board and management compensation

### PER ANNUM 2018

Board Chair **\$11,435.00**

Vice Chair **\$4,575.00**

Committee Chairs **\$4,575.00**

Director **\$3,432.00**

### PER BOARD MEETING

Board Chair **\$174.00**

Vice Chair **\$174.00**

Director **\$174.00**

### PER COMMITTEE MEETING

Committee Chair **\$174.00**

Director **\$174.00**

The total compensation paid to Board of Directors was **\$66,000.00**

Total compensation paid to Management was **\$780,000.00**

The Fredericton International Airport Authority Inc. established and maintains a comprehensive Code of Conduct for Directors, Officers and Employees. All Directors and Officers have completed Conflict of Interest Statements and no conflicts were brought forward during 2018.



## 2018 Business Plan vs. Actuals (in thousands)

	PLAN	ACTUAL	DIFFERENCE	NOTES
Revenue	9,821	10,352	531	Targets were met.
Expenses	9,000	8,557	-443	ATB Expansion Project did not proceed in 2018. Debt and interest cost savings.
Capital	942	869	-73	On budget.

All contracts for goods, services and construction services with a value in excess of \$75,000.00 (1994 dollars subject to annual adjustment for inflation) require a public tender or request for proposals unless the FIAA, for reasons of efficiency and practicality, decides otherwise.

All contracts complied with this requirement for 2018.

## Business Plan Forecast 2019 – 2023 (in thousands)

	2019	2020	2021	2022	2023
Revenue	11,430	11,643	12,033	12,316	12,541
Expenses	9,459	10,181	10,947	11,327	11,771
Capital	9,725	20,825	4,325	1,100	4,700



Financial Statements

Fredericton International Airport Authority Inc.

December 31, 2018

(In thousands)

## Contents

	<b>Page</b>
Independent Auditor's Report	1 - 3
Management's responsibility for financial reporting	4
Statement of Operations	5
Statement of Changes in Net Assets	6
Statement of Financial Position	7
Statement of Cash Flows	8
Notes to the Financial Statements	9 - 19

# Independent Auditor's Report

---

**Grant Thornton LLP**  
4th Floor  
570 Queen Street, PO Box 1054  
Fredericton, NB  
E3B 5C2

T +1 506 458 8200  
F +1 506 453 7029  
www.GrantThornton.ca

To the Board of Directors of  
Fredericton International Airport Authority Inc.

## Opinion

We have audited the financial statements of Fredericton International Airport Authority Inc., which comprise the statement of financial position as at December 31, 2018, and the statements of operations, changes in net assets, and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the organization as at December 31, 2018, and its results of operations and its 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 Financial Statements section of our report. We are independent of the organization in accordance with the ethical requirements that are relevant to our audit of the 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.

## Information other than the financial statements and auditor's report thereon

Management is responsible for the other information. The other information comprises:

- The information, other than the financial statements and our auditor's report thereon, in the Annual Report.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

The Annual Report is expected to be made available to us after the date of this auditor's report. If, based on the work we will perform on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact to those charged with governance.

## Responsibilities of management for the financial statements

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

# Independent Auditor's Report (continued)

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

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

## **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes 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 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 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 organization'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 organization'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 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 organization to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

## Independent Auditor's Report (continued)

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.

Fredericton, Canada  
April 15, 2019

*Grant Thornton LLP*

Chartered Professional Accountants

## MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The financial statements of Fredericton International Airport Authority Inc. have been prepared in accordance with Canadian accounting standards for not-for-profit organizations. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances. These statements include certain amounts based on management's estimates and judgments. Management has determined such amounts on a reasonable basis in order to ensure that the financial statements are presented fairly in all material respects.

The integrity and reliability of Fredericton International Airport Authority Inc.'s reporting systems are achieved through the use of formal policies and procedures, the careful selection of employees and an appropriate division of responsibilities. These systems are designed to provide reasonable assurance that the financial information is reliable and accurate.

The Board of Directors is responsible for ensuring that management fulfills its responsibility for financial reporting and is ultimately responsible for reviewing and approving the financial statements. The Board carries out this responsibility principally through its Audit Committee. The Audit Committee is appointed by the Board and meets periodically with management and the Authority's auditors to review significant accounting, reporting and internal control matters. Following the review of the financial statements and discussions with the auditors, the Audit Committee reports to the Board of Directors prior to its approval of the financial statements. The Committee also considers, for review by the Board and approval by the directors, the engagement or re-appointment of the external auditors.

The financial statements have been audited on behalf of the directors by Grant Thornton Chartered Professional Accountants, an independent firm of Chartered Professional Accountants, in accordance with generally accepted auditing standards.



Johanne Gallant  
President & CEO



Meredith Boyle  
Director of Finance

# Fredericton International Airport Authority Inc.

## Statement of Operations

(In thousands)

Year ended December 31

	2018	2017
<b>Revenues</b>		
Passenger facility fees	\$ 4,144	\$ 3,854
Landing fees	1,270	1,225
Parking	1,222	1,243
Amortization of deferred contributions	1,201	1,209
Terminal fees	1,072	1,038
Concessions	812	763
Rentals	432	422
Other revenue	196	182
Gain on sale of equipment	<u>3</u>	<u>8</u>
	<b><u>10,352</u></b>	<b><u>9,944</u></b>
<b>Expenses</b>		
Salaries, wages and benefits	2,787	2,653
Operating materials, services and supplies	2,271	2,051
Amortization of property and equipment	2,024	1,990
Administration	961	887
Professional services	260	276
Insurance	135	119
Property taxes	45	44
Rent	36	36
Interest on long-term debt	35	30
Bad debts	<u>3</u>	<u>9</u>
	<b><u>8,557</u></b>	<b><u>8,095</u></b>
Excess of revenues over expenses	<b><u>\$ 1,795</u></b>	<b><u>\$ 1,849</u></b>

---

**Fredericton International Airport Authority Inc.**  
**Statement of Changes in Net Assets**

(In thousands)

Year ended December 31

---

	Invested in property and equipment	Restricted for specific purposes	Unrestricted	Total 2018	Total 2017
Balance, beginning of year	\$ 8,759	\$ 9,989	\$ -	\$ 18,748	\$ 16,903
Excess (deficiency) of revenues over expenses	(822)	-	2,617	1,795	1,849
Remeasurement in actuarial losses	-	-	(196)	(196)	(4)
Capital expenditures financed by restricted funds	987	(987)	-	-	-
Transfer to restricted funds	<u>-</u>	<u>2,421</u>	<u>(2,421)</u>	<u>-</u>	<u>-</u>
Balance, end of year	<u><b>\$ 8,924</b></u>	<u><b>\$ 11,423</b></u>	<u><b>\$ -</b></u>	<u><b>\$ 20,347</b></u>	<u><b>\$ 18,748</b></u>

---

See accompanying notes to the financial statements.

**Fredericton International Airport Authority Inc.**  
**Statement of Financial Position**

(In thousands)

December 31 2018 2017

**Assets**

Current

Cash and cash equivalents	\$ 1,893		\$ 1,558
Short-term deposits (Note 4)	9,569		8,022
Receivables (Note 5)	782		829
Inventory	<u>55</u>		<u>63</u>

**12,299 10,472**

Pension surplus (Note 6)	331		454
Property and equipment (Note 7)	<u>15,707</u>		<u>16,861</u>

**\$ 28,337 \$ 27,787**

**Liabilities**

Current

Payables and accruals (Note 8)	\$ 862		\$ 600
Current portion of long-term debt (Note 9)	<u>122</u>		<u>117</u>

**984 717**

Long-term debt (Note 9)	824		946
Deferred capital contributions (Note 10)	5,837		7,039
Severance liabilities (Note 6)	<u>345</u>		<u>337</u>

**7,990 9,039**

**Net assets**

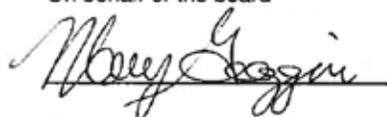
Unrestricted net assets	-		-
Invested in property, plant and equipment (Note 13)	8,924		8,759
Restricted for specific purposes (Note 13)	<u>11,423</u>		<u>9,989</u>

**20,347 18,748**

**\$ 28,337 \$ 27,787**

Commitments and contingencies (Note 14)

On behalf of the board

 Director

 Director

---

# Fredericton International Airport Authority Inc.

## Statement of Cash Flows

(In thousands)

Year ended December 31

2018

2017

Increase (decrease) in cash and cash equivalents

### Operating

Excess of revenues over expenses	\$ 1,795	\$ 1,849
Items not affecting cash		
Amortization of property and equipment	2,024	1,990
Amortization of deferred contributions	(1,201)	(1,209)
Gain on sale of equipment	(3)	(8)
Pension expense	41	39

2,656                      2,661

### Changes in working capital

Short-term deposits	(1,547)	(1,824)
Receivables	47	(40)
Inventories	8	11
Payables and accruals	260	(212)
Severance liabilities	8	25
Pension contributions	(113)	(129)

1,319                      492

### Financing

Repayment of long-term debt	(118)	(94)
Proceeds of long-term debt	-	511

(118)                      417

### Investing

Purchase of property and equipment	(869)	(788)
Proceeds on disposal of property and equipment	3	8

(866)                      (780)

Net increase in cash and cash equivalents

335                      129

Cash and cash equivalents

Beginning of year                      1,558                      1,429

End of year                      \$ 1,893                      \$ 1,558

---

---

# Fredericton International Airport Authority Inc.

## Notes to the Financial Statements

(In thousands)  
December 31, 2018

---

### 1. Nature of operations

Greater Fredericton Airport Authority Inc. (the "Authority") was incorporated, without share capital, on November 21, 1996 under Part II of the Canadian Corporations Act. On April 28, 2009 the Authority incurred an approved name change to Fredericton International Airport Authority Inc. The Authority is exempt from income tax according to the *Airport Transfer (Miscellaneous Matters) Act*. The excess of revenues over expenses is retained and reinvested in airport operations and development.

The Authority is governed by a Board of Directors consisting of 10 members from the Greater Fredericton Area whose objective is to be a key driver of our community's vitality and economic prosperity by providing a gateway to the world.

On February 26, 2001, the Authority entered into a sixty year ground lease agreement with Transport Canada and assumed responsibility for management, operations and development of the Fredericton Airport on May 1, 2001.

---

### 2. Significant accounting policies

#### Basis of presentation

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations, and are presented in thousands (000s) of Canadian dollars unless otherwise stated.

#### Revenue recognition

Landing fees, terminal fees and parking fees revenue are recognized as the airport facilities are utilized. Passenger facility fee revenue is recognized when departing passengers board the aircraft as reported by the airlines. All other revenue items are recognized on an accrual basis as services or facilities are provided, revenue is earned, and collectability is reasonably assured.

The Authority follows the deferral method of accounting for contributions. Restricted contributions and related investment income are recognized as revenue in the year in which it is earned. Restricted contributions for the purchase of property and equipment that will be amortized are deferred and recognized as revenue at the same rate of amortization as the related property and equipment. Unrestricted contributions and related investment income are recognized as revenue when received or receivable.

#### Expense recognition

Expenses are recognized on an accrual basis as costs are incurred.

#### Cash and cash equivalents

Cash and cash equivalents include cash on hand and balances with banks, net of overdrafts. Bank borrowings are considered to be financing activities.

---

# Fredericton International Airport Authority Inc.

## Notes to the Financial Statements

(In thousands)  
December 31, 2018

---

### 2. Significant accounting policies (continued)

#### Inventories

Inventories consist of petroleum products and maintenance parts and supplies and are stated at the lower of cost and net realizable value. For 2018 - \$474 (2017 - \$389) of inventories were recognized as an expense.

#### Property and equipment

Property and equipment are stated at cost less accumulated amortization. Property and equipment are amortized over their estimated useful lives at the following rates and methods:

Mobile equipment	6 and 8% Straight-line
Furniture, fixtures and office equipment	10% Straight-line
Computer equipment and software	25% Straight-line
Other equipment	6, 8 and 10% Straight-line
Runways and hard surfaces	6% Straight-line
Buildings	4 and 5% Straight-line
Water well	4% Straight-line

The Authority regularly reviews its property and equipment to eliminate obsolete items and to ensure that the useful lives of the remaining assets are appropriate. Property and equipment acquired during the year but not placed into use are not amortized until such time as they are placed into use.

#### Deferred capital contributions

Government grants for the purchase of property and equipment are recorded as deferred contributions when received. When these funds are expended the purchase is capitalized as property and equipment of the Authority at cost. Deferred capital contributions are amortized at the rate for the related asset acquisition at the corresponding rates noted above for property and equipment.

---

# Fredericton International Airport Authority Inc.

## Notes to the Financial Statements

(In thousands)

December 31, 2018

---

### 2. Significant accounting policies (continued)

#### Employee future benefits

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

##### (a) Defined benefit plan

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

Plan assets are measured at fair value.

The Authority recognizes the plan's funded surplus, which is the net amount of the defined benefit obligation and the fair value of plan assets, on the balance sheet.

Actuarial gains and losses and past service costs are included in the cost of the plan for the year in the statement of changes in net assets.

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

##### (b) Defined contribution plan

Amounts paid by the Authority under the defined contribution plan are expensed as incurred.

#### Severance pay

A liability for severance pay is recorded in the accounts for all employees who have a vested right to receive such payment.

#### Use of estimates

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the period. Areas of estimation where complex or subjective judgments were made include depreciation of property and equipment and amortization of deferred contributions, the future collectability of receivables, as well as employee future benefits liability. Significant changes in the assumptions could change the recorded amounts in the financial statements and actual results may differ from these estimates.

---

# Fredericton International Airport Authority Inc.

## Notes to the Financial Statements

(In thousands)

December 31, 2018

---

### 2. Significant accounting policies (continued)

#### 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
- Short-term deposits
- Receivables
- Payables and accruals
- Long-term debt
- Severance liability

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

#### Initial recognition

Financial assets or liabilities obtained in arm's length transactions are initially measured at their fair value.

#### Subsequent measurement

The Authority subsequently measures all of its financial assets and financial liabilities at cost or amortized cost less any reduction for impairment. Financial assets measured at cost or amortized cost less any reduction for impairment include cash and cash equivalents, and receivables. Financial liabilities measured at amortized cost include payables and accruals, long-term debt and severance liability.

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

A financial asset (or group of similar financial assets) measured at cost or amortized cost are tested for impairment when there are indicators of impairment. Impairment losses are recognized in the statements of operations and changes in net assets. 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 net loss.

---

---

# Fredericton International Airport Authority Inc.

## Notes to the Financial Statements

(In thousands)

December 31, 2018

---

### 3. Financial instruments

The Authority is exposed to various risks through its financial instruments. The following analysis provides a measure of the Authority's risk exposures and concentrations at December 31, 2018.

(a) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices which includes fair value risk, interest rate risk and foreign exchange risk, and the Authority is subject to:

I. Interest rate risk relates to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Given the current composition of debt, fixed rate instruments subject the Authority to a fair value risk while floating rate instruments when outstanding subject the Authority to a cash flow risk.

(b) Credit risk

Credit risk is the risk that the Authority will incur a loss because a customer fails to meet an obligation. The Authority is subject to credit risk through receivables. The Authority maintains provisions for potential credit losses and any such losses to date have been within management's expectations.

---

### 4. Short term deposits

Short term deposits consist of GIC's with term lengths of 1 year.

---

### 5. Receivables

	<u>2018</u>	<u>2017</u>
Accounts receivable	\$ 784	\$ 831
Allowance for doubtful accounts	<u>(2)</u>	<u>(2)</u>
	<u>\$ 782</u>	<u>\$ 829</u>

---

---

# Fredericton International Airport Authority Inc.

## Notes to the Financial Statements

(In thousands)  
December 31, 2018

---

### 6. Employee future benefits

#### Defined benefit pension plan

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 2001. The federal government remains responsible for all pension benefits accrued in respect of those individuals up to that time.

The most recent actuarial valuation of the Plan is at January 1, 2018. The next required valuation will be as at January 1, 2019. The following information concerning the Plan is from an extrapolation of the January 1, 2018 valuation to December 31, 2018.

	<u>2018</u>	<u>2017</u>
Fair value of plan assets	\$ 2,382	\$ 2,426
Defined benefit obligation	<u>(2,051)</u>	<u>(1,972)</u>
Pension surplus	<u>\$ 331</u>	<u>\$ 454</u>

The amount of remeasurement and other items for the period was \$196 (2017 – \$4).

#### Defined contribution pension plan

The defined contribution plan is for full-time employees who began employment after transfer of the airport to the Authority in 2001. The Authority's contributions during the year under the defined contribution plan were \$102 (2017 - \$100).

#### Severance liabilities

Under the terms of its collective agreement with certain employees, the Authority is required to pay retiring, terminated or resigning employees severance pay provided the conditions set out in the agreement are met. The Authority records a liability for the severance earned by the employees each year determined on the assumption that the qualifying conditions will be met. The accrued severance liabilities for the Authority at the end of the year amounts to \$345 (2017 - \$337).

---

# Fredericton International Airport Authority Inc.

## Notes to the Financial Statements

(In thousands)  
December 31, 2018

			<u>2018</u>	<u>2017</u>
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Land	\$ 1,325	\$ -	\$ 1,325	\$ 1,325
Buildings	7,704	3,576	4,127	4,048
Mobile equipment	3,729	2,561	1,168	1,300
Furniture, fixtures and office equipment	683	676	7	-
Computer equipment and software	187	187	-	-
Other equipment	518	348	170	98
Land development	286	-	286	286
Runways and hard surfaces	23,163	15,070	8,093	9,249
Water well	604	73	531	555
	<u>\$ 38,199</u>	<u>\$ 22,492</u>	<u>\$ 15,707</u>	<u>\$ 16,861</u>

	<u>2018</u>	<u>2017</u>
Account payable - trade	\$ 654	\$ 357
Government remittances payable	6	55
Accrued liabilities	98	85
Refundable deposits	69	69
Deferred revenue	35	34
	<u>\$ 862</u>	<u>\$ 600</u>

---

# Fredericton International Airport Authority Inc.

## Notes to the Financial Statements

(In thousands)

December 31, 2018

---

### 9. Long-term debt

	<u>2018</u>	<u>2017</u>
Bank term loan bearing interest at 3.20% per annum, repayable in monthly blended payments of \$2. The loan matures in March 2026 and is secured by equipment owned by the Authority.	\$ 148	\$ 166
Bank term loan bearing interest at 3.20% per annum, repayable in monthly blended payments of \$2. The loan matures in March 2026 and is secured by equipment owned by the Authority.	148	166
Bank term loan bearing interest at 3.32% per annum, repayable in monthly blended payments of \$5. The loan matures in June 2027 and is secured by equipment owned by the Authority.	445	490
Bank term loan bearing interest at 4.65% per annum, repayable in monthly blended payments of \$4. The loan matures in November 2023 and is secured by equipment owned by the Authority.	<u>205</u>	<u>241</u>
	946	1,063
Amounts payable within one year	<u>(122)</u>	<u>(117)</u>
	<u>\$ 824</u>	<u>\$ 946</u>
Estimated principal repayments over the next five years are as follows:		
2019	\$ 122	
2020	126	
2021	131	
2022	136	
2023	134	

---

---

# Fredericton International Airport Authority Inc.

## Notes to the Financial Statements

(In thousands)  
December 31, 2018

---

### 10. Deferred capital contributions

Deferred capital contributions consist of the unamortized balance of contributions received by the Authority which have been expended on capital assets as approved by the donors.

	<u>2018</u>	<u>2017</u>
Balance, beginning of year	\$ 7,039	\$ 8,249
Amortization	<u>(1,202)</u>	<u>(1,210)</u>
	<u>\$ 5,837</u>	<u>\$ 7,039</u>

---

### 11. Security for bank indebtedness and term debt

The Authority has an authorized bank operating credit facility of \$650 which bears interest at the bank's prime lending rate less 0.25%. There were no advances outstanding on the operating credit facility at December 31, 2018.

---

### 12. Capital Management

The Authority's objective when managing capital is to continue as a going concern to protect its ability to meet its on-going liabilities. Protecting the ability to pay current and future liabilities includes maintaining capital above minimum regulatory levels and maintaining current financial strength rating requirements.

The Authority regularly monitors current and forecasted debt levels to ensure that debt covenants are not violated. These covenants generally relate to the maintenance of certain operational financial ratios for earnings. The Authority was in compliance with all covenants for the year ended December 31, 2018.

Capital is comprised of the Authority's net assets and long term debt and in 2018 the balances outstanding were net assets \$20,347 (2017 - \$18,748) and financed debt \$946 (2017 - \$1,063).

---

---

# Fredericton International Airport Authority Inc.

## Notes to the Financial Statements

(In thousands)  
December 31, 2018

---

<b>13. Net assets</b>	<u>2018</u>	<u>2017</u>
<b>Change in net assets invested in property and equipment</b>		
Invested in property and equipment, beginning of year	\$ 8,759	\$ 9,169
Net property and equipment purchases	869	788
Decrease (increase) in debt regarding property and equipment purchases funded by operations	118	(417)
Amortization of property and equipment funded by operations	<u>(822)</u>	<u>(781)</u>
	<u>\$ 8,924</u>	<u>\$ 8,759</u>
<b>Net assets invested in property and equipment</b>		
Property and equipment	\$ 15,707	\$ 16,861
Long term debt	(946)	(1,063)
Deferred capital contributions	<u>(5,837)</u>	<u>(7,039)</u>
	<u>\$ 8,924</u>	<u>\$ 8,759</u>

### Restricted for specific purposes

The Authority has established an internally restricted fund to achieve its objective to operate a self-sustained aviation complex, which includes the ability to maintain and replace the capital infrastructure required for operation.

---

---

# Fredericton International Airport Authority Inc.

## Notes to the Financial Statements

(In thousands)

December 31, 2018

---

### 14. Commitments and contingencies

#### (a) Commitments

##### Transfer agreement

On February 26, 2001, the Authority entered into a sixty year ground lease agreement, effective May 1, 2001, with Transport Canada which provides for the Authority to lease the Fredericton Airport. The lease agreement contains a twenty year renewal option which is exercisable by the Authority if they maintain the terms and conditions of the agreement, otherwise the Authority is obligated to return control of the airport to Transport Canada at the end of the 60 year term. Rent is calculated annually based on terms of the lease.

##### Terminal expansion and renovation project

In May 2018, the Authority was informed that they qualified for funding under the New Building Canada Fund for the Terminal Expansion and Renovation Project (the Project), to begin in 2019. The Project is expected to cost \$30,000. The Authority will receive contributions from the federal government for \$9,000 and from the provincial government for \$9,000.

#### (b) Contingencies

The Authority entered into an agreement which stipulates that consideration be paid in the event that the ground lease is broken prior to the end of the agreement. As of December 31, 2018, the consideration required would be \$410.

The Authority is involved in various legal actions and other matters arising out of the ordinary course and conduct of business. The outcome and estimated disposition of these actions are not determinable at this time. Accordingly, no provision for these actions is reflected in the financial statements. Settlements, if any, concerning these contingencies will be accounted for in the period in which the settlement occurs.

---

### 15. Directors compensation

Total compensation paid to Directors of the Authority in 2018 was \$66 (2017 - \$60). This amount is included in the determination of the current year's excess of revenues over expenses.

---

### 16. Economic dependence

The Authority derives a significant amount of revenue from Air Canada and its subsidiaries and consequently, is economically dependent on this customer.

---