

Financial Statements

**St. John's International Airport Authority**

December 31, 2020

## Independent Auditor's Report

### Opinion

We have audited the financial statements of the St. John's International Airport Authority (the "Authority"), which comprise the balance sheet as at December 31, 2020, and the statement of operations and equity in capital assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Authority as at December 31, 2020, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for private enterprises ("ASPE").

### Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). 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 Authority 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.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with ASPE, 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.

In preparing the 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 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 GAAS 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 GAAS, 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 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 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 financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.

*Deloitte LLP*

Chartered Professional Accountants  
April 29, 2021

# St. John's International Airport Authority

## Balance Sheet

As at December 31, 2020  
(in thousands of dollars)

	2020	2019
<b>Assets</b>		
<b>Current</b>		
Cash and cash equivalents	-	\$ 385
Accounts receivable (note 3)	2,268	4,320
Consumable inventory	394	455
Prepaid expenses	402	547
<b>Total current assets</b>	<b>3,064</b>	<b>5,707</b>
Capital assets, net (note 4)	225,735	238,779
Debt service reserve fund (note 6)	2,762	2,774
Intangible assets, net	79	118
	<b>\$ 231,640</b>	<b>\$ 247,378</b>

### Liabilities and Equity in Capital Assets

<b>Current</b>		
Bank indebtedness	\$ 1,905	-
Accounts payable and accrued liabilities (note 5)	6,864	11,392
Current portion of long-term debt (note 6)	14,174	8,820
<b>Total current liabilities</b>	<b>22,943</b>	<b>20,212</b>
Long-term debt (note 6)	105,329	106,008
Deferred contributions for capital projects, net (note 7)	29,471	30,778
Equity in capital assets (note 1)	73,897	90,380
	<b>\$ 231,640</b>	<b>\$ 247,378</b>

Commitments (note 11)  
See accompanying notes  
On behalf of the Board:

\_\_\_\_\_  
Tom Williams, Chair

\_\_\_\_\_  
Roger Butt, Chair, Finance and Audit Committee

# St. John's International Airport Authority

## Statement of Operations and Equity in Capital Assets

For the year ended December 31, 2020  
(in thousands of dollars)

	2020	2019
<b>Revenues</b>		
Landing fees	\$ 3,025	\$ 6,043
Terminal fees	2,187	5,047
Rentals	4,389	4,643
Concessions	1,761	5,643
Car parking	1,220	3,360
Other	1,076	1,199
	13,658	25,935
Airport improvement fees (note 8)	5,842	23,357
	19,500	49,292
<b>Expenses</b>		
Amortization	14,483	14,653
Salaries and benefits (note 15)	7,704	11,490
Operating	6,189	8,707
Interest and financing costs	5,117	5,230
General and administrative	579	590
Municipal tax	559	759
Ground rent (note 11)	543	2,878
Professional services	206	1,022
Business development	119	614
	35,499	45,943
Excess of (expenses over revenues)		
revenues over expenses, before undernoted item	(15,999)	3,349
Settlement of municipal tax amounts owing (note 14)	-	3,802
Impairment of tangible capital assets (note 4)	484	-
<b>Excess of (expenses over revenues) revenues over expenses, end of year</b>	<b>\$ (16,483)</b>	<b>\$ 7,151</b>
Total equity in capital assets, beginning of year	90,380	83,229
<b>Total equity in capital assets, end of year</b>	<b>\$ 73,897</b>	<b>\$ 90,380</b>

See accompanying notes

# St. John's International Airport Authority

## Statement of Cash Flows

For the year ended December 31, 2020  
(in thousands of dollars)

	2020	2019
<b>Operating Activities</b>		
Excess of (expenses over revenues) revenues over expenses	\$ (16,483)	\$ 7,151
Add (deduct) items not involving cash		
Amortization - capital assets, net	16,427	16,604
Amortization - deferred contributions	(1,983)	(1,989)
Amortization - intangible assets	39	38
Amortization - other	200	177
Impairment of tangible capital assets	484	-
(Gain) loss on disposal of capital assets	(38)	28
	(1,354)	22,009
Changes in non-cash working capital balances related to operations		
Accounts receivable	2,052	(445)
Consumable inventory	61	(41)
Prepaid expenses	145	(116)
Accounts payable and accrued liabilities	(4,528)	(9,321)
Cash provided by operating activities	(3,624)	12,086
<b>Financing Activities</b>		
Decrease (increase) in debt service reserve fund	12	(2)
Proceeds from revolving credit facility	147,799	111,850
Repayment of revolving credit facility	(142,490)	(110,352)
Repayment of revenue bond	(834)	(792)
Cash provided by financing activities	4,487	704
<b>Investing Activities</b>		
Additions to capital assets	(3,944)	(15,751)
Additions to deferred contributions	676	2,016
Additions to intangible assets	-	(17)
Proceeds from sale of capital assets	115	16
Cash used in investing activities	(3,153)	(13,736)
<b>Net decrease in cash and cash equivalents during the year</b>	<b>(2,290)</b>	<b>(946)</b>
Cash and cash equivalents, beginning of year	385	1,331
<b>(Bank indebtedness) cash and cash equivalents, end of year</b>	<b>\$ (1,905)</b>	<b>\$ 385</b>

See accompanying notes

# St. John's International Airport Authority

## Notes to Financial Statements

December 31, 2020

(tabular amounts expressed in thousands of dollars except where otherwise noted)

### 1. Organization and nature of operations:

The St. John's International Airport Authority (the "SJIAA") was incorporated on May 6, 1996 as a corporation without share capital under Part II of the *Canada Corporations Act*. The *Airport Transfers (Miscellaneous Matters) Act* exempts the corporation from paying income and large corporations tax.

On December 1, 1998, the operations and undertakings of the St. John's International Airport (the "Airport"), previously administered by Transport Canada, were transferred to the SJIAA. The SJIAA operates the Airport pursuant to the provisions of a long-term lease with the Government of Canada (the "Ground Lease"). As the principal document governing the relationship and allocating responsibilities between the SJIAA and the Government of Canada, the Ground Lease provides a formula for the calculation and payment of Ground Rent, after an initial rent-free period which ended December 31, 2005. The term of the Ground Lease is eighty years, ending 2078.

The SJIAA has all the powers and obligations of any Canadian private corporation and operates on a fully commercial basis. The SJIAA has the autonomy to set all fees and charges and does not rely on grants, donations or on contributions with restrictions imposed by the contributor.

The corporate structure ensures that the excess of revenues over expenses, or surplus from operations, is retained and reinvested in capital assets for development of the Airport. Equity in capital assets includes the net assets invested in capital assets to date and cumulative surpluses restricted for future airport infrastructure projects and associated financing costs.

### 2. Significant accounting policies:

#### Basis of presentation

The financial statements have been prepared in accordance with Canadian accounting standards for private enterprises (ASPE) as issued by the Canadian Accounting Standards Board.

#### Management estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of certain assets and liabilities at the date of the financial statements and the reported amounts of certain revenues and expenses during the year. Significant estimates include the valuation of accounts receivable, useful lives of depreciable assets and completeness of accounts payable and accrued liabilities. Actual results could materially differ from those estimates.

#### Cash and cash equivalents

The SJIAA considers deposits in banks, certificates of deposits and short-term investments with original maturities of three months or less as cash and cash equivalents.

#### Ground lease

The Ground Lease is accounted for as an operating lease.

#### Severance pay

A liability for severance pay is recorded in the accounts for all employees who have a vested right to receive such payment. This includes a provision for severance pay liability for employees who have less than ten years of continual service.

# St. John's International Airport Authority

## Notes to Financial Statements

December 31, 2020

(tabular amounts expressed in thousands of dollars except where otherwise noted)

### Significant accounting policies (continued):

#### Capital assets

Capital assets are recorded at cost and are amortized on a straight-line basis from their in-service date over the estimated useful lives of the assets at the following annual rates:

<u>Asset</u>	<u>Rate</u>
Airport terminal building, other buildings and bridges	15 - 30 years
Leasehold improvements and improvements to leased land	15 - 30 years
Vehicles, machinery, furniture and fixtures	5 - 20 years
Computer hardware and software	3 - 15 years
Multi-purpose/central de-icing facility	25 years

Assets under construction or development are recorded at cost and are transferred to capital assets when the projects are complete and the assets are placed into service.

#### Intangible assets

Intangible assets of the SJIAA include computer software and are recorded at cost and amortized on a straight-line basis over their estimated useful lives. Amortization of \$39,000 (2019 - \$37,825) is included in operating expenses for the year.

#### Revenue recognition

Landing fees, terminal fees, and car parking revenues are recognized as the facilities are utilized. Airport improvement fees ("AIF"), net of airline administration costs, are recognized when originating departing passengers board the respective aircraft, and are subject to reconciliation with air carriers. Concessions revenue is charged on a monthly basis and is recognized based on a percentage-of-sales or specified minimum levels. Rental revenue is recognized on a straight-line basis over the duration of the respective agreements.

Contributions for capital projects, exclusive of AIF, are accounted for under the deferral method. Contributions externally restricted for the purchase of capital assets are deferred and recognized in income as the related assets are amortized.

#### Pension plans

In 2005, the SJIAA established a contributory defined contribution pension plan for new employees hired after March 9, 2003, whereby retirement benefits are based on the investment in the marketplace of both the employer and the employee contributions. The employees determine where their funds are invested. The SJIAA's contributions to this plan for the year ended December 31, 2020 amounted to \$380,510 (2019 - \$363,232).

The SJIAA has a contributory defined benefit pension plan for employees hired prior to March 10, 2003. Retirement benefits are based on length of service and the best six years' average earnings. The defined benefit pension cost is charged to salaries and benefits expense as employees render services.

The Authority's policies for accounting for future employee benefits for the defined benefit pension plan are as follows:

- I. The defined benefit obligation of the pension plan is measured using the most recently completed funding valuation filed with the Office of the Superintendent of Financial Institutions ("OSFI"). The cost of pensions earned by employees is actuarially determined using the projected unit credit actuarial cost method. Under this method, the accrued benefit obligation represents the pensionable service accrued



# St. John's International Airport Authority

## Notes to Financial Statements

December 31, 2020

(tabular amounts expressed in thousands of dollars except where otherwise noted)

### Significant accounting policies (continued):

as at the valuation date and long-term best estimate assumptions consistent with the going concern valuation prepared for funding purposes.

- II. For the purpose of calculating expected return on plan assets, those assets are valued at market value.
- III. Actuarial gains and losses are recognized in full in the period in which they occur, in excess of revenues over expenses.

### Financial instruments

The financial instruments, which include cash and cash equivalents, accounts receivable, debt service reserve fund, accounts payable and accrued liabilities and long-term debt, are recorded at amortized cost. Amortization is recorded on a straight-line basis using the effective interest rate method.

Financial assets are tested for impairment at the end of each reporting period when there are indications that the assets may be impaired.

Derivative financial instruments, including interest rate swaps, may be used from time to time to reduce exposure to fluctuations in interest rates. These financial instruments will be accounted for under the deferral method if the Authority meets the hedging requirements set out in existing accounting pronouncements and the Authority chooses to designate these financial instruments as hedges. Accordingly, the book value will not be adjusted to reflect the current market values. Payments and receipts under interest rate swap agreements will be recognized as adjustments to interest and financing costs where the underlying instrument is an Authority debt issue.

Derivative financial instruments that are not designated by the Authority to be an effective hedging relationship will be carried at fair value with the changes in fair value, including any payments or receipts made or received, being recorded in interest and financing costs.

Realized and unrealized gains or losses associated with derivative financial instruments, which have been terminated, designated from a hedging relationship or cease to be effective prior to maturity, will be deferred and recognized in the period during which the underlying hedged item is realized. In the event a designated hedged item is sold, extinguished or matures prior to the termination of the related derivative financial instrument, any realized or unrealized gain or loss on such derivative financial instrument will be recognized in the statement of operations and equity in capital assets.

### Effective interest rate method

Transaction costs are included in the debt balances and are recognized as an adjustment to interest expense over the term of the debt. The SJIAA uses the effective interest rate method to recognize bond interest expense and financing costs where the amount to be recognized varies over the life of the debt based on the principal outstanding.

### Consumable inventory

Inventories are valued at the lower of cost and replacement cost. For 2020, \$755,337 (2019 – \$899,019) of inventories were recognized as an expense.

# St. John's International Airport Authority

## Notes to Financial Statements

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(tabular amounts expressed in thousands of dollars except where otherwise noted)

### 3. Accounts receivable:

	2020	2019
Trade	\$1,181	\$2,359
Airport improvement fees	329	1,155
HST	5	546
Payroll advances	177	196
Other (note 15)	731	266
Allowance for doubtful accounts	(155)	(202)
	<u>\$2,268</u>	<u>\$4,320</u>

### 4. Capital assets:

	2020	2019		
	Cost	Accumulated Amortization	Net book Value	Net book value
Airport terminal building, other buildings and bridges	\$156,948	\$57,838	\$99,110	\$106,006
Leasehold improvements and improvements to leased land	133,923	48,901	85,022	91,341
Vehicles, machinery, furniture and fixtures	48,667	21,090	27,577	17,112
Computer hardware and software	7,378	6,295	1,083	1,369
Multi-purpose/central de-icing facility	14,344	7,780	6,564	7,132
Assets under construction or development	6,379	-	6,379	15,819
	<u>\$367,639</u>	<u>\$141,904</u>	<u>\$225,735</u>	<u>\$238,779</u>

Assets under construction or development in 2020 were not being amortized and consisted of the Airport Terminal Building West Expansion and the Airport Terminal Building Fabrication Facility. In 2020, the Authority recorded impairment of tangible assets of \$484,000 for the ATB West Expansion project which has been indefinitely deferred. This impairment reflects expected future costs for the redesign of certain complex design elements that are presently unfinished.

### 5. Accounts payable and accrued liabilities:

	2020	2019
Trade	\$851	\$3,993
Accrued liabilities	4,301	5,855
Salaries and benefits	1,186	1,227
Deferred revenue and other	526	317
	<u>\$6,864</u>	<u>\$11,392</u>

# St. John's International Airport Authority

## Notes to Financial Statements

December 31, 2020

(tabular amounts expressed in thousands of dollars except where otherwise noted)

### 6. Long-term debt:

	2020	2019
Revenue bonds	\$108,841	\$109,676
Revolving credit facility	13,295	7,986
	122,136	117,662
Less transaction costs (net of amortization of \$200,534; 2019 - \$177,172)	(2,633)	(2,834)
	119,503	114,828
Current portion	14,174	8,820
	\$105,329	\$106,008

#### (a) Bond Issue

In May 2007, the SJIAA completed its inaugural \$55,000,000 Revenue Bond issue. The \$55,000,000, 5.252% Series A Revenue Bonds pay interest semi-annually. \$27,500,000 of the initial principal amount is repayable in semi-annual installments. The remaining principal is payable on maturity, which is May 11, 2037.

In July 2014, the SJIAA completed a \$60,000,000 Revenue Bond issue. The \$60,000,000, 3.479% Series C Revenue Bonds are due on July 15, 2024.

The net proceeds from these offerings are used to finance the capital plan and for general corporate purposes. These purposes include repaying existing bank indebtedness and funding of the Debt Service Reserve Fund. The bonds are direct obligations of the Authority ranking *pari passu* with all other indebtedness issued under the Master Trust Indenture.

#### (b) Reserve Funds

Pursuant to the terms of the Master Trust Indenture, the SJIAA is required to establish and maintain with a trustee a Debt Service Reserve Fund with a balance at least equal to 50% of the annual debt service costs. As at December 31, 2020, the Debt Service Reserve Fund included \$2,761,958 (2019 - \$2,773,867) in interest-bearing deposits held in trust. These trust funds are held for the benefit of bondholders for use in accordance with the terms of the Master Trust Indenture.

For 2020, the SJIAA was required to maintain an Operating and Maintenance Reserve Fund of approximately \$4,682,000. The Operating and Maintenance Reserve Fund must be established and funded as required by the Master Trust Indenture, for the benefit of bondholders. The balance in the fund is equal to 25% of the actual or estimated Operating and Maintenance Expenses incurred by the SJIAA over the previous 12-month period. For 2021, approximately \$3,703,000 will be required to fund the Operating and Maintenance Reserve Fund. The Operating and Maintenance Reserve Fund may be satisfied by cash, qualified investments, letters of credit and the allocation by the Authority of un-drawn availability under a Committed Credit Facility.

#### (c) Credit Facilities

The credit facilities of the SJIAA are secured by a \$75,000,000 pledge bond issued pursuant to the Master Trust Indenture. Indebtedness under the credit facilities ranks *pari passu* with other indebtedness issued under the Master Trust Indenture.

# St. John's International Airport Authority

## Notes to Financial Statements

December 31, 2020

(tabular amounts expressed in thousands of dollars except where otherwise noted)

### Long-term debt (continued):

#### i) Revolving Credit Facility

The SJIAA Revolving Credit Facility of \$40,000,000. The facility has a term of five years.

As at December 31, 2020, there were no letters of credit (2019 – \$218,721) outstanding against the facility. Indebtedness under the Revolving Facility bears interest at rates that vary with the lender's prime rate and Banker's Acceptance rates, as appropriate. During 2020, the interest rate was 0.7%.

#### ii) Revolving Demand Capex Credit Facility

The SJIAA has a Revolving Capex Facility of \$10,000,000. There were no drawings on this facility at December 31, 2020 or December 31, 2019. The term of each advance under this facility is in accordance with the useful life of the respective assets to a maximum of ten years.

Indebtedness under the Revolving Capex Facility bears interest at rates that vary with the lender's prime rate and Banker's Acceptance rates, as appropriate.

#### (d) The annual principal payments required over the next five years and thereafter are as follows:

2021	\$14,174
2022	925
2023	975
2024	1,027
2025	1,081
Thereafter	103,954
	<u>\$122,136</u>

### 7. Deferred contributions for capital projects:

From time to time the SJIAA receives contributions for capital projects from various sources. These funds are accounted for under the deferral method, as outlined in note 2.

	2020	2019
Balance, beginning of the year	\$30,778	\$30,751
Add capital contributions received during the year	676	2,016
Less amortization	(1,983)	(1,989)
Net deferred contributions for capital projects	<u>\$29,471</u>	<u>\$30,778</u>

During the year the SJIAA received capital contributions of \$676,134 (2019 - \$2,016,211) from the Canadian Air Transport Security Authority for the Hold Bag Screening System Expansion.

### 8. Airport improvement fees:

The SJIAA entered into an AIF agreement dated May 27, 1999 with the Air Transport Association of Canada and major air carriers serving the Airport. The AIF agreement provides for a consultative process with air carriers regarding the expansion of airport facilities and the collection of AIF by air carriers. The air carriers collect the AIF from passengers

# St. John's International Airport Authority

## Notes to Financial Statements

December 31, 2020

(tabular amounts expressed in thousands of dollars except where otherwise noted)

### Airport improvement fees (continued):

on behalf of the SJIAA which entitles them to withhold a handling fee. The AIF rate at December 31, 2020 was \$35 (2019 - \$35) and applies to each departing enplaned passenger. AIF revenues earned and the cash collected can only be used to fund Airport infrastructure projects and associated financing costs that relate primarily to the passenger-handling functions of the Airport.

As at December 31, 2020, cumulative expenditures of \$348,606,660 (2019 - \$344,662,288) exceeded cumulative net AIF revenue collected of \$235,446,320 (2019 - \$229,604,734) by \$113,160,340 (2019 - \$115,057,554). A summary of the AIF collected and the related collection costs are as follows:

<b>AIF revenue (net):</b>	<b>2020</b>	<b>2019</b>
AIF revenue	\$6,293	\$25,122
AIF collection costs	(451)	(1,765)
	\$5,842	\$23,357

# St. John's International Airport Authority

## Notes to Financial Statements

December 31, 2020

(tabular amounts expressed in thousands of dollars except where otherwise noted)

### 9. Defined benefit pension plan:

	2020	2019
<b>Plan assets</b>		
Market value, beginning of year	\$27,869	\$23,735
Interest earned	1,387	1,269
Employer contributions	301	1,398
Employee contributions	71	86
Benefits paid	(630)	(607)
Actuarial gains	1,037	1,988
Market value, end of year	30,035	27,869
<b>Plan obligations</b>		
Accrued benefit obligations, beginning of year	18,759	17,498
Employee contributions	71	86
Current service cost	323	342
Interest cost	932	915
Benefits paid	(630)	(607)
Actuarial (gains) losses	(143)	525
Accrued benefit obligations, end of year	19,312	18,759
<b>Determination of total cost for the year</b>		
Current service cost	323	342
Remeasurement and other items	(22)	1,056
Income for the period	301	1,398
<b>Defined benefit asset</b>		
Defined benefit asset, beginning of year	-	-
Income for the period	(301)	(1,398)
Employer contributions during the period	301	1,398
Defined benefit asset, end of year	-	-
<b>Valuation allowance</b>		
Valuation allowance, beginning of year	9,110	6,237
Effect of valuation allowance on finance cost	455	355
Remeasurement of valuation allowance	1,157	2,518
Valuation allowance, end of the year	10,722	9,110
<b>Weighted average actuarial assumptions</b>		
	2020	2019
Discount rate	5.00%	5.00%
Rate of salary increases	3.25%	3.25%

# St. John's International Airport Authority

## Notes to Financial Statements

December 31, 2020

(tabular amounts expressed in thousands of dollars except where otherwise noted)

### Defined benefit pension plan (continued):

The assets of the pension plan are invested and maintain the following asset mix:

	Percentage of plan assets	
	2020	2019
Bonds/fixed-income securities	37.29%	36.53%
Equity securities	62.71%	63.47%
Total	100%	100%

The date of the last actuarial valuation of the defined benefit pension plan is December 31, 2019. According to this valuation, the SJIAA's employer service contribution as a percentage of payroll was 22.5% for 2020 (2019 – 22.4%). A \$2,298,100 solvency deficiency in the defined benefits pension plan existed as at December 31, 2019. This results in a special annual payment of \$473,860 required over the next five years.

### 10. Financial risk factors:

#### (a) Interest rate risk:

The SJIAA's exposure to interest rate risk relates to its floating rate Credit Facilities described in Note 6 (c), long-term debt. It should be noted that the majority of SJIAA's debt is fixed-rate debt and therefore changes in interest rates do not significantly impact interest payments but may impact the fair value of this debt.

#### (b) Credit risk:

The SJIAA is subject to credit risk through its financial assets. The SJIAA performs ongoing credit valuations of these balances and maintains valuation allowances for potential credit loss. The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to historical information about the customer.

The SJIAA's revenues are largely dependent on the domestic air transportation industry. One major carrier providing passenger traffic to the Airport accounted for approximately 63.9% (2019 – 59.5%) of the total enplaned and deplaned passengers for the Airport during the year.

### 11. Commitments:

#### Ground Lease:

In January 2006, the SJIAA began paying Ground Rent to Transport Canada as outlined in its terms of the Ground Lease. As a result of the financial impact of COVID-19, the requirement to pay Ground Rent was waived by Transport Canada for 2021.

The annual payments are forecasted to be as follows over the next five years:

2021	-
2022	1,358
2023	1,738
2024	2,498
2025	2,878

# St. John's International Airport Authority

## Notes to Financial Statements

December 31, 2020

(tabular amounts expressed in thousands of dollars except where otherwise noted)

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### 12. Other information:

The Authority may, from time to time, be involved in legal proceedings, claims and litigation that arise in the ordinary course of business which the Authority believes would not reasonably be expected to have a material adverse effect on the financial condition of the Authority.

### 13. Directors' and officers' remuneration:

The salary range for the Authority's Chief Executive Officer and for senior managers reporting to the Chief Executive Officer was \$136,214 to \$222,785 during 2020 (2019 - \$127,700 to \$286,165).

### 14. Settlement of municipal tax amounts owing

There was a one-time adjustment related to municipal taxes in 2019 which resulted in the reversal of a previously recorded amount and related interest of \$3,802,000.

### 15. Government Assistance

As a result of the COVID-19 pandemic, the Government of Canada implemented various financial assistance packages. The Authority recorded \$2,416,478 (2019 - \$Nil) of Canada Emergency Wage Subsidy ("CEWS"), which offsets salaries and benefits expense. In respect of the CEWS, \$515,349 is included in accounts receivable at year end.

### 16. COVID-19

On March 11, 2020, the World Health Organization declared the outbreak of a strain of the novel coronavirus ("COVID-19") a pandemic. The COVID-19 pandemic has had a significant impact on the travel industry worldwide and on the St. John's International Airport Authority. Since March 2020, the Authority has seen a significant decrease in passenger traffic and in revenues. In response, the Authority has implemented various cost saving measures, while maintaining a safe operation. These measures included a 17% work force reduction, the closure of certain sections of the Airport Terminal Building, select gates, passenger loading bridges and parking lots. There was also a significant reduction in the Authority's capital program. It is not possible to reliably estimate the impact that the length and severity of this pandemic will have on the financial results of the Authority in future years.