

YMM Terminal Celebrates



YEARS

FORT McMURRAY AIRPORT AUTHORITY

2019 Annual Report | 5 Year Anniversary Edition

WHO WE ARE

Mission

We are responsible stewards of our airport, achieving superior performance in the conduct of safe, secure, effective and efficient operations. Our airport businesses contribute significantly to the economy of the region, Alberta and Canada.

Vision

We are Canada's premier regional airport.

Corporate Values

- Excellence in safety, security and environmental performance
- Commercially focused, fiscally responsible and sustainable
- Exemplary customer service
- Progressive leadership
- Extraordinary teamwork

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1 INTRODUCTION

Welcome to the Fort McMurray Airport Authority (FMAA) Annual Report, which covers our performance for the year on business, operations and community engagement.

The report begins with a joint message from the FMAA Board Chair, Mike Chwelos and President & CEO, RJ Steenstra, as they highlight significant events for the airport over the last five years, with special focus on our achievements in 2019.



Message from Chair and President & CEO

In 2019, the Fort McMurray Airport Authority proudly celebrated the 5-year anniversary of the Fort McMurray International Airport (YMM) terminal. Built on the vision of being Canada's Premier Regional Airport, the new terminal brought greater mobility to our customers for business, rotational work, and created a new sense of community pride.

The new terminal replaced the North Side Terminal built in 1985, designed to accommodate a modest 250,000 passengers per year. Humble beginnings when compared to the 1.3 million passengers YMM would later serve in 2014.

The vision of being Canada's Premier Regional Airport started to come to fruition soon after the grand opening of the new terminal. Over the course of five years, YMM has been recognized with numerous awards including in 2019, the world renowned Airport Service Quality Award for Customer Experience, serving under 2 million passengers, from Airports Council International – the voice of some 2,000 of the world's airports. These accolades are a testament to the Airport Authority's commitment to enduring excellence in passenger experience despite facing a series of setbacks and market challenges.

A combination of provincial and local economic downturns, followed by the 2016 Horse River Wildfire, which suspended all commercial air traffic for a period of 39 days, caused significant business disruption and physically damaged several of our essential assets.

In 2019, as we closed off our first five years, we started to see the early negative impacts of the prolonged Boeing 737MAX grounding, which led to our airline partners reshuffling their fleets and rearrange their schedules in 2020 to accommodate lost aircraft capacity.

This accumulation of adverse events placed a significant downward pressure on our passenger volumes and represented a 55% decline in traffic compared to when we had first opened the new terminal.

Despite these challenges, our team persevered by tackling the things within our control. Despite these setbacks, we continued to strive for excellence in service delivery each year. Here are a just few notable highlights from 2019 that we wish to share with you.

Advanced Local Customer Retention

Last year, we conducted a Customer Retention Study through Volaire Aviation. The study found that YMM loses more than 220,000 trips each year from its natural catchment area to other airports in Alberta. Thousands of residents are choosing to drive between 400 to 730 kilometers one way, to another airport to catch a leisure flight. When residents depart from other airports, it translates into a loss of revenue and employment opportunities for local businesses and agencies at YMM, who depend on residents to use our community airport. Another cost of losing these passengers is a decrease in flights, which in turn reduces the airport's aeronautical revenue from user charges.

Five years ago, YMM offered seasonal sun destinations. Higher competition between cities for these destinations, however, meant our region was not able to compete with major centres which had larger populations and even larger catchment areas to draw from.

To overcome this obstacle, we applied innovative thinking and introduced a vacation charter concept. In the fall, we launched the YMM Laughlin Charter Experience, in partnership with Caesar's Entertainment Group and Laughlin Harrah's. The partnership was the first of its kind for YMM and met the demand for a Thursday to Sunday winter charter service. The local market responded to the new service with great enthusiasm, and for the first time in five years, we welcomed back a sun destination, which sold out in just under eight weeks.

Reinstated Canada Border Services Agency (CBSA) Services

The Fort McMurray Airport Authority in partnership with the Wood Buffalo Economic Development Corporation (WBEDC) struck a momentous jointly-funded partnership agreement to bring CBSA services back to YMM. The WBEDC Strategic Initiatives Grant recognized the economic importance of a transborder flight from YMM, and CBSA as the enabler to attract entertainment groups, airlines and vacation product providers.

After a five-year hiatus, CBSA was reinstated to support the sold out Laughlin Charter Experience for the winter season, providing the proof that we had latent demand in an underserved market. The success of the Laughlin Charters proves that there is still a healthy appetite for new air service and sun destinations departing from YMM.

Looking Ahead

As we look ahead to the next five years, we are confronted with our greatest obstacle to-date – the global COVID-19 (coronavirus) pandemic. This challenge is much bigger than anything we have faced as an airport and community. In fact, it is greater than anything the aviation industry and even our modern society has ever experienced.

In a very short period, the pandemic has severely affected global aviation. We are seeing countries ban international and in some cases domestic travel. We have seen sharp declines in demand, an abundance of flight cancellations and a drastic reduction in revenue, leading airlines and airports to undergo severe cost-cutting measures.

For the Airport Authority, these unprecedented circumstances will require us to dig deep in our pursuit of relief options from all levels of government. Over the past five years, we've done a lot of heavy lifting to successfully reduce our operating costs and adjust to a new market reality. Our journey to become more efficient and leaner began five years ago, so we are primed to tackle this crisis head-on. However, these are challenging times and it is very difficult to predict what the future will look like for passenger travel.

With passenger volumes expected to decline by more than 90 per cent between March and June 2020, and projected revenue loss of \$2.2 billion or more for the industry in 2020, Canada's airports must look at all the options available to them to ensure they remain financially sustainable for the long-term.

Canada will need its airports, both major hubs and regional facilities, now more than ever, if it is to rebound from the COVID-19 pandemic. As catalysts of economic development, airports will once again be key to fostering prosperous, safe and sustainable communities – all major factors in regenerating Canada's economy in the months and years ahead. And when that time comes and our economy begins to recover, Fort McMurray International Airport will be there, fully open for business.



Michael Chwelos
Chair, Board of Directors
Fort McMurray Airport Authority



RJ Steenstra
President & CEO
Fort McMurray Airport Authority



2 FIVE YEARS BY THE NUMBERS

A lot has happened at YMM in the last five years. Team YMM delivered many noteworthy services to our guests to ensure they have a safe, comfortable and efficient experience travelling through YMM. Take a look back on our journey and explore YMM by the numbers.

3,792,808

departing passengers



1,833,920

commercial
departing
passengers

256,607

flight movements
(commercial and
charter)



138,317

pizzas sold
at Famoso

60+

hosted community events

760+

social media
posts



2,000+

students toured at YMM



7,500L

of floor wax used

7,500+

community volunteer hours

17,556

hours spent on
winter maintenance
operations



29,623

kilometres
driven by
Oshkosh truck

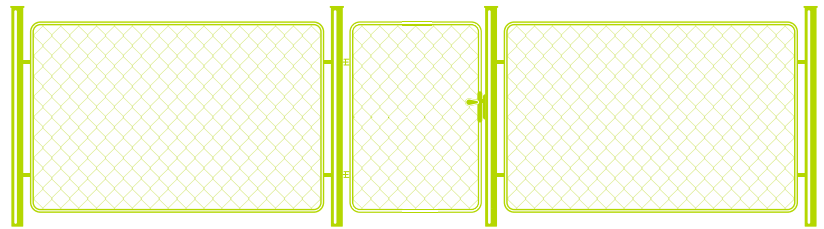


900+

airport campus
employees

103,232

customer inquiries to Operations Centre



13,312

perimeter security gate checks



566,822

vehicles parked

20,420,876

vehicle hours spent in
the YMM parking lot



750,000

unique Wi-Fi logins



1.8 Petabyte

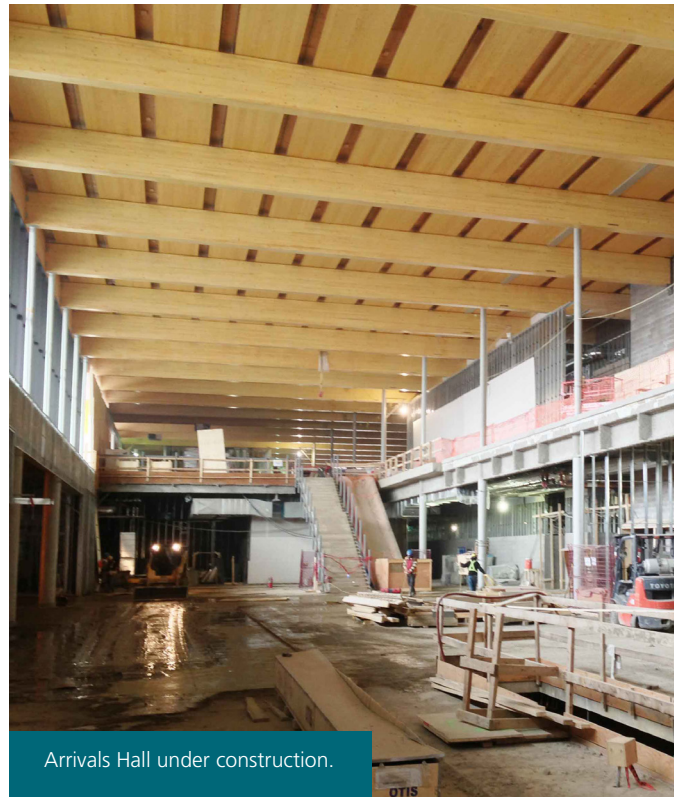
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2014

A Year of Discovery

Construction of new YMM terminal finishes and is 5x larger than original terminal – 15,000 square-meters (161,458 square-feet).

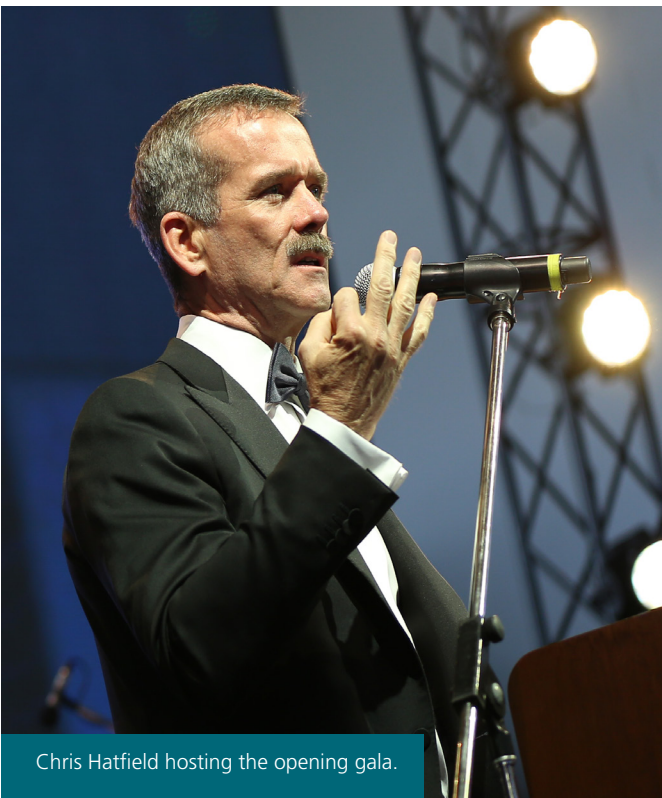
- New design boasts environmentally sustainable materials and energy saving features, underscoring the Airport Authority's commitment to sustainable practices.



Arrivals Hall under construction.

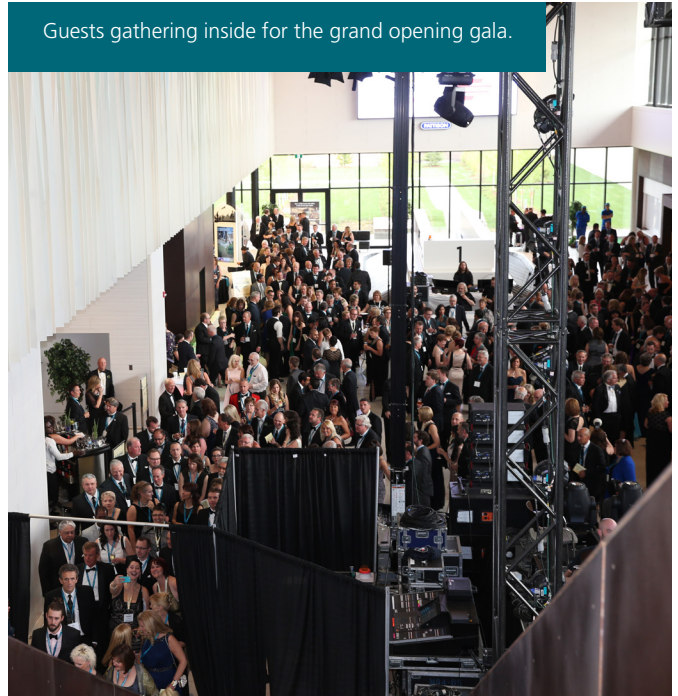
- Over 1.4 million pounds of reclaimed pine wood material used to build the roof.
- Grand opening celebrations draw approximately 50,000 spectators to the Air Show.
- Air Show features the Canadian Forces Snowbirds Demonstration Team and the Canadian Armed Forces Parachute Team, the Sky Hawks.
- Chris Hatfield hosts grand opening gala as the Master of Ceremonies.
- First commercial flight departs on June 9.

2014 Air Show.



Chris Hatfield hosting the opening gala.

Guests gathering inside for the grand opening gala.



- YMM Community Investment Program grants \$200,000 to social profit organizations.
- Commissioned Lucas Seaward painting titled Sky Explorer is unveiled.
- YMM Art Program expands with light tower trident and welcome signage.
- WestJet adds second non-stop flight to Vancouver and a new non-stop flight to Kelowna.
- Sunwing establishes a second seasonal non-stop flight to Cancun.
- YMM breaks annual passenger traffic record serving 1.3 million customers, meeting its traffic projections for 2030.

2015

A Year of Flying Together

New Observation Area opens, giving visitors a glimpse into the history of flight in the region.

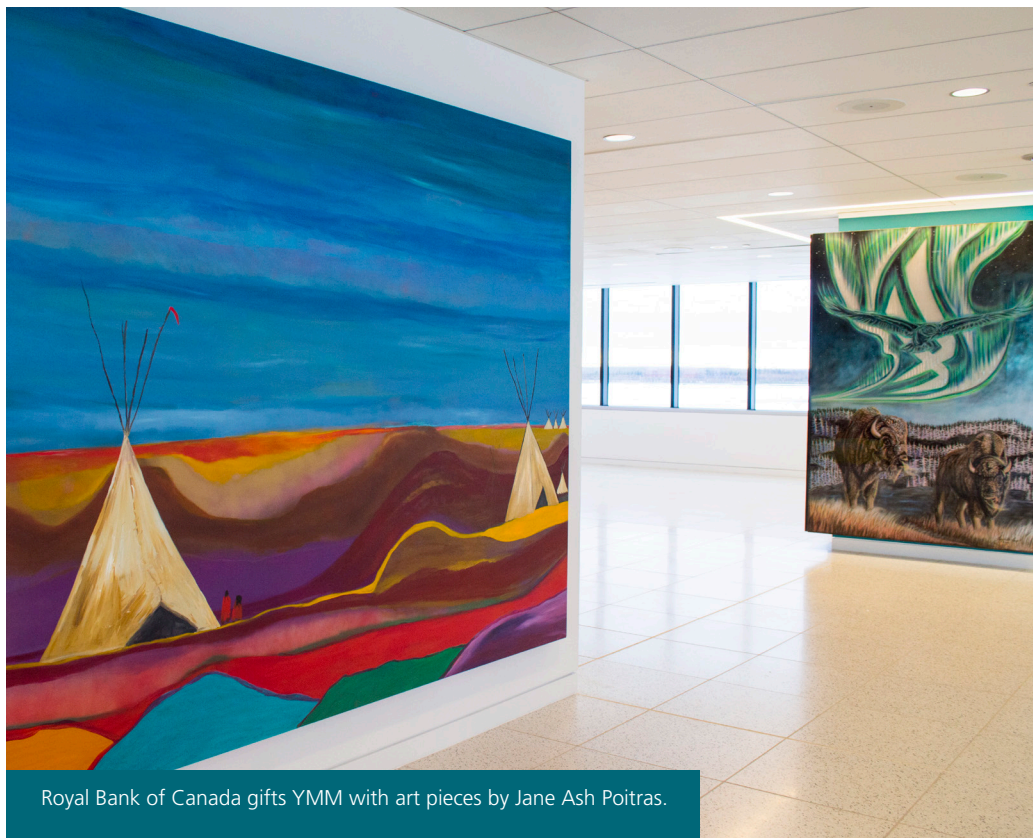
- Royal Bank of Canada gifts YMM with art pieces by Alberta artists Jane Ash Poitras and Amy Keller-Rempp.
- YMM places first for the Best Food and Beverage Program in the small/medium airport category through Airports Council International – North America’s Excellence in Airport Concessions Awards.
- Tim Horton’s joins YMM’s concessions family and opens in the Food Court.
- Team YMM hosts welcome event for 14,000 athletes and their families arriving at the airport for the Western Canada Summer Games.
- YMM Business Advisory Committee launches to encourage commercial development in the seven available business parks at YMM.



YMM's new observation area.



Athletes arriving for the Western Canada Summer Games.



Royal Bank of Canada gifts YMM with art pieces by Jane Ash Poitras.



Tim Hortons joins YMM's concessions family and opens in the food court.



Community volunteers join YMM to welcome athletes for the Western Canada Summer Games.

2016

A Year of Resilience

Wildfire Response

- YMM collaborates with the Regional Emergency Operations Centre to activate emergency response efforts.
- YMM joins forces with Edmonton International Airport's (EIA) Emergency Operations Centre (EOC), to support flights for thousands of workers, families and residents.
- Commercial air service is suspended for 39 days.
- YMM remains open exclusively for emergency response and firefighting efforts.
- Alberta Agriculture and Forestry use airspace and runway for air tankers (water bomber aircraft).



Volunteers from Edmonton International Airport welcoming residents from Wood Buffalo.

YMM Welcomes Back Residents

- YMM re-opens exactly two years and one day from the terminal's 2 Year Anniversary.
- Team YMM hosts heartfelt welcome for residents returning home.
- Air Canada flight 8371 arrives from Calgary on June 10, marking the first inbound commercial flight since evacuation.
- Mike Holmes, professional contractor and host of the TV Series Holmes on Homes meets with residents to discuss how to move forward and rebuild.

By the Numbers *(Approximate)*



5 Canadian Forces **Hercules aircraft flights** from YMM to EIA.

113 **Continuous hours of operation** by EIA EOC, surpassing September 11.

325 **Evacuation flights** received by EIA from Wood Buffalo.

2,500 Passengers transported by **Hercules aircraft**.



1,000 **1,100 kg**

Litres of firefighting foam sent to YMM from EIA.

Dry chemical fire **extinguishing agent** sent to Fort McMurray from EIA.



1,200 **3,600**

Strollers, car seats and boosters donated by the Edmonton region.

Extra seats added on Air Canada scheduled flights (equals to 9 Boeing 777s).



4,600 **Comfort kits** distributed at YMM for returning residents.

480 **Cleanup kits** distributed by Red Cross at YMM.

850 **After fire kits** distributed by Red Cross at YMM.

3,000 **Hygiene kits** distributed by Red Cross at YMM.

1,200 **Bottles of hand sanitizer** distributed by Red Cross at YMM.

2017

A Year of Opportunity



Team YMM hosts pep-rally to welcome the U21 Volleyball Pan Am Cup.

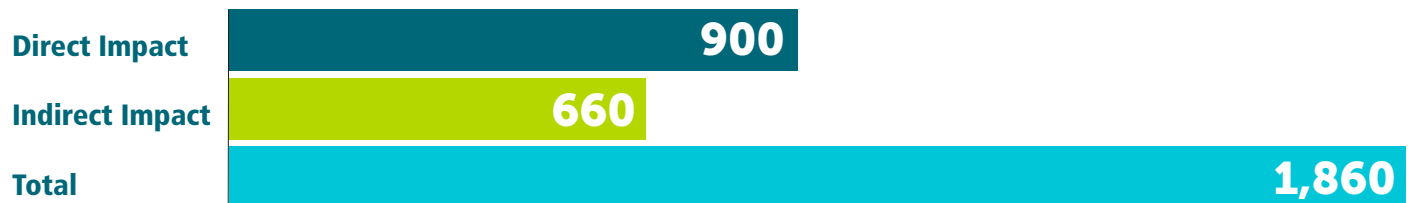
 **15 MINUTES**
FREE PARKING

GRAB & GO CUSTOMERS
DEPARTURES LEVEL 2

Grab & Go Program launches, offering customers' 15 minutes free parking.

YMM publishes independent Economic Impact Study outlining positive economic benefits to the region from airport operations.

Jobs



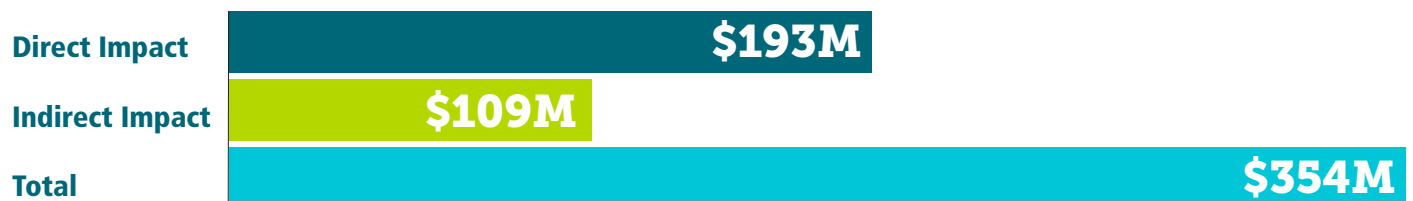
Wages



Gross Domestic Product (GDP)



Economic Output



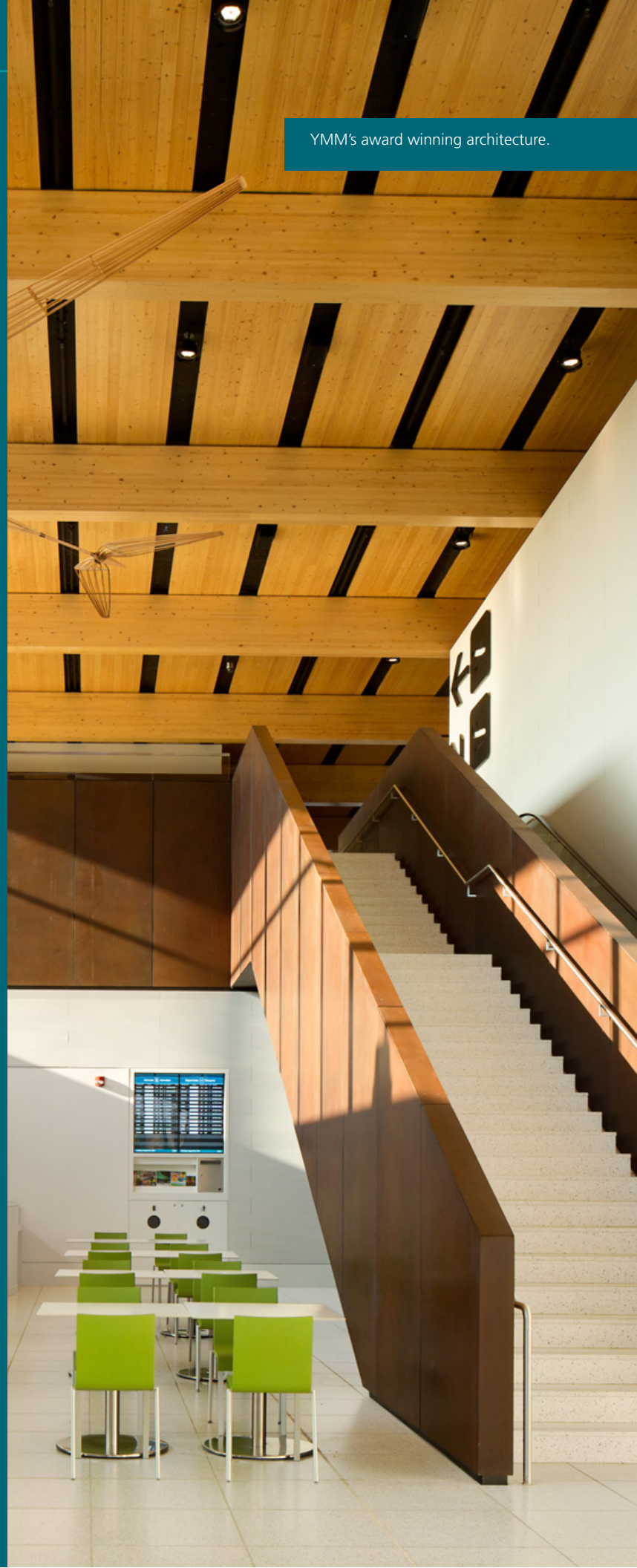
\$25 million per year in taxation revenue

YMM's award winning architecture.

2018

A Year of Building Greater Resilience

YMM becomes one of 12 projects in Canada to receive the Governor General's Medal for outstanding architecture.





Herbs growing in the community garden.



Patio dining at Famoso.



Working in the community garden.

- YMM Courtyard opens offering passengers and the community with a beautiful garden and patio dining experience with Famoso.



- YMM upgrades public Wi-Fi infrastructure with leading technology, offering one of the fastest public Wi-Fi networks in North America.

- Landscaping and beautification program moves in-house, deploying talents of staff who grow fresh vegetables for the community to enjoy.

- YMM furthers its commitment to sustainability by commencing the process for obtaining Level 1 Carbon Capture Management certification.



- Airport Authority team wins inaugural Santa's Anonymous Supermarket Shopping Spree, in support of families in need during the holiday season.

2019

A Year Towards Sustainability

YMM recognized by Airports Council International – World, with an Airport Service Quality Award (ASQ) for Customer Experience, serving under 2 million passengers.



Staff ASQ Award Celebration in the YMM Courtyard.

- Airport Authority and Wood Buffalo Economic Development Corporation announce joint funding partnership to reinstate Canada Border Services Agency (CBSA) services after 5 year absence.
- Airport Authority successfully secures \$15 million Community Infrastructure Grant from the RMWB to begin runway rehabilitation in 2020.
- YMM ranks third in Canada for on-time commercial aircraft departures by OAG Aviation Group Ltd.



The YMM Hugging Zone.

- YMM Hugging Zone makes its debut in the Arrivals Hall.
- Airport Authority hosts 2022 Wood Buffalo Arctic Winter Games International Bid Committee, helping the region secure the games.
- Airport Authority joins the Regional Municipality of Wood Buffalo to host Canadian Senators visiting for the Bill C-69 public hearings.



Securing the 2022 Arctic Winter Games.

YMM celebrates its five-year anniversary with stakeholders, and awards Team YMM representatives with their very own YMM ASQ Award.

- Airport Authority launches YMM Presidents' Awards to celebrate contributions of terminal and airport campus stakeholders who demonstrate excellence.



YMM Customer Experience Winner TAWS Security.



YMM Crew Award Winner Jessica Perry.



YMM Business Partner Winner Vignesh Rajasekar.



YMM Crew Award Winner Fred Malfet.



Celebrating 5 years.



The Arctic Winter Games.



YMM 5 Year Event.



YMM 5 Year Event.

- YMM Laughlin Experience launches in partnership with Caesars Rewards Air, and Harrah’s Laughlin and sells out in just under eight weeks.
- Airport Authority becomes one of the first airports in Canada to host a live emergency response exercise with an unmanned aircraft (drone).
- Airport Authority Team holds onto championship title for Santa’s Anonymous Supermarket Shopping Spree.



ASQ Awards in Bali.



ASQ Awards in Bali.



Live emergency response exercise team, comprised of FMAA and our stakeholders.

2020

Major Project





Runway Rehabilitation

Set to begin in the spring of 2020, the Airport Authority will undergo a complete runway rehabilitation. Thanks to a 2019 Community Infrastructure Grant made possible by the Regional Municipality of Wood Buffalo, the \$15 million project will support the community with connectivity, economic growth, quality of life service, safety and emergency response capabilities well into the future.

This major construction project will provide local contracting opportunities and will consist of a complete re-surfacing of the runway. It also includes, installation of an Approach Lighting System to enhance aircraft landing reliability and visibility in poor conditions, and construction of a newly required Runway End Safety Area, to reduce the risk of aircraft damage in the event of an incident.

YMM is a critical piece of community infrastructure, and we are pleased to collaborate with our stakeholders to help realize YMM's full potential to stimulate regional economic growth and social prosperity.



Awards



Best Food & Beverage Program (2015)

YMM recognized by Airports Council International – North America with an Excellence in Airport Concessions Award for best food and beverage program in the medium to small airport category.



Governor General's Medal (2018)

YMM selected as one of 12 projects in Canada to receive the 2018 Governor General's Medal for outstanding architecture. The award recognizing YMM's unique design elements including its conceptual clarity, detailing, innovation and sustainable design.

According to the jury, the design successfully addresses almost every element of the program, from the graphically superior wayfinding, to the discreetly embedded garbage and recycling bins, to the passenger areas carefully organized to create a sense of calm and comfort.



Best Customer Experience in Canada (Awarded in 2019 for 2018 Performance)

YMM received the world-renowned Airports Council International – World, Airport Service Quality (ASQ) Award for Customer Experience, serving under 2 million passengers. With over 1500 live surveys completed during the passenger experience in the terminal, the ASQ Program uses a meticulous method to measure across 37 performance indicators on customer satisfaction.



Third in Canada for On-Time Performance (2019)

YMM ranked third in Canada for on-time commercial aircraft departures by OAG Aviation Group Ltd, a world leader in aviation statistics and studies. This recognition demonstrated the tremendous amount of coordination and teamwork required at YMM to ensure our customers have a seamless experience.



Fort McMurray Airport Authority Board of Directors (from left to right):

Front row – Mike Chwelos, Cuyler Green, Denean Robinson, Joanne Day, Bill McGoey, Doug Simms.

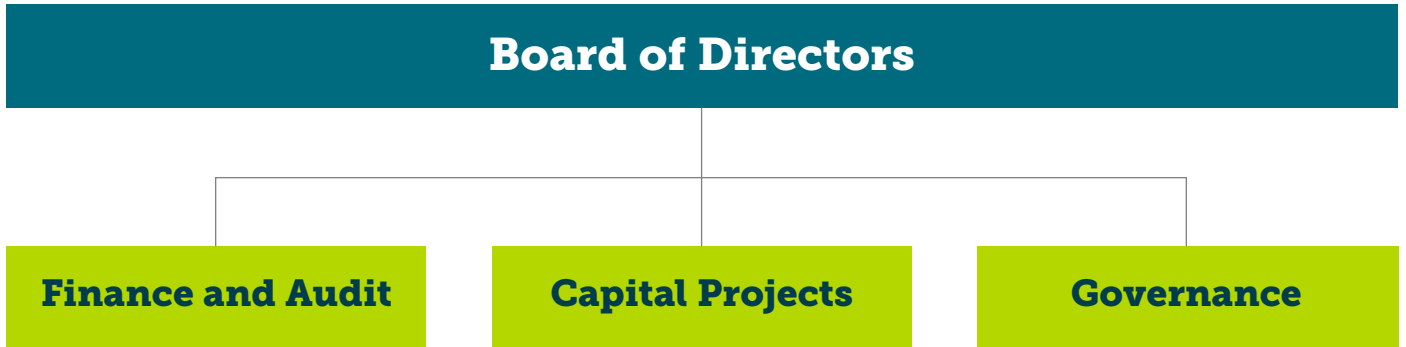
Back row – Sheldon Germain, Linda Huebscher, Brian de Ruiter, Staci Millard, Ken Bell, Keith Haxton, RJ Steenstra.

3 GOVERNANCE & BOARD OF DIRECTORS

The FMAA is governed by a Board comprised of 10 Directors, mandated to steward the long-term success of the Fort McMurray International Airport (YMM). Board Directors are appointed through four nominating entities and the community at large, as selected by the current serving Board. The nominating entities include: Regional Municipality of Wood Buffalo, the Canadian Association of Petroleum Producers, Fort McMurray Chamber of Commerce and the Canadian Union of Public Employees Local 1505.

Using a Board Governance Model, Directors establish policies and procedures to safeguard FMAA's assets and ensure long-term viability, profitability and future development. FMAA operates at arm's length from all Appointers.

Board Structure



Board Directors' Responsibilities

Stewardship

- Facilitate guiding principles of vision, mission, core values, key success drivers and goals.
- Steward the Five Year Strategic Plan.
- Apply best practices for regional airports and ensure the FMAA maintains financial viability.
- Maintain an ethical corporate culture.
- Participate in the strategic planning process which considers business opportunities and risks.
- Implement appropriate systems to manage risks.
- Monitor internal controls and management information systems.
- Develop succession plans for management and key Board personnel.

Stakeholder Relations

- Develop strong relationships with stakeholders and the community through effective engagement.
- Ensure FMAA maintains and finds opportunities to enhance their reputation in the region.
- Comply with FMAA's Communication Policy to ensure effective and timely stakeholder response.
- Create synergies with regional hubs in Western Canada to generate local benefits.
- Build positive relationships between Airport Authorities, Chambers of Commerce, Tourism and Economic Development entities, and Municipalities as they relate to the FMAA.

Code of Conduct

- Maintain an ethical corporate culture of openness, transparency, honesty, trust, integrity, accountability and respect.
- Apply FMAA's values at all times when engaging with airport employees, stakeholders, landowners, suppliers, governments, regulators, Indigenous communities, customers and the general public.
- Maintain confidentiality of all FMAA information and records.

Conflict of Interest

- Required to disclose all conflicts of interests upon appointment to the Board.
- Responsible for applying impartiality, neutrality, fairness and integrity.
- Complete a Personal Information Form outlining all interests, activities, investments, memberships, appointments, relationships, engagements, gifts (goods, services, hospitality, entertainment), related persons, which may materially or detrimentally conflict with the interests of FMAA, or any interest that may reasonably be perceived as giving rise to an appearance of conflict of interest.
- Comply with Governance Committee mitigation recommendations, if disclosure reveals potential conflict.

Board of Directors

Name	Board Position	Nominator	Date Appointed	Tenure	Board Meeting Attendance	Committee	Committee Meeting Attendance
Michael Chwelos	Board Chair	Canadian Association of Petroleum Producers	2017	3 year	5/5	All	12/13
Joanne Day	Director/Governance Committee Chair	Regional Municipality of Wood Buffalo	2016	4 years	5/5	Governance	4/5
Colin Solbak	Director/Finance & Audit Committee Chair	Fort McMurray Chamber of Commerce	2015	4 years	5/5	Finance & Audit	5/5
Peter Zebedee	Director	Canadian Association of Petroleum Producers	2016	2 years	0/3	Governance	0/2
Bill McGoey	Director/Capital Projects Committee Chair	At large appointment	2018	1 year	5/5	Capital Project	4/4
Sheldon Germain	Director	Regional Municipality of Wood Buffalo	2018	1 year	5/5	Capital Project	3/4
Linda Huebscher	Director	CUPE	2016	3 years	5/5	Finance & Audit	5/5
Doug Simms	Director	Fort McMurray Chamber of Commerce	2019	< 1 year	3/5	Finance & Audit	3/4
Keith Haxton	Director	Regional Municipality of Wood Buffalo	2019	< 1 year	5/5	Capital Project	3/3
Staci Millard	Director	At large appointment	2019	< 1 year	3/3	Governance	1/2
Ken Bell	Director	Canadian Association of Petroleum Producers	2019	< 1 year	1/2	Governance	1/1

Management Team

Management Team	
RJ Steenstra	President & Chief Executive Officer
Denean Robinson	Chief Financial Officer, Vice President Corporate Services
Cuyler Green	Vice President, Operations
Brian de Ruiter	Vice President, Air Service Development & Commercial
Sylvie Lemieux-Comtois	Senior Manager, Human Resources
Margaret Ziolecki	Senior Manager, Government & Public Affairs
Sara Viveiros	Manager, Health, Safety, & Environment
Danny Byrne	Manager, Airport Maintenance
Shanka Wickramasinghe	Manager, Finance
Colin Brien	Manager, Facilities



Management Discussion & Analysis

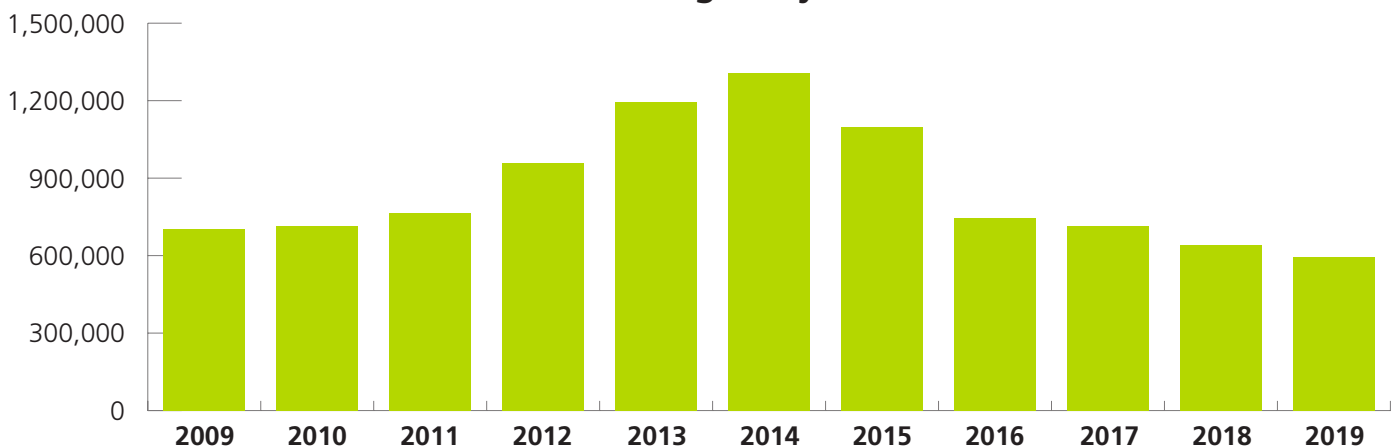
Introduction

This Management Discussion and Analysis (MD&A) enhances reporting of the audited financial statements of The Authority for the year ended December 31, 2019. It is delivered to explain management's view of the environment, highlight key elements of the information contained in the financial statements, and assist in understanding how the current events are expected to affect the business of The Authority moving forward. This MD&A should be read in conjunction with the financial statements.

Performance Highlights

The lingering economic downturn continued to impact YMM total passenger traffic in 2019. The year end result is a traffic decline of 44,607 passengers or 7% over the traffic recorded in 2018, and is within 1% of the passenger traffic forecast approved by management in the 2019 annual budget. The Authority entered 2020 with optimism that the downward trend was diminishing, however the subsequent impact of COVID-19 has created significant uncertainty on future forecasts.

Total Passengers by Year



Finances

Passenger volume is the key driver of economic activity at airports. The Authority has been challenged with a local economy that is closely tied to the world's oil markets. Oil sand projects are key economic drivers for the Regional Municipality of Wood Buffalo and the recent reduction in capital project activity, along with local economic drivers, has significantly impacted passenger traffic at YMM. The impact of COVID -19 on future passenger levels has not yet been forecast with reasonable certainty.

The Authority demonstrated financial resilience in 2019 by achieving an overall reduction in operating expenses of 10.6%, allowing the Authority to maintain results from operations at a level consistent with 2018 in a year of declining passenger traffic. The Authority has reduced expenses in each of the past 4 years and has now moved efforts to generate top line growth with a focus on air service development.

The 2014 expansion of the Air Terminal Building was designed for significant growth in passengers and this important infrastructure investment is equipped to accommodate growth when the industry rebounds.

By the Numbers:

Fort McMurray Airport Authority earns revenue from two main sources:

Aeronautical revenue: The Authority collects landing, terminal and Airport Improvement Fees (AIF), which are classified as Terminal, Airfield, General Operations and Airport Improvement Fee, in the statement of operations. Aeronautical revenue, including AIF collected in 2019, totaled \$18.3M.

AIRPORT IMPROVEMENT FEES (AIF)

Consistent with most airports in Canada, The Authority collects an AIF fee which can only be used to fund capital projects, including debt servicing requirements of prior year approved capital projects. AIF is a major source of the Authority's revenue representing 40% of all operating revenue in 2019. AIF is collected by the airlines on behalf of the Authority from all passengers originating from the Fort McMurray International Airport for the purpose of funding capital programs for airport infrastructure and the related financing costs, governed by the Airport Improvement Fee Memorandum Agreement. During 2019 AIF decreased by \$1.1M or 9.1% as a result of decline in passenger volume.

All amounts collected from AIF during 2019 have been allocated to service the long term debt which was issued in 2012 to finance the new Airport Terminal.

Non-aeronautical revenue: This includes revenue from concessions, car rentals, car rental facility charges, advertising and parking. Revenue from these sources totaled \$8.3M in 2019.

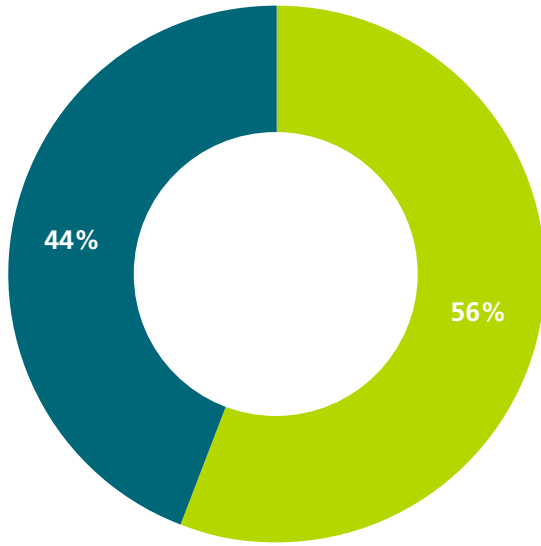
All non- AIF revenue contributes to financial operations of the airport and covers costs including salaries and wages, contracted services, general and administration, operating and board expenses.

Commercial Development

Gas station retail development, office space, business and industrial parks, retail centers, hotels and logistics hubs are all potential commercial projects on airport property that can stimulate non-aeronautical revenue streams. FMAA is actively pursuing opportunities for development on airport lands and has updated the Master Plan strategy to deliver results.

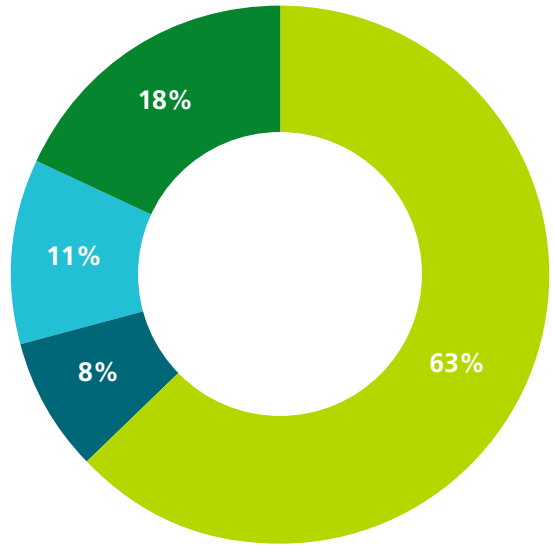
The Authority also generates revenue by selling advertising space inside and outside terminals. Additionally, sponsored spaces, special events and branded areas generate operating income while improving airport ambiance and the passenger experience.

2019 Revenue by Source



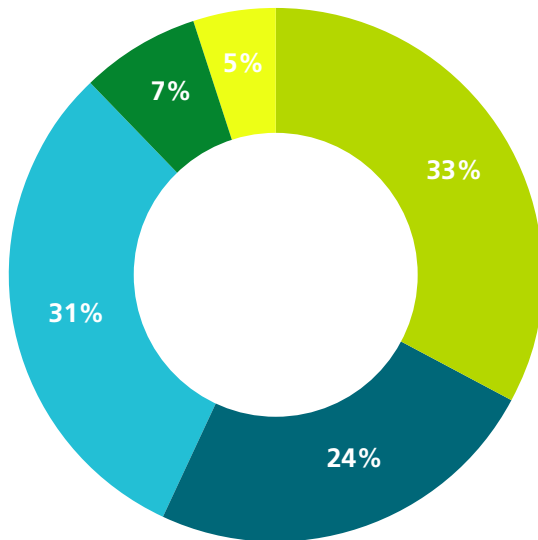
- Aeronautical Revenue
- Non Aeronautical Revenue

Aeronautical Revenue



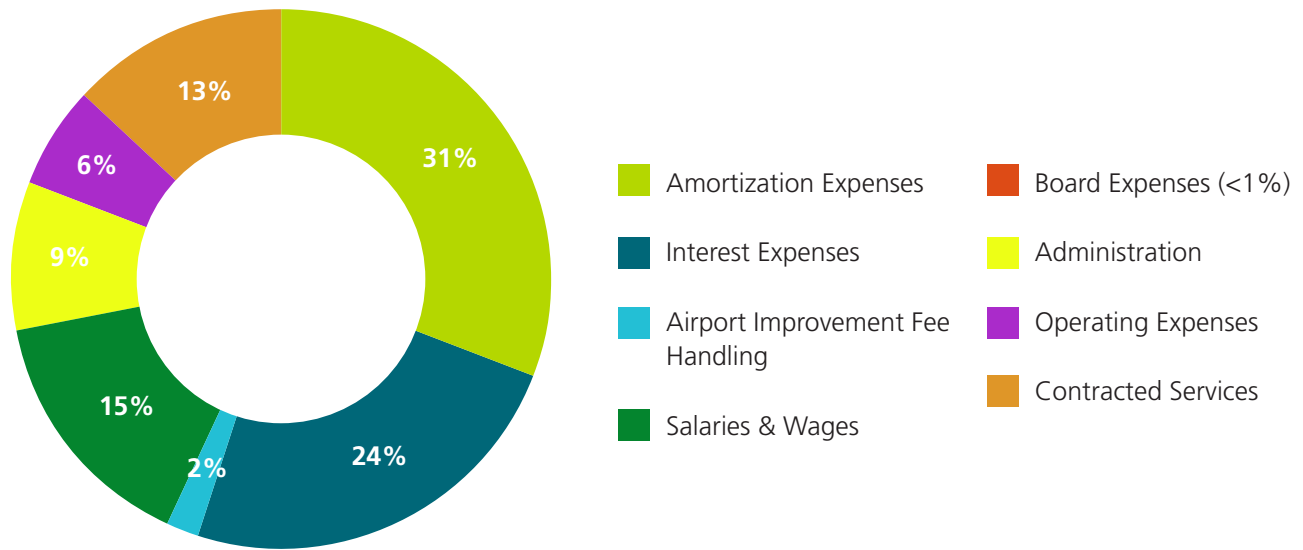
- Airport Improvement Fee
- General Operations Revenue
- Airfield
- Terminal

Non Aeronautical Revenue

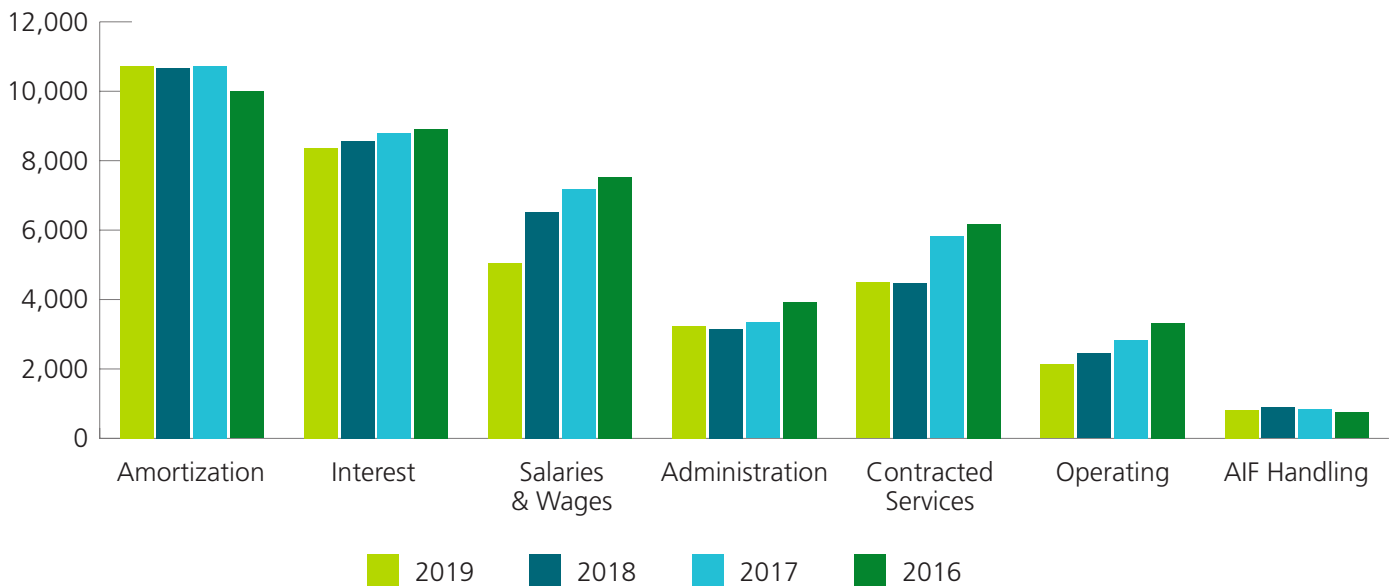


- Parking
- Ground Transportation
- Land Lease
- Advertising
- Concession

Expenses



Expenses Compared to Prior Years (in Thousands)



Expenses

Cost reduction is challenging for airport operators as a result of an expensive asset base, which must be maintained and improved over time to adapt to a changing customer base. In 2019, The Authority actively reviewed expenditures and succeeded in reducing operating costs, exclusive of amortization by \$1.8M.

Total annual expenses have reduced by \$5.8M over the past three years, and are \$6M lower than 2016 which represents a 28% reduction.

Capital Investment

Capital investment is required to maintain the terminal and infrastructure as an operationally efficient asset in order to seamlessly serve the needs of residents and visitors to the RMWB. The Authority benefits from the YMM terminal being a new structure required capital maintenance remains modest at under \$500,000 for the past 2 years.

Capital program expenditures in 2019 totaled \$471K (2018 - \$461K)

Capital Spend

Runway and signage	\$ 389,000
Furniture, fixtures & equipment	82,000
Total	\$ 471,000

The Airport Authority will undergo a complete runway rehabilitation in summer of 2020. This is a significant infrastructure investment which cannot be further delayed as the last rehabilitation was completed more than 15 years ago. The project will consist of a complete re-surfacing of the runway, installation of an Approach Lighting System to improve aircraft landing reliability and visibility in poor conditions, and construction of a newly regulated Runway End Safety Area, to reduce the risk of aircraft damage in the event of an incident.

The Authority is able to proceed with this significant project thanks to a 2019 Community Infrastructure Grant made possible by the Regional Municipality of Wood Buffalo. The \$15 million project will support the community with connectivity, economic growth, quality of life service, safety and emergency response capabilities well into the future.

Outlook

In 2020, The Authority will continue to leverage the strength and operational excellence that was highlighted in 2019 and will continue to implement a regional strategy, which includes maintaining current services and developing land where opportunities exist. The Authority updated the Master Plan in 2019, however significant global uncertainties stemming from COVID-19 and the continuing slowdown in Oil Sands investments suggest that the environment for The Authority will remain volatile over the near-term. For the upcoming fiscal year, the Authority will continue to focus on both aeronautical and non-aeronautical stabilization, and will look for growth opportunities to increase service to the community, while improving the competitiveness of YMM as soon as the world returns to a more normal level of economic activity.

The Authority continues to work closely with our airline partners to actively respond to changing market needs to provide benefit to our passengers, airlines and more than 900 employees working within the airport campus.


Management Accountability

The accompanying Financial Statements of the Fort McMurray Airport Authority (“the Authority”) for the year ended December 31, 2019 have been prepared by management in accordance with Canadian Generally Accepted Accounting Principles. The most significant of these are set out in Note 2 to 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. Management is responsible for the preparation and representations contained in these financial statements and other sections of this annual report. The Board of Directors is responsible for reviewing and approving the financial statements and overseeing management's performance of its financial reporting responsibilities. An audit committee comprised wholly of directors who are neither officers nor employees of the Authority, review the financial statements, the adequacy of internal controls, the audit process and financial reporting with management and external auditors. The audit committee reports to the Board of Directors prior to the approval of the audited financial statements.

The Authority maintains appropriate systems of internal control policies and procedures, which provide management with reasonable assurance that assets are safeguarded and that financial records are reliable and form a proper basis for the preparation of financial statements.

The Authority, independent auditors, MNP LLP have been appointed by the Board of Directors to express their professional opinion on the fairness of these consolidated financial statements.



RJ Steenstra

President and Chief Executive Officer



Denean Robinson

VP Corporate Services & CFO



WESTJET
Bag Drop

WESTJET
Bag Drop



4 FINANCIAL STATEMENTS



Financial Statements

December 31, 2019

Independent Auditor's Report

To the Board of Directors of Fort McMurray Airport Authority:

Opinion

We have audited the financial statements of Fort McMurray Airport Authority (the "Authority"), which comprise the statement of financial position as at December 31, 2019, 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 Authority as at December 31, 2019, and the results of its 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 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 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.

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 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 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.

Fort McMurray, Alberta
April 6, 2020

MNP LLP

Chartered Professional Accountants

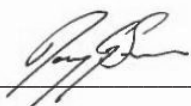
MNP

Statement of Financial Position

As at December 31, 2019

	2019	2018
Assets		
Current		
Cash and cash equivalents	6,205,794	9,353,830
Accounts receivable	2,344,495	1,540,098
Investments (Note 5)	30,994,418	30,351,880
Prepaid expenses	617,938	439,226
Insurance claim receivable (Note 18)	4,200,000	-
	44,362,645	41,685,034
Tangible capital assets (Note 3)	315,171,380	325,427,468
Intangible assets (Note 4)	171,552	292,401
Restricted cash (Note 5) (Note 15)	4,109,657	3,674,449
	363,815,234	371,079,352
Liabilities		
Current		
Accounts payable and accrued liabilities (Note 6)	3,799,874	4,172,736
Deferred revenue	328,064	102,427
Current portion of long-term debt (Note 7)	4,842,731	4,622,044
	8,970,669	8,897,207
Long-term debt (Note 7)	170,207,893	175,050,624
Unamortized capital contributions (Note 9)	26,912,997	27,411,269
	206,091,559	211,359,100
Contractual obligation (Note 14)		
Subsequent event (Note 19)		
Net Assets		
Unrestricted net assets	153,614,018	156,045,803
Internally restricted net assets (Note 15)	4,109,657	3,674,449
	157,723,675	159,720,252
	363,815,234	371,079,352

Approved on behalf of the Board



Director

Doug G. Simms



Director

Mike Chwelos

Statement of Operations

For the year ended December 31, 2019

	2019	2018
Aeronautical revenue		
Airport improvement fee (Note 10)	11,531,991	12,694,984
Main terminal	3,062,491	3,229,433
Airfield	2,035,472	2,297,605
General operations	1,531,678	1,660,992
North Terminal	231,256	120,155
	18,392,888	20,003,169
Non-aeronautical revenue		
Parking	2,719,330	2,970,207
Land lease	2,599,966	2,817,135
Ground transportation	2,012,298	2,427,859
Interest	1,064,754	687,096
Concessions	964,102	955,498
Amortization deferred capital contribution (Note 9)	498,271	498,271
Other	209,877	252,631
Grant revenue (Note 11)	162,000	112,000
	10,230,598	10,720,697
	28,623,486	30,723,866
Expenses		
Amortization (Note 3), (Note 4)	10,738,439	10,673,440
Interest	8,360,920	8,574,464
Salaries and wages (Note 12), (Note 17)	5,051,419	6,511,776
Contracted services	4,494,396	4,476,214
General and administrative	3,051,966	2,996,152
Operating	2,168,685	2,443,228
Airport improvement fee handling (Note 10)	807,243	892,023
Board expenses	103,729	151,347
	34,776,797	36,718,644
Deficiency of revenue over expenses before other items	(6,153,311)	(5,994,778)
Other items		
Insurance recoveries (Note 18)	4,200,000	828,200
Loss on disposal of tangible capital assets and intangible assets	(43,266)	(128,832)
	4,156,734	699,368
Deficiency of revenue over expenses	(1,996,577)	(5,295,410)

Statement of Changes in Net Assets

For the year ended December 31, 2019

	2019	2018
Net assets, beginning of year	159,720,252	165,015,662
Deficiency of revenue over expenses	(1,996,577)	(5,295,410)
Net assets, end of year	157,723,675	159,720,252

Statement of Cash Flows

For the year ended December 31, 2019

	2019	2018
Cash provided by (used for) the following activities		
Operating		
Deficiency of revenue over expenses	(1,996,577)	(5,295,410)
Amortization	10,738,439	10,673,440
Loss on disposal of tangible capital assets	43,266	128,832
Amortization of deferred capital contribution	(498,271)	(498,268)
	8,286,857	5,008,594
Changes in working capital accounts		
Accounts receivable	(804,397)	1,048,236
Prepaid expenses	(178,712)	54,020
Insurance claim receivable	(4,200,000)	2,257,760
Accounts payable and accrued liabilities	(372,862)	(1,352,986)
Deferred revenue	225,637	(8,367)
	2,956,523	7,007,257
Financing		
Repayment of long-term debt	(4,622,044)	(4,411,414)
Investing		
Purchase of tangible capital assets	(470,768)	(463,286)
Proceeds on disposal of tangible capital assets	66,000	32,762
Purchase of intangible assets	-	(6,185)
Increase in restricted cash	(435,208)	(713,913)
Net change in investments	(642,539)	486,798
	(1,482,515)	(663,824)
Increase (decrease) in cash and cash equivalents	(3,148,036)	1,932,019
Cash resources, beginning of year	9,353,830	7,421,811
Cash resources, end of year	6,205,794	9,353,830

Notes to the Financial Statements

For the year ended December 31, 2019

1. Nature of operations

Fort McMurray Airport Authority (the "Authority") was incorporated on December 1, 2009 under the Regional Airports Authorities Act (Alberta) (the "Act") as a non-share capital corporation. Under the provisions of the Act, the mandate of the Authority is to manage the Fort McMurray International Airport (the "Airport") in a safe, secure and efficient manner, and to advance economic and community development by promoting improved airline and transportation service and an expanded aviation industry; for the general benefit of the public in the region.

The Authority has operated the Airport since January 1, 2010 when the Regional Municipality of Wood Buffalo ("RMWB") transferred the assets and operations of the Fort McMurray Regional Airport Commission (the "Commission") to the Authority. The tangible capital assets of the Commission were transferred to the Authority and recorded at the carrying amount of the Commission.

In accordance with the provisions of the Act, the Authority operates as a not-for-profit corporation, and as such earnings from operations are used towards promoting its purposes and reinvestment in airport development. Under section 149 of the Income Tax Act (Canada) the Authority is exempt from payment of income tax.

2. Significant accounting policies

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations ("ASNPO") and reflect the following significant accounting policies:

Controlled entities

The Authority has elected not to consolidate controlled entities as allowed under ASNPO. The investment in controlled entities is recorded at cost in the statement of financial position and prescribed disclosure is presented in the notes to the financial statements. The Authority has incorporated a wholly owned subsidiary, YMM Inc., which is currently dormant and had no activity in the year.

Cash and cash equivalents

Cash and cash equivalents include unrestricted cash on deposit with financial institutions and short-term investments with maturities of three months or less from the date of acquisition. Cash subject to internal or external restrictions is included in restricted cash.

Tangible capital assets

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution if fair value can be reasonably determined.

Tangible capital assets exclude the cost of facilities constructed on airport lands which are owned by tenants. Tangible capital assets are recorded at cost less accumulated amortization and impairment losses. Interest directly attributable to the acquisition, construction or development of tangible capital assets is capitalized. Amortization is provided using the straight-line method at rates intended to amortize the cost of assets, less the estimated residual value, over their estimated useful lives.

	Rate
Buildings	10-60 years
Light vehicle fleet	5 years
Computer hardware	3 years
Airside lighting structures	15 years
Subgrade	40 years
Paving	10 years
Furniture, fixtures & equipment	5 years
Maintenance equipment	10 years
Roadways & groundside paving structure	20 years
Fire trucks & equipment	5 - 15 years

Intangible assets

Specified intangible assets are recognized and reported apart from goodwill.

An intangible asset recognized separately from goodwill and subject to amortization is recorded at cost. Contributed intangible assets are recorded at fair value at the date of contribution if fair value can be reasonably determined.

Amortization is provided using the straight-line method at a rate intended to amortize the cost of intangible assets over their estimated useful life.

	Rate
Computer software	5 years

When an intangible asset no longer contributes to the Authority's ability to provide services, its carrying amount is written down to residual value, if any.

Revenue recognition

Revenue generated from airport improvement fees, airfield revenue, fees charged for parking, terminal and ground transportation and other revenue, including general operations, are recognized as the airport facilities are utilized. Concession revenue are charged on a monthly basis and are recognized on a percentage of sales or specified minimum rent basis. Customer Facility Charge revenue is recognized based on the transaction day information contained in the car rental agreements as reported by the operators. Other rentals are recognized over the term of the respective agreements. The Authority follows the deferral method of revenue recognition for externally restricted revenue.

The Authority has retained substantially all of the benefits and risks of ownership of its rental assets; therefore, it accounts for leases as operating leases. Rental revenue from operating leases is recognized as income over the term of the lease as it becomes due.

Unamortized capital contributions

Unamortized capital contributions related to tangible capital assets represent the unamortized portion of restricted contributions that were used to purchase certain tangible capital assets. Recognition of these amounts as revenue is deferred to periods when the related tangible capital assets are amortized.

Measurement uncertainty (use of estimates)

The preparation of financial statements in conformity with ASNPO requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the year.

Key components of the financial statements that require management to make estimates include the provision for doubtful accounts in respect of accounts receivables and the useful life and residual value of tangible capital assets and intangible assets. Actual results could differ from these estimates.

Financial instruments

All financial instruments are initially recorded at their fair value, excluding certain financial assets and liabilities originated and issued in a related party transaction measured at their carrying or exchange amount in accordance with Section 3840 Related Party Transactions. At initial recognition, the Authority may irrevocably elect to subsequently measure any financial instrument at fair value. The Authority has not made such an election during the year.

The Authority subsequently measures investments in equity instruments quoted in an active market at fair value. All other financial assets and liabilities are subsequently measured at amortized cost. Transaction costs and financing fees directly attributable to financial instruments subsequently measured at fair value are immediately recognized in excess of revenue over expenses for the current period. Transaction costs and financing fees are added to the carrying amount for those financial instruments subsequently measured at cost or amortized cost.

The Authority assesses impairment of all of its financial assets measured at cost or amortized cost when there is an indication of impairment. Any impairment which is not considered temporary is included in current year excess of revenue over expenses.

3. Tangible capital assets

	Cost	Accumulated amortization	2019 Net book value	2018 Net book value
Land	25,037,536	-	25,037,536	25,054,908
Buildings	263,904,829	32,840,742	231,064,087	236,346,763
Light vehicle fleet	639,480	577,581	61,899	71,925
Computer hardware	25,019	5,274	19,745	12,427
Airside lighting structures	2,528,447	1,618,227	910,220	1,081,960
Apron expansion - subgrade and paving	41,535,313	19,677,354	21,857,959	23,830,886
Furniture, fixtures & equipment	560,942	296,449	264,493	213,804
Parking lots - subgrade and paving	2,595,586	1,241,675	1,353,911	1,484,527
Assets under construction	4,686,145	-	4,686,145	4,404,412
Maintenance equipment	7,872,735	4,634,663	3,238,072	3,905,196
Airside paving structure - subgrade and paving	45,322,885	21,037,694	24,285,191	26,398,942
Roadways & groundside paving structure	3,002,626	809,293	2,193,333	2,326,092
Fire trucks & equipment	1,492,038	1,293,249	198,789	295,626
	399,203,581	84,032,201	315,171,380	325,427,468

The Authority has commenced an expansion project under the Building Canada Fund (Note 14). Assets under construction include \$4,686,145 (2018 - \$4,404,412) which are not subject to amortization as the asset was not available for use at December 31, 2019.

4. Intangible assets

	2019 Net book value	2018 Net book value
Computer software	171,552	292,401

During the year, amortization of \$103,112 (2018 – \$113,273) was recorded relating to intangible assets.

5. Investments and restricted cash

Investments	2019	2018
RBC Wealth Management Dominion Securities (2.23%, maturing December 16, 2020)	20,698,921	20,191,789
ATB 90 Day Demand (ATB prime - 1.60%)	10,295,497	-
ATB GIC (2.90% annual interest, matured December 19, 2019)	-	10,000,000
Scotiabank GIC (1.75% annual interest, matured July 15, 2019)	-	160,091
	30,994,418	30,351,880

Restricted cash

This cash is received from the car rental agencies (the “agencies”) operating from the Airport. The money is internally restricted to be applied for the purposes of developing a quick turn-around facility (“QTA”) at the Airport which will include a car wash and refueling station. As per the rental agreement between the Authority and agencies, the agencies are required to charge customers a customer facility charge, which in turn is remitted to the Authority to finance the QTA project.

6. Accounts payable and accrued liabilities

Included in accounts payable are the following preferred creditor amounts: Goods and Services Taxes of \$56,488 (2018 - \$64,536).

7. Long-term debt

Alberta Capital Finance Authority (“ACFA”)

On March 7, 2011, the Authority secured \$198,000,000 in long-term financing for construction of the new Airport Terminal Building which opened in June 2014, at a fixed rate of 4.719% for thirty years, due March 15, 2041. Interest only payments commenced September 2011 with principal and interest payments commencing in September 2014 in the amount of \$13,046,904 annually. The debenture is secured by a first charge on all Authority assets. A Letter of Guarantee for an amount of up to \$10,000,000 in support of the debenture issued by the ACFA has been arranged by the RBC, *pari passu* with ACFA.

Under the terms of the ACFA facility, when debentures are outstanding, the Authority is required to maintain an Interest Coverage Ratio of not less than 1.25:1, net cash flows greater than zero as of the end of any fiscal quarter on a rolling four fiscal quarter basis and a minimum long term Standard & Poor (“S&P”) issuer credit rating. The Authority’s S&P credit rating was downgraded as a direct result of the Fort McMurray wildfire in 2016 resulting in violation of the required covenant. The ACFA has acknowledged the conditions leading to this downgrade in credit rating and is monitoring management’s plans to meet the financial covenants required under the terms of the credit facility. The interest and cash flow covenants have been met.

	2019	2018
ACFA long-term debt	175,050,624	179,672,668
Less: Current portion	4,842,731	4,622,044
	170,207,893	175,050,624

Principal repayments on long-term debt in each of the next five years, assuming all term debt is subject to contractual terms of repayment are estimated as follows:

2020	4,842,731
2021	5,073,955
2022	5,316,221
2023	5,570,053
2024	5,836,005
Thereafter	148,411,659
	175,050,624

8. Operating line of credit

The Authority has a \$5,000,000 line of credit, (the “Operating Facility”) bearing interest at the Royal Bank prime lending rate. The operating facility is secured by land and assignment of lease rentals and repayment terms are on demand. As at December 31, 2019, no amounts were drawn (2018 - \$nil).

9. Grants and capital contributions

Regional Municipality of Wood Buffalo

On May 24, 2011, the Council of the RMWB approved a matching funding grant of \$25,000,000 to the Authority. Of that amount, \$24,000,000 of the grant was designated to provide support for airport infrastructure development of the new Airport Terminal Building which opened in June 2014.

During the year, the Authority recognized government grant revenue of \$417,879 (2018 - \$417,879).

The RMWB is an appointer of three directors to the Board of Directors of the Authority.

Canadian Air Transport Security Authority (“CATSA”)

In 2014, the CATSA approved funding of \$3,215,693 for engineering, coordination and infrastructure construction for the screening project as set out in the Guidance Material for 100% EDS Screening (“EDS Guidelines”) and Screening

Project Funding Agreement (“SPFA”). The contribution has been classified as unamortized capital contribution on the statement of the financial position, as the project was completed in June 2014. During the year the Authority recognized government grant revenue of \$80,392 (2018 - \$80,392).

Infrastructure Canada

In 2017, Infrastructure Canada provided funding of \$1,393,096 for the Building Canada Project. As the project is not yet complete, the full contribution has been classified as unamortized capital contribution on the statement of the financial position and no amortization was recognized during the year.

10. Airport improvement fee

The Authority derives revenue from the Airport Improvement Fee (“AIF”), which is collected by air carriers pursuant to an agreement among various airports in Canada, the Air Transport Association of Canada (ATAC) and air carriers serving airports that are signatories to the agreement (the “AIF Agreement”). Pursuant to the AIF Agreement, signatory airlines receive a 7% collection fee. AIF revenue is used to fund the costs of new airport infrastructure, major improvements to existing facilities at the Airport, as well as related financing costs, debt repayment and the collection fee retained by the signatory airlines.

Effective March 1, 2011, the Authority additionally derives revenue from the Airport Improvement Fee – Equivalent (“AIF-E”) for charter aircraft exceeding ten seats.

	2019	2018
Earned revenue	11,444,821	12,594,684
Airline / ATAC handling and administration fees	(807,243)	(892,023)
Net AIF revenue earned	10,637,578	11,702,661

11. Government grant

The Authority has a Maintenance Contribution and Support Agreement (the “Support Agreement”) with the Canadian Air Transport Security Authority (“CATSA”) under which CATSA agreed to pay to the Authority a contribution in respect to baggage handling systems, maintenance support and handler support services. The contribution is equal to the lesser of the maximum amount defined in the support agreement, or the amount of allocated costs incurred. The Support Agreement can be extended annually by mutual agreement. Contributions were received during 2019 in the amount of \$112,000 (2018 - \$112,000).

12. Employee future benefits

Employees of the Authority participate in the Local Authorities Pension Plan (“LAPP”), which is a multi-employer contributory defined benefit pension plan covered by the Public Sector Pension Plans Act of Alberta. The Authority does not have sufficient plan information on the LAPP to follow standards for defined benefit accounting and therefore follows the standards for defined contribution accounting. At December 31, 2018, the LAPP reported a surplus of \$3.4 billion (2017 - \$4.8 billion). Total service contributions by the Authority to the LAPP for 2019 totaled \$344,802 (2018 - \$443,811).

13. 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.

Credit risk

The Authority is exposed to credit risk as it provides credit to a large number of customers in the normal course of its operations. This risk is minimized through the Authority's diverse customer base and assessment of potential customers' financial condition prior to extending credit. As at December 31, 2019, the Authority had three (2018 - four) major customers which represented 70% of the Authority's accounts receivable (2018 - 87%). Accounts receivable are presented net of an allowance for doubtful accounts of \$74,705 (2018 - \$78,325) in the statement of financial position.

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. In seeking to minimize the risk from interest rate fluctuations, the Authority manages exposure through its normal operating and financing activities.

The Authority is exposed to interest rate risk primarily through its investments and restricted cash, long-term debt, and operating line of credit.

Liquidity risk

The Authority actively maintains its credit facilities to ensure it has sufficient available funds to meet current and foreseeable financial requirements at a reasonable cost. Management believes that cash flows from operations, along with available credit under existing banking facilities, will be adequate to support the payment of the Authority's financial liabilities. Further, management also believes that the financing secured from ACFA for the new Airport Terminal project will be adequately serviced by the AIF paid by departing passengers.

14. Contractual obligation

During 2016, the Authority commenced an expansion of runway project. The project is to be funded by the Authority and the Government of Canada. A Building Canada Fund contribution agreement has been signed by the Authority. The contribution agreement requires the Authority to match the Government of Canada on a two to one basis and the Authority has committed to contribute \$50 million.

Completion of this project has been deferred and will recommence when economic conditions in the region improve. The Authority has until 2026 to execute the project and expects to recommence the expansion within that time frame.

15. Internally restricted net assets

As described in Note 5, the Authority collects a Customer Facility Charge from car rental operators. In the current year, the Authority has internally restricted net assets in the amount of \$4,109,657 (2018 - \$3,674,449) related to this charge for the purpose of constructing a quick turnaround facility (QTA).

16. Economic dependence

Revenue generated from major airlines such as Air Canada/Air Canada Express and WestJet/Encore account for approximately one-half of total revenue on a recurring basis. In addition, passengers flying with these airlines generate a significant portion of remaining revenue amounts. The Authority's ability to continue viable operations is dependent on Air Canada/Air Canada Express and WestJet/Encore continuing to fly to and from the Airport. As of the financial statement date, the Authority believes that their relationship with these airlines will continue into the foreseeable future.

17. Directors' and officers' remuneration

As required by the Regional Airports Authorities Act (Alberta), the Authority outlines the Directors' and Officers' remuneration and expenses as follows for 2019:

Total remuneration to the Board of Directors was \$88,862 (2018 - \$122,510), and expenses reimbursed totaled \$8,782 (2018 - \$13,339).

Total base compensation range for the senior officers at Fort McMurray International Airport is \$167,004 to \$229,788 (2018 \$167,004 to \$224,406).

18. Significant event

On May 3, 2016, the City of Fort McMurray and other areas within the Regional Municipality of Wood Buffalo were issued a mandatory evacuation order due to a wild fire event.

The Authority's normal day to day operations and commercial business was suspended during and beyond the mandatory evacuation period. The Authority lost five buildings due to the wildfire and all other Authority buildings suffered a variety of damage, due to smoke.

Insurance recoveries of \$4,200,000 (2018 - \$828,200) have been recognized in the statement of operations and the related insurance claim was closed in 2019.

19. Subsequent event

In early March 2020, there was a global outbreak of COVID-19, which continues to rapidly evolve. The extent to which the COVID-19 coronavirus may impact the Authority will depend on future developments, which are highly uncertain and cannot be predicted with confidence, such as the ultimate geographic spread of the disease, the duration of the outbreak, travel restrictions, and social distancing in Canada and other countries, business closures or business disruptions, and the effectiveness of actions taken in Canada and other countries to contain and treat the disease. The resulting reduction in traffic of carriers served by the Authority could have a material adverse effect on the Authority, its business, results from operations and financial condition.

20. Comparative figures

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



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