

2021 Sustaining Grant Application for Grant Funding

The grant program under which your organization is applying has specific eligibility requirements. The Application Form should clearly show how the proposed meets these requirements. The Application Form, including all required attachments, must be received by the closing date.

In order to complete this application for funding, please read the following thoroughly:

- 2021 Sustaining Grant Guidelines

If you have reviewed the 2021 Sustaining Grant Guidelines and have any questions regarding this application form or eligibility, please contact CIP@rmwb.ca.

Organization Name: Fort McMurray Airport Authority

Declaration: In making this application, we, the undersigned, confirm:

*Board Member(s) and/or
Executive Director Initials:*

- that we have read the Sustaining Grant Guidelines;
- that we understand that this application form and all attachments shall be part of the **public** Council agenda and accessible through all methods that the Council agenda is available;
- that we understand that this application form and all required attachments must be completed in full and received before 4:30 p.m. MT on Friday, September 11, 2020;
- that we understand the term of the Sustaining Grant is January 1 to December 31, 2021 and that all expenditures must happen during this term; and
- that we are authorized by the applicant organization to complete the application and hereby represent to the Regional Municipality of Wood Buffalo's Community Investment Program and declare that to the best of our knowledge and belief, the information provided is truthful and accurate, and the application is made on behalf of the above-named organization and with the Board of Directors' full knowledge and consent.

RS DR

RS DR

RS DR

RS DR

RS DR

DocuSigned by:

Section 17 (1) FOIP

Signature of Board Member
(must have signing authority)

RJ Steenstra

Print Name

6/9/2021

Date: (YYYY-MM-DD)

DocuSigned by:

Section 17 (1) FOIP

Signature of Board Member or Executive Director
(must have signing authority)

Denean Robinson

Print Name

6/9/2021

Date: (YYYY-MM-DD)

Sustaining Grant Part A - Organization Summary

1. Organization Details

Organization Name:	Fort McMurray Airport Authority
Street Address:	300-100 Snowbird Way
City/Hamlet:	Fort McMurray
Province:	Alberta
Postal Code:	T9H 0G3
Email Address:	info@flyymm.com
Act Registered Under:	Canada Not-for-Profit Corporations Act
Registration Number:	838649689 Registered under Regional Airport Authorities Act

Note: Organization must be in good standing to receive funding.

2. Main Contact

Title:	VP Corporate Services & CFO
Name:	Denean Robinson
Daytime Phone:	s. 17(1)
Email Address:	Denean.Robinson@FlyYMM.Com

3. Executive Director

Name:	R.J. Steenstra, President & CEO
Daytime Phone:	s. 17(1)
Email Address:	RJ.Steenstra@FlyYMM.com

4. Board Chair / President

Name:	Mike Chwelos
Daytime Phone:	s. 17(1)
Email Address:	s. 17(1)

Note: Should any of the contact details in Questions 2 to 4 change before December 31, 2021, please advise the Community Investment Program at CIP@rmwb.ca

Part B - Board Questionnaire

5. How often does the Board of Directors meet? Five times per year

6. Minimum number of board members according to bylaws: 10

7. Number of board members:

Currently: 10

2019: 10

2018: 10

Describe measures being undertaken to fill vacant spots if minimum board members are not met:

FMAA employs a director search firm to seek out potential candidates when At-Large Board positions remain unfilled. All other Board positions are filled through the Appointers which include the Regional Municipality of Wood Buffalo, Canadian Association of Petroleum Producers, Canadian Union of Public Employees and the Fort McMurray Chamber of Commerce.

8. Please list your current Board of Directors:

Name	Board Position	Years on Board
Mike Chwelos	Chair	4.0
Ken Bell	Director	2.0
Joanne Day	Director	5.0
Sheldon Germain	Director	3.0
Keith Haxton	Director	2.0
Linda Huebscher	Director	5.0
Bill McGoey	Director	3.0
Staci Millard	Director	2.0
Doug Simms	Director	2.0
Colin Solbak	Director	6.0

Part B - Board Questionnaire

- 9. Are any board members being paid, or receiving an honorarium, for being on the Board or for other positions in the organization outside of their role on the Board?** Yes ☒ No ☐

If yes, complete the following table:

Board member name	Paid role on the board / organization	Amount received
All excluding:	Total compensation 2020	\$ 64,393.00
Mike Chwelos, Ken Bell,		
Doug Simms		

- 10. What are the restrictions (if any) on becoming a member of your organization or participating in programs or services?**

FMAA is a community serving organization and does not require membership. Access to airport owned facilities is open to all individuals that travel to or live in the Regional Municipality of Wood Buffalo. The Fort McMurray International Airport is a critical infrastructure asset that facilitates air travel to and from the region.

- 11. How often does the Board review the financial position of the agency? What efforts have been made in the past fiscal year to increase the number and types of financial support for your organization?**

The Board reviews the financial position on a quarterly basis. Full Management Discussion and Analysis complete with a full set of financial statements is provided quarterly to the Finance and Audit Committee which provides financial oversight. Yearly audited financial statements are presented in an Annual report that is publicly distributed.

The personal information collected in this application is collected under the authority of section 33(c) of Alberta's Freedom of Information and Protection of Privacy (FOIP) Act. It will be used to process the application and contact you if needed, during the review of this application. If you have any questions about the collection and use of the personal information you may contact the Community Investment Program at CIP@rmwb.ca.

Part C - Strategic Plan

The Regional Municipality of Wood Buffalo 2018-2021 Strategic Plan focuses on the vision of a vibrant, sustainable region we are proud to call home. It identifies four key strategic priorities to achieve this goal: Responsible Government, Downtown Revitalization, Regional Economic Development, and Rural and Indigenous Communities and Partnerships. The Community Investment Program aims to assist non-profit agencies to achieve the goals and objectives outlined in the Municipal Strategic Plan.

The Sustaining Grant subsidizes organizations to operate and maintain Municipally-owned assets and/or contribute toward the key strategic priorities identified above. Please indicate which category that is applicable to the organization.

- ☐ Operator of a Municipally-owned asset (Please continue to Part E on page 8)
- ☐ Provide programs and services related to the collection, preservation and display of regional heritage and culture in a museum setting (Strategy & Initiatives #1a and #1c)
- ☐ a) the development of the arts community (Strategy & Initiative #1f);
b) progression of interests of the social profit sector (Strategy & Initiative #1i);
c) advancement of cultural diversity (Strategy & Initiative #3f); or
d) promotion of the economic diversification of the Municipality (Strategy & Initiative #3b)
- ☒ Provides strategic programs/services that are of benefit to the entire region

Part D - Organization Questionnaire

12. What year did the organization complete its last business plan or strategic plan?

2021

13. Provide a brief overview of the organization's strategic priorities:

5 Year Strategic Priorities

FMAA will move towards achieving its vision on an annual basis, by focusing efforts on five strategic priority areas. Despite changes to the operating environment because of the pandemic, the Airport Authority Board of Directors have revalidated the strategic priorities for the organization. The priority areas remain relevant and achievable in the next four years, as the Airport Authority and aviation sector continue their economic recovery journey.

FMAA's 5 Key Strategic Priorities

1. Deliver Asset Optimization
2. Accelerate the Customer Experience
3. Enhance Operational Excellence
4. Develop High Performing Teams
5. Strengthen Stakeholder Relationships

Part D - Organization Questionnaire

14. Describe the elements, activities, or events that the organization is seeking this funding for:

The airport provides an essential service to our community and is a catalyst for a number of socioeconomic development activities. Our request for support is aligned to the municipality's strategic priorities for regional economic development.

The key outcome of our request is:

Position YMM for a strong recovery, which will then enable us to support our region's broader economic recovery and economic development efforts.

A sustainable Airport with connectivity options significantly contributes to quality of life in the region and supports the attraction and retention of residents in the region.

With the municipality's support, we would be in the position to:

A) Freeze Airport Improvement Fees (AIF) at the current rate for at least 3 years. This is critical to attracting routes and air travel capacity back to the region.

Fort McMurray airport currently has some of the highest fees in the country, due to the construction of our terminal that was designed for a growing population and growing oil sands industry. Given the catastrophic impacts of the pandemic on the aviation sector, travellers will likely see an increase in the cost of air travel. Freezing AIF will help keep these airport fees where they are today, which will support our efforts to re-generate demand for air travel.

B) Continue to provide rent relief to our terminal businesses who are greatly impacted by the loss of traffic. Since the economic downturn, YMM has worked closely with our airport businesses to ensure they could remain viable with less traffic coming through our terminal. Now with the pandemic, our airport businesses have been hit even harder. Without passengers, all of our airport businesses feel the impacts and face the possible risk of permanently closing their businesses. Since April 2020, YMM has provided rent relief to airport businesses. This relief has impacted our own revenue generation; however, we understand that without restaurants, car rentals and retail services, we will face a very bleak recovery because customers rely on these services as part of the passenger journey.

C) Rebuild regional air connectivity that has been lost as a result of the pandemic. Regional airports have been the hardest hit during the pandemic. Some airports have lost all connectivity, which has led to closures. Airlines have shifted their focus to major hubs, leaving regional airports without the same level of service as before. This is of particular concern to YMM since we have been managing the challenges we face around customer retention (leakage). All of our major airlines have reduced critical routes to larger hubs, meaning flights schedules are not the same as they use to be. This means that business and leisure travel to and from the region has become a lot less convenient.

15. Explain how the operations/programming will achieve the objectives of the Municipal Strategic Plan as indicated on page 5:

Impact/ RMWB Strategy

Our request closely aligns with the municipality's economic development goals, with a mix of mid to long term opportunities. According to the United Nations Sustainable Development Goals, safe, secure, and affordable air transport operations is fundamental for improving socioeconomic prosperity and promoting sustainable development.

Business Attraction and Investment

YMM connects communities and economies, by making various forms of development possible. From opening our remote region to oil and gas development, to economic diversification through tourism, to sustaining and growing our population, YMM keeps our community moving forward.

Air transportation and economic development are interdependent. For any economy to prosper, especially one as remote as ours, trade must flow two ways – both inbound and outbound. YMM airport is a major cornerstone of economic activity in the region.

A sustainable and viable airport is essential for the development of our visitor economy. Attracting visitors from all over the world for meetings, conventions and leisure experiences will depend on our airport being able to offer efficient, affordable, and convenient connectivity into our remote region.

Increasing Local Business Imports/Exports

A viable and sustainable YMM airport is able to continue to facilitate air transportation (passenger and cargo) to major centers across Canada, and the globe. Air transportation has a fundamental impact on global, national, and local GDP. Prior to the pandemic, activities at YMM locally generated \$78 million in direct GDP and \$170 million in total GDP impact. Our economic output was \$193 million in direct impact, and \$354 million in total economic output.

Sustainable and reliable air connectivity to and from the region provides significant opportunities to increase our import/export potential. Because of our northern location we have the ability to capture new opportunities for import and export into Canada. Local companies and entrepreneurs are better positioned to be competitive on the provincial, national, and international stage. A viable airport with strong air connectivity reduces the risk for investors/export businesses.

Supporting Small Business Start-Ups

YMM creates stronger linkages between our community and economies across Canada and the world. We contribute to economic prosperity, generating numerous socioeconomic benefits and spin-offs, including local contracting and job opportunities. There are 77 businesses that operate at the airport and on airport lands.

Activity at the airport generates business and creates hundreds of direct and indirect local jobs, which then in turn creates numerous spin-off economic benefits such as tax contributions and local spending. **KEY BENEFITS:**

• Tourism product development • Provincial, national, and international meetings and conventions attraction • Job creation and retention • Hotel occupancy growth • Restaurant revenue growth • Retail revenue growth • Venue utilization and optimization • Entrepreneurial start-up opportunities • Cargo development • Procurement • Arts and culture development • Place brand development and reinforcement • Economic diversification

Part D - Organization Questionnaire

16. Describe any other funding initiatives the organization has taken or is planning to implement to further support this request for Sustaining Grant funding:

Since last March, YMM has been actively working with all levels of government to secure financial relief for our airport.

We continue to explore all potential possibilities that are available to us. YMM had some success with securing Federal government support through the Canada Emergency Wage Subsidy, however to-date we have not secured additional support.

Additional Requests for Business Recovery & Critical Operations Assistance

Federal: Western Economic Diversification

- Regional Air Transportation Initiative application is in process, and we believe we are eligible for \$1.3M of funding.

Federal: Airport Relief Fund

- Our application is under review, and we believe we are eligible for \$1.6M of funding.
- Decisions on the Federal funding is expected this summer.

Request for Provincial Cash Flow Assistance

- We believe we will be eligible for an interest only payment option for three years.
- This deferral of payment will provide temporary relief and preserve approximately \$5M of cash annually to 2023.
- Total cash preservation of approximately \$15M.
- Decisions on cash flow support is expected this summer.

17. Current Volunteer Information:

	Per Organizational Needs:	Currently Filled:
Program & Service Volunteers	0	0
Fundraising Volunteers	0	0
Committee Volunteers	0	0
Administrative Volunteers	0	3 Board Director positions
Total Organization Volunteers (Count each only once)	0	3

Part E - Financial Information, Budget Request & Cash Flow

18. Current Staff Information:

	Per Organization Chart:	Currently Filled:
Full Time Positions	35	25
Part Time Positions	4	0

19. Please explain any cost savings initiatives the organization has, or is planning, to implement:

The Airport terminal was designed for 1,500,000 passengers and requires a minimum of 650,000 passengers to break even operationally. Passenger fees would need to increase threefold in order to generate sufficient revenue to cover our costs which would be counterproductive to our ability to attract flights.

In 2016 operational costs (excluding interest and amortization) were \$22M per year. Through significant cost cutting measures these costs were reduced to \$16M in 2019 and reduced a further \$1.5M in 2020. This equates to sustained operational savings of 35% and YMM has little opportunity to make additional cuts without affecting safety. Top line growth is needed.

Today, we continue to tackle the things within our control, such as achieving the further \$1.5 million in reductions in 2020; however, the pandemic has significantly affected our earnings and puts us at critical risk of depleting our reserves.

FMAA has deferred all non critical capital spending to further preserve cash and continues to advocate government for support and applies for all available COVID related assistance.

20. 2021 Grant Request:

Total 2021 Budgeted Revenue (excluding RMWB Sustaining Grant)	\$	\$ 15,803,964.00
Total 2021 Budgeted Expenses	\$	\$ 32,315,222.00
Surplus* / (Deficit)	\$	-\$ 16,511,258.00

2021 Sustaining Grant Request Amount:

\$ 15,000,000.00

* If in a surplus position, organization is not eligible for a Sustaining Grant.

Please Indicate Preferred Cash Flow, if approved:**

January/February	\$ 0.00	April	\$ 0.00
------------------	---------	-------	---------

(no more than 75% of request)

August	\$ 7,500,000.00	October	\$ 7,500,000.00
--------	-----------------	---------	-----------------

** Must have minimum of 25% to be disbursed between August and December. There will be no funds released in July, as six-month reports are due by July 31 and require Administrative review prior to August/October disbursements.

21. Provide any additional information that may assist in developing a better understanding of your organization or its services/programs during the grant review.

The pandemic has devastated Canada's aviation industry, and YMM is no different. In 2020 alone, we saw a total of 61.5% fewer passengers compared to 2019. That equated to a total of 229,314 passengers coming through our terminal in 2020 which translated to a loss of \$7.1 million in AIF revenue alone. When combined with a reduction in landings, our total revenue dropped by \$14.4M. The last time our passenger numbers were this low was in 2003, when local demand was at 227,197 passengers.

The Airport terminal requires 1,000,000 passengers annually to sufficiently fund operations and sustain capital requirements, which is significantly above the operational break even of 650,000 passengers. We are currently forecasting 233,000 passengers for 2021 and do not anticipate returning to 2019 levels until at least 2024. Based on this, passenger fees would need to increase threefold in 2021 in order to generate sufficient revenue to cover our costs and capital obligations. This level of fee increase would be counterproductive to our ability to attract flights.

Airports have been hit hard by travel restrictions, however unlike other businesses we are unable to scale operations in response, as runways and infrastructure are required to remain open for critical flights.

YMM is seeking operational funding support as we recover from the decimation of air travel caused by the pandemic. This support will allow us to continue to provide critical air connectivity that contributes to quality of life and economic opportunity for the residents of the RMWB.

Part F - Required Attachments for Application

22. The following attachment **MUST accompany your application. Failure to submit the following will result in your application being deemed incomplete.**

- ☒ A detailed budget showing projected 2021 revenue and expenses
- ☒ 2021 Business Plan or Strategic Plan
- ☐ Logic Model (if available)
- ☒ Financial Statements of the most recent fiscal year

By Mail:

Community Investment Program
Community Services
Regional Municipality of Wood Buffalo
9909 Franklin Avenue
Fort McMurray, AB T9K 2K4

OR

By Email: CIP@rmwb.ca

Fort McMurray Airport Authority

STATEMENT OF OPERATIONS AND NET ASSETS

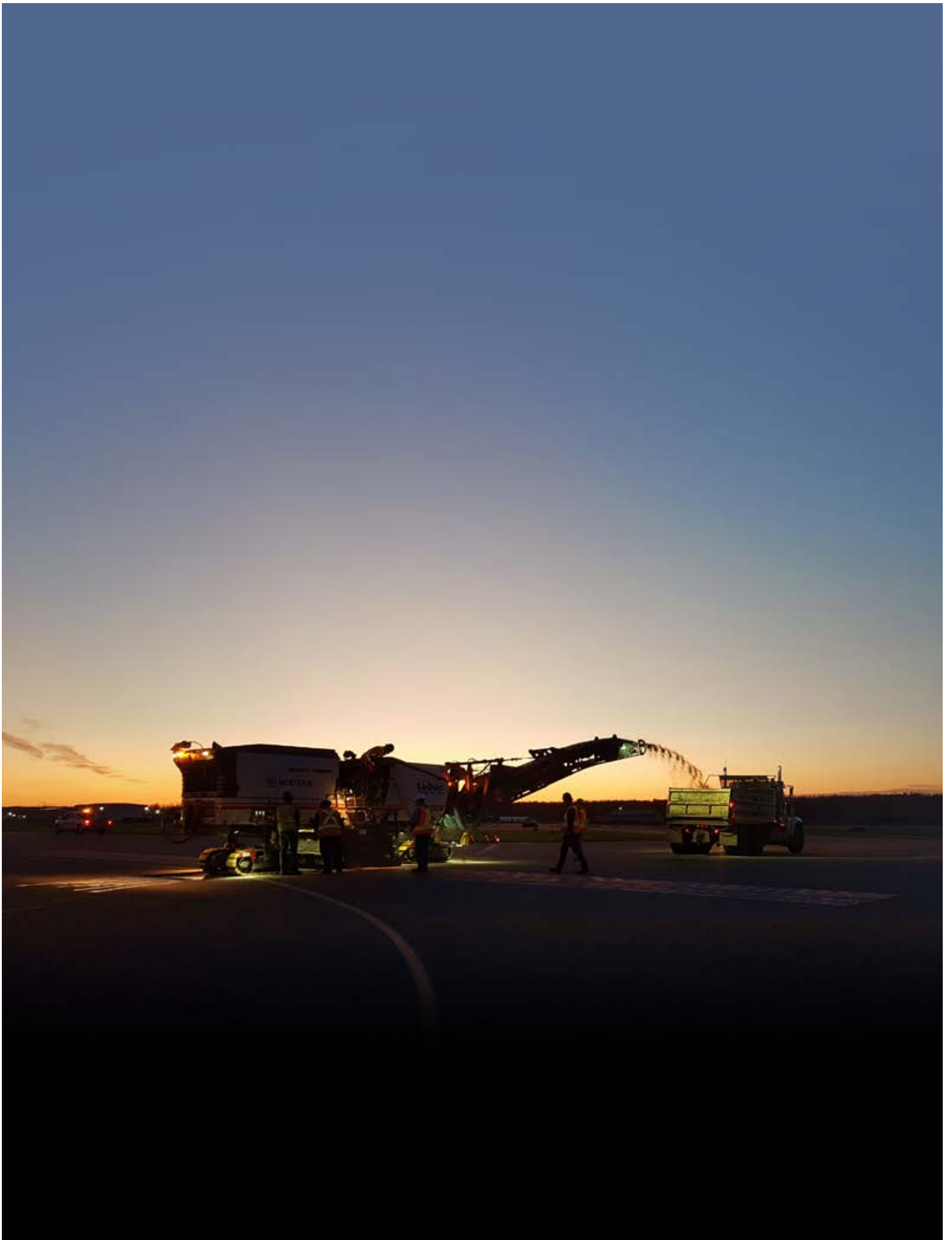
For The Period Ending December 31, 2021

Unaudited

	Budget 2021
Aeronautical Revenue	
Airport Improvement Fee	5,327,683
General Operations Revenue	697,745
Airfield Revenue	1,143,088
Main Terminal Revenue	1,402,879
North Terminal Revenue	12,000
	8,583,394
Non Aeronautical Revenue	
Parking Revenue	1,393,554
Ground Transportation Revenue	1,074,240
Land Lease Revenue	1,635,843
Concessions Revenue	697,364
Interest Revenue	262,500
Other Revenue	146,800
Amortization deferred capital contribution	1,698,268
Grant Revenue	312,000
	7,220,569
Total Revenue	15,803,964
	0
Expenses	
Salaries & Wages	4,197,328
Contracted Services	4,407,741
General and Admin Expenses	3,310,167
Operating Expenses	2,639,445
Airport Improvement Fee Handling	345,652
Board Expenses	101,332
Interest Expense	7,902,270
Amortization Expense	9,411,287
Total Expenses	32,315,222
Net Gain (Loss)	-16,511,258



RESPONSE TO RECOVERY: YMM NAVIGATES COVID-19



CONTENTS

4 Our Mission

6 The Next 5 Years at YMM

13

PART 1

2020 HIGHLIGHTS

15 Message from Board Chair & CEO

16 Our Response

18 Our Recovery

23 Asset Optimization

26 Customer Experience

30 Operational Excellence

34 High Performing Teams

38 Stakeholder Relationships

43

PART 2

2020 FINANCIALS

44 Governance & Board of Directors

48 Management Discussion & Analysis

54 Financial Statements

60 Notes to the Financial Statements

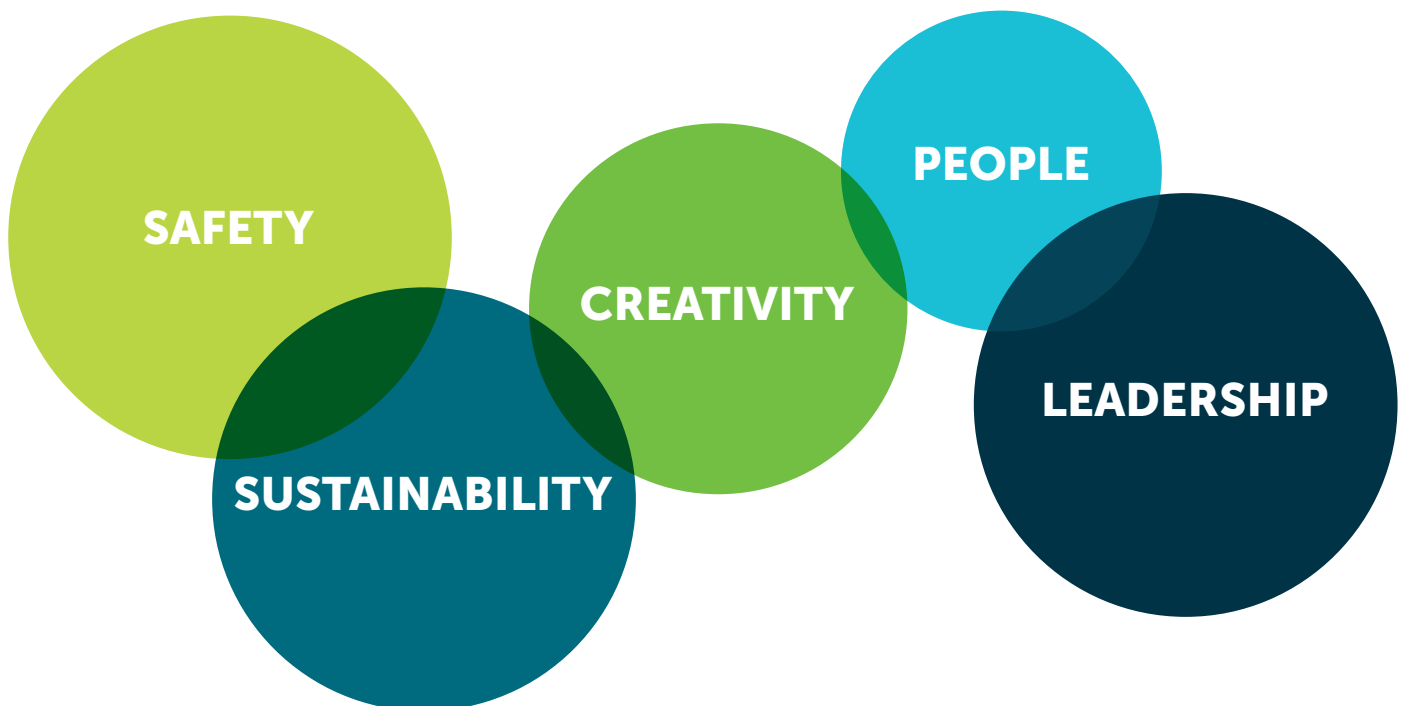
OUR MISSION

We are vital to the transportation network elevating economic growth and quality of life regionally and across Canada.

OUR VISION

Northern Alberta's Airport of Choice

OUR VALUES



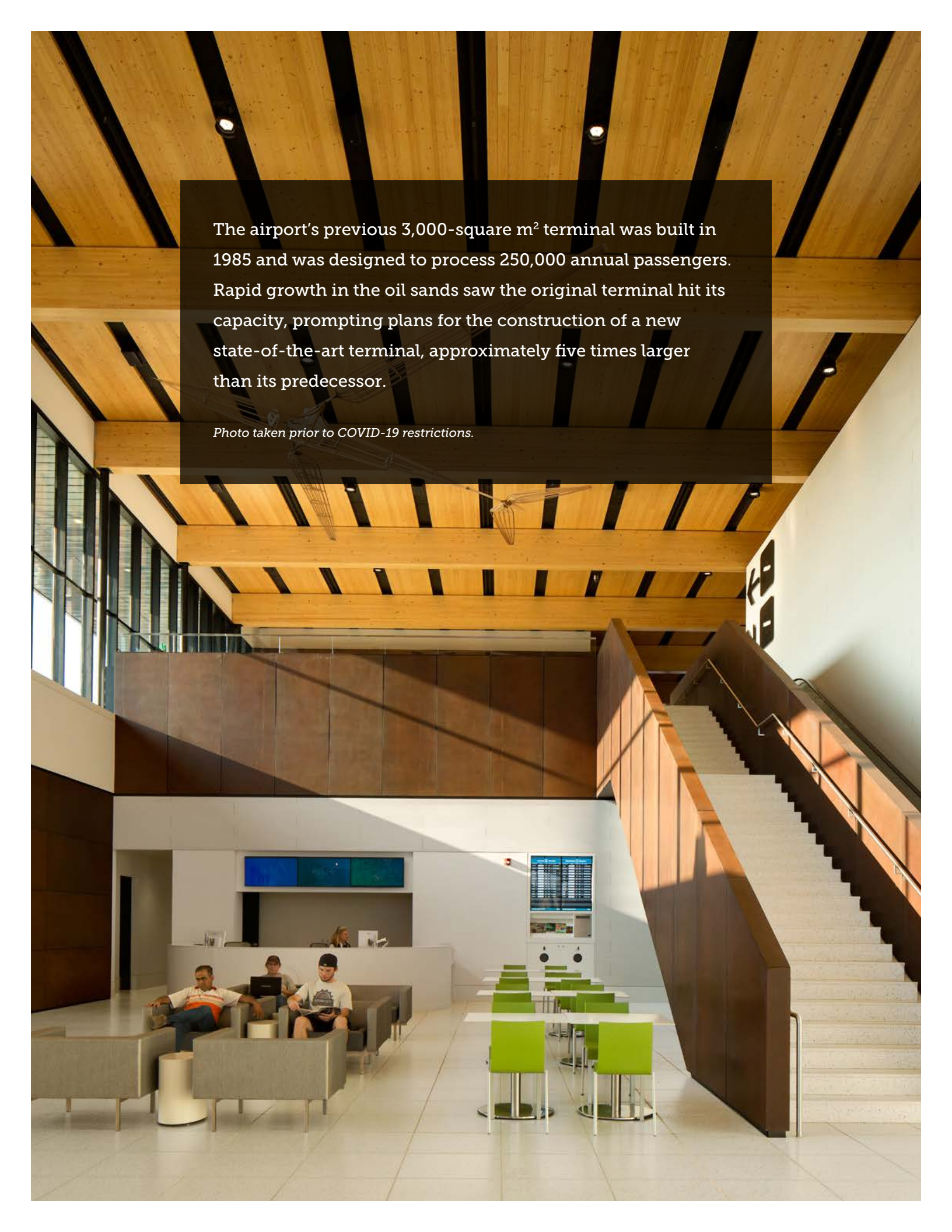
OUR 5 CORE PILLARS

- 1 ASSET OPTIMIZATION**
- 2 CUSTOMER EXPERIENCE**
- 3 OPERATIONAL EXCELLENCE**
- 4 HIGH PERFORMING TEAMS**
- 5 STAKEHOLDER RELATIONSHIPS**

THE NEXT 5 YEARS AT YMM (2020 – 2025)

The Fort McMurray Airport Authority (FMAA) is pleased to share our mission, vision and values with the Fort McMurray, Wood Buffalo community. In 2019, with the help of our community stakeholders, business partners, Board of Directors, and staff, we mapped out our vision for the next five years.

As part of these meaningful conversations, we learned the Airport Authority was ready to chart a new course that reflected the evolving air transportation needs of our residents and the business community. FMAA's former vision of "becoming Canada's premier regional airport" guided the Fort McMurray International Airport – YMM through the most significant expansion in the airport's history. The expansion put YMM in the top tier of Canada's regional airports and allowed us to improve our competitive position in Northern Alberta.

The image shows a spacious, modern airport terminal. The ceiling is a prominent feature, composed of light-colored wooden beams with dark metal brackets. A large, multi-level staircase with a wooden balustrade and metal handrails is on the right. In the foreground, there are grey armchairs and a row of green chairs at a long table. In the background, a service counter and a flight information display are visible. The overall atmosphere is bright and airy, with natural light coming from large windows on the left.

The airport's previous 3,000-square m² terminal was built in 1985 and was designed to process 250,000 annual passengers. Rapid growth in the oil sands saw the original terminal hit its capacity, prompting plans for the construction of a new state-of-the-art terminal, approximately five times larger than its predecessor.

Photo taken prior to COVID-19 restrictions.



From offering unique destinations and an exceptional customer experience, to providing a tranquil terminal environment reflecting the region's natural wonder, our vision of becoming the best regional airport in Canada was realized. In this time, YMM was recognized with numerous national and even global accolades for customer experience, on-time performance, and architectural design.

A lot has changed since the new YMM terminal opened in 2014. Passenger traffic at YMM began to drop in parallel with oil sands capital investment decline and the price of oil dropping from over \$100 dollars per barrel. During this time YMM evolved from being an airport accustomed to rapid and constant growth, to an airport focused on sustainability for the long-term: a journey that required the organization to adopt operational excellence practices, lean principles, and continuous improvement methods.

Fast forward to 2020, and we were ready to determine our new direction to move YMM forward, complete with a refreshed mission and new vision for the future.

OUR VISION

We are Northern Alberta's Airport of Choice

(2020-2025)

Becoming "Northern Alberta's Airport of Choice," is focused on local customer retention. Prior to the pandemic, YMM was competing with other airports in Alberta for Fort McMurray, Wood Buffalo customers. On average, YMM lost 230,000 trips per year from residents driving south to catch flights from larger airports.

For every local customer we lose to other airports, we see fewer passengers on YMM flights. This paints an inaccurate picture for our airline partners that interpret less traffic at YMM, as less demand coming from our market. Losing local customers to other airports leads to fewer flight options and destinations, less support for local airport businesses and their suppliers, and missed opportunities for good paying local jobs. The pandemic has only exacerbated things for YMM, as air carriers shift their focus and their aircraft towards major hubs like Edmonton and Calgary. The impacts of this change can be seen with reduced regional air service at YMM, fewer direct flight options and less schedule frequency.

Local residents choosing YMM as Northern Alberta's Airport of Choice, creates greater value for our customers through sustainable air service development.

HOW WILL WE ACHIEVE THIS VISION?

- 1 Diversify airline partnerships to include a mix of mainline, low-cost, and ultra-low -cost carriers.
- 2 Curate in-demand destinations for our market, including sun destinations and popular domestic destinations.
- 3 Generate new demand for unique destinations by facilitating affordable travel packages and experiences.
- 4 Increase opportunities for cross-border destinations, leveraging Canadian Border Services capabilities at YMM.
- 5 Improve flight schedule options to and from major Canadian airport hubs.
- 6 Strengthen in-bound visitation and tourism, by working with stakeholders to attract, sustain and grow affordable flight options.
- 7 Create a passenger experience that is enjoyable, efficient, and innovative.
- 8 Strengthen relationships with partner agencies built on shared community goals, meaningful investment, and collaboration.

EVERY FLIGHT COUNTS

Each year, YMM loses approximately **230,000 trips** to local customers driving south to other airports to catch a flight. On average, each passenger at YMM spends \$188 per trip (flight, concessions, parking). This equals some \$43 million in lost local benefits, such as supporting jobs, airport businesses, suppliers and tax contributions.



Clockwise from top left: Air Canada, Sun Country/Caesars Rewards Air, WestJet, Flair Airlines, Northwestern Air, McMurray Aviation.



PART 1

2020 HIGHLIGHTS



RJ Steenstra, President & CEO, Fort McMurray Airport Authority



Mike Chwelos, Chair, Board of Directors, Fort McMurray Airport Authority

MESSAGE FROM BOARD CHAIR & CEO

2020 was a year that will forever be remembered at the Fort McMurray International Airport – YMM.

It was a year filled with great highs mixed with some substantial lows. The year began on a positive note when we welcomed back Canada Border Services Agency (CBSA) services for our first transborder flight in five years, taking passengers to Laughlin Nevada with Caesars Entertainment. In August, after much anticipation, we announced a new partnership with Flair Airlines, the first ultra-low-cost carrier to enter our local market.

2020 was also the year we completed our runway rehabilitation project, a key investment that will support the community, and its economic recovery, well into the future. The project involved a complete resurfacing of our runway that was nearing its end-of-life. These were just some of our best moments, despite working against the ever-changing backdrop of COVID-19.

2020 HIGHLIGHTS

OUR RESPONSE

If 2020 has taught us anything, it is that despite having a well designed business plan and sound mitigations to protect our organization against a major crisis, nothing could have fully prepared us for the disruption that COVID-19 would cause to our business and our community.

In March, everything changed for our industry. We were met with the lowest of lows when the World Health Organization declared COVID-19 a global pandemic. We would quickly see air travel brought to a crippling halt, international borders closed, planes grounded, and Canadian airports working tirelessly to repatriate Canadians returning from abroad.

YMM proactively activated our emergency response team, and joined forces with the Regional Emergency Operations Centre, as part of our mutual aid partnership. YMM is an important part of Canada's transportation network, and a critical community asset responsible for assisting our region in times of crisis.

Passenger traffic took an immediate hit with a 92% drop in the first three months of the pandemic. But regardless of traffic slowing down, YMM still had important work to do. We still needed to move critical supplies and cargo, and facilitate the safe return of residents making their way home. We still needed to process MEDEVAC flights for patients needing care, and aircraft still had to conduct forest fire prevention flights as we entered wildfire season. Essential travel still needed to be provided for business continuity and workforce movements in the oil sand industry had to be accommodated. Our teams at YMM worked non-stop to ensure we were taking care of our customers and keeping important air service running.

Protecting our customers and our workforce was paramount as we fulfilled our essential role. We introduced several public health guided measures to enhance our existing health and safety program. We enrolled in Airports Council International (ACI) – World's Airport Health Accreditation Program, to benchmark our policies, procedures, and precautionary measures against airport standards around the globe.

A lot of hard work and collaboration went into developing YMM's enhanced health and safety program, called YMM COMMITTED. We were proud to be one of the first airports in Canada to achieve global accreditation.

Despite these measures, customer confidence in air travel remained low due to several factors. A vaccine was not yet available to Canadians and a confusing array of government-imposed travel requirements, international border closures, and varying quarantine regulations between provinces and countries created tremendous uncertainty for the traveler.

We ended the year with a total of 229,314 passengers coming through our terminal. The last time our numbers were this low was in 2003, when local demand was at 227,197 passengers. The biggest change for us since then? We now had a much larger terminal to operate, maintain, and finance. Five-times the size of the original to be exact.

We are a non-share capital corporation, so any surplus revenue we generate is re-invested back into maintaining and operating the airport. Our fixed costs remain unchanged to this day, regardless of our passenger traffic volumes. These financial impacts do not just start and stop with FMAA. They have a negative ripple effect on all our airport businesses who rely on travellers to dine in restaurants, make purchases at the convenience stores or rent a vehicle while visiting.

2020 HIGHLIGHTS

OUR RECOVERY

COVID-19 continues to challenge YMM and our business partners.

We are anticipating that our road to recovery will take anywhere between 3-5 years, or even longer, depending on how well the industry recovers as a whole. What we are experiencing is a financial crisis unprecedented in the air travel industry that cannot be fixed overnight.

Even with some of our airline partners scaling back their routes in Canada, YMM continues to be optimistic. We have successfully retained Air Canada and WestJet and added Flair Airlines, our first ultra-low cost carrier. Our airline partners are currently operating with reduced routes and schedules at YMM, because the demand is not there. Our recovery hinges on how well the international and regional economies recover, which are factors beyond our control. And recovery is also closely linked to the financial health of our airline partners. We are part of an interdependent transportation network. An airport cannot survive without airlines and airlines cannot survive without airports.

YMM's recovery will depend on a wide range of factors including:

- Health and safety of customers, personnel, and the broader population.
- International standardization of cleaning and hygiene in airports and on aircraft.
- Availability and distribution of a vaccine.
- The communities' level of confidence in air travel.
- Availability of rapid testing at all airports.
- Financial health of our airline partners.
- Financial health of our airport partners.
- Pace in which routes between airports can be restored.
- Pace in which regional routes to major airports are restored.
- Ability to adopt new technologies that make travel even more efficient and safe.
- Easing of company travel policies to restore business travel.

But to even get to this point, YMM needs to address some financial basics. We cannot remain sustainable for the long-term with such low passenger volumes. We share this dilemma with Canada's aviation industry, whose sheer survival depends on customers using and paying for air service. In the last twelve months, YMM has worked closely with Canadian Airports Council and our local federal and provincial government officials to advocate for workable financial relief options.

We continue to explore all potential possibilities that are available to us. YMM had some success with securing Federal government support through the Canada Emergency Response Benefit, however we will require additional support to ensure we can remain viable for the long-term.

So, what is next for YMM in 2021? Well, we know the strength of economic recovery from COVID-19 will be compromised unless Canada has a functioning air transport network. YMM's responsibility is to aid our region in its economic recovery efforts, and that is exactly what we intend to do. Looking back in our history, YMM has had a successful track record facilitating economic development and population growth. As mentioned earlier, we are still doing important work that will only be magnified as we work alongside our region on its recovery journey.

Economic diversification through tourism and attracting new investment into the region depends on viable and sustainable air service. We are optimistic about our airport's recovery because we know residents love to travel, and Fort McMurray, Wood Buffalo continues to be a place of opportunity for families and entrepreneurs. Based on our recent stakeholder survey, we also know our community has a lot of faith in YMM to provide a healthy and safe travel experience. When we asked stakeholders about how confident they are in YMM's health and safety protocols, and we were pleased to earn top marks. Our YMM COMMITTED program continues to evolve to include best practices and new measures.

YMM is going into 2021 preparing for the safe return to travel and the need to move our economy forward. We remain realistic about the challenges that lie ahead, because after all, this is not our first experience tackling declining passenger numbers. YMM in many ways got a head-start, after we started to see traffic decline more than 55% in the past five years. We were able to financially stabilize our organization before, and it is with these lessons that we lean-into our recovery journey with agility, ingenuity and perseverance.

COVID-19

GLOBAL IMPACTS ON AVIATION



60%
DECLINE

in world total passengers in 2020



65.9%
LOSS

in airline revenue



\$111.8
BILLION (USD)

loss in airport revenue



\$910-\$1,170
BILLION (USD)

loss in tourism revenue



100%

worldwide destinations-
imposed travel restrictions



9.2%

fall in
global trade



3.5%-4.3%

contraction in
world GDP

Source: ICAO, Effects of Novel Coronavirus (COVID-19) on Civil Aviation (Feb 24, 2021)

ECONOMIC IMPACT OF COVID ON YMM



366,602
(61.5%) FEWER
passengers compared to 2019



\$7.1 MILLION
(61.8%) LESS
from Airport Improvement Fees



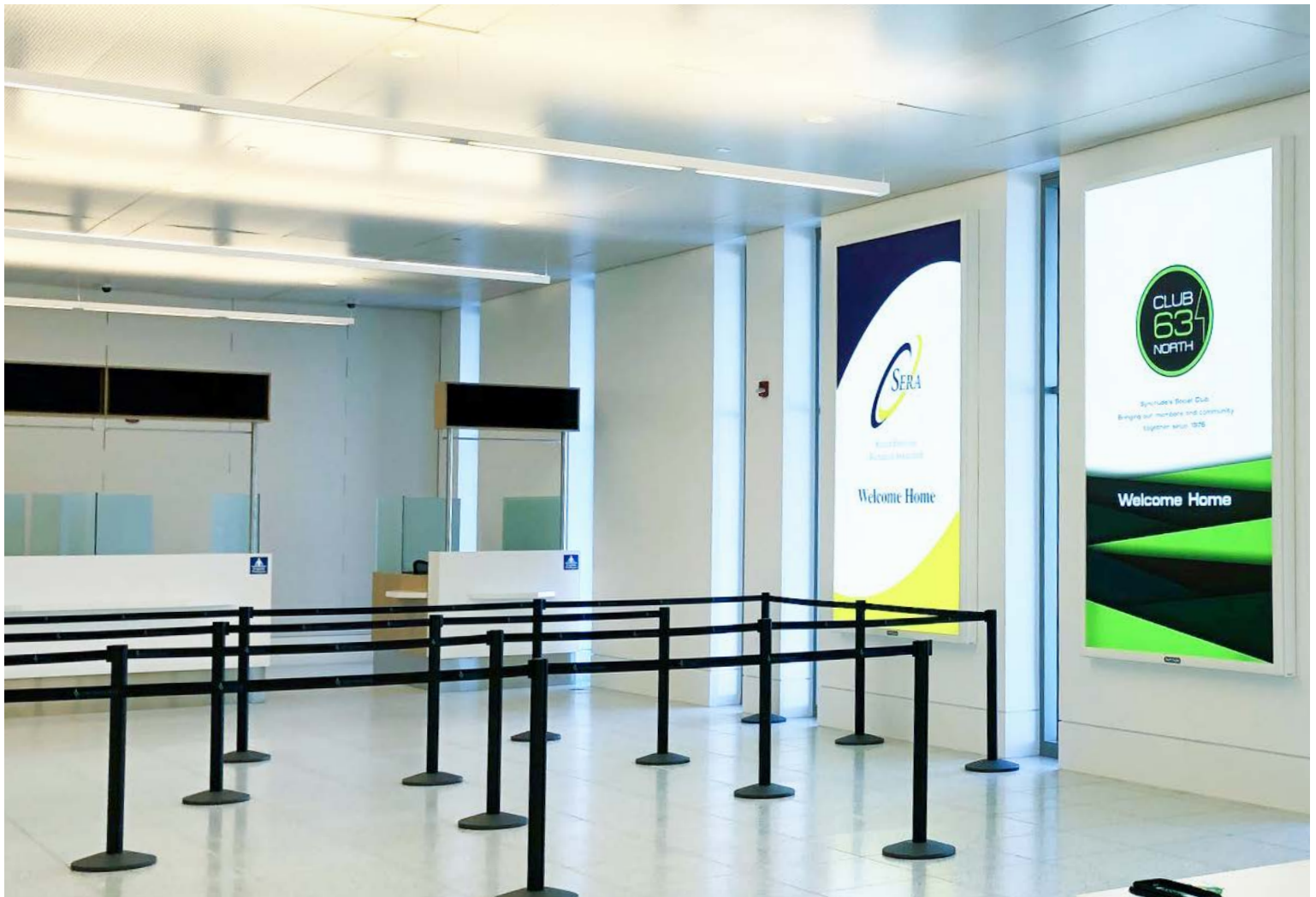
\$1.5 MILLION
IN FURTHER REDUCTION
in operating cost from 2019

2020 HIGHLIGHTS

ASSET OPTIMIZATION

For YMM, delivering asset optimization means realizing the full potential of our existing infrastructure and extracting the greatest value from both our aviation related and non-aviation related assets.

Our airport infrastructure encompasses all of the assets we own, operate, and maintain and includes everything from the YMM owned buildings on our land and the land itself, to the runway, terminal buildings, and even the parking lot. In 2020, we hit two important milestones in this area. The first, involved reinstating Canada Border Services (CBSA) services in January, followed by the completion of YMM's Runway Rehabilitation.



CANADA BORDER SERVICES AGENCY

After a five-year hiatus, FMAA in partnership with Fort McMurray Wood Buffalo Economic Development & Tourism, brought back Canadian Boarder Services Agency (CBSA) services. CBSA is the federal agency that is responsible for border protection and surveillance, immigration enforcement and customs services in Canada. In 2015, CBSA services were suspended due to the economic downturn and lower market demand for international destinations. 2015 was the last time there was scheduled international service requiring CBSA services.

YMM continues to be an international airport, even when we do not have international flights. Our facility has the ability to separate domestic from international travellers, giving us the classification as an international airport. In 2020, customs agents returned to YMM to screen passengers and process them back into Canada from Laughlin, Nevada. Going forward, CBSA service agents will be at YMM on an as-needed basis.



WITH GRATITUDE FROM YMM RUNWAY REHABILITATION PROJECT

PROUDLY SUPPORTED BY:



REGIONAL MUNICIPALITY
OF WOOD BUFFALO

2020 RMWB COMMUNITY
CAPITAL GRANT

RUNWAY REHABILITATION PROJECT

In 2020, YMM completed a complete runway rehabilitation project, thanks to a 2020 \$15-million Community Infrastructure Grant made possible by the Regional Municipality of Wood Buffalo. Following a competitive tender process, YMM awarded the general contract to E-Construction, a company with more than

50 years of experience operating in region. For just under 12 months, the project team worked diligently to ensure there were no impacts to flights landing and departing. The major project was completed on-time and on-budget in October.



Lorem ipsum dolor sed consectetur adipiscing.

YMM RUNWAY REHABILITATION PROJECT BY THE NUMBERS



20.47 KM

of paint lines = equivalent
to painting a line from the
Airport to Thickwood



29.25 KM

of electrical wires (cable)



1264

truck loads of HMAC
(tandem trucks ~ 11
tonnes/load)



1153

truck loads of millings
(tandem trucks ~ 15
tonnes/load)

Community Benefits

SAFE FLIGHTS

Safe runway surfaces make safe commercial and charter flights, both when landing and departing. Runway pavement conditions play a key role in the safe operation of aircrafts maneuvering on them and for the people onboard.

ON-TIME SERVICES

Robust airfield lighting helps aircraft better navigate in our long and dark northern winter conditions. Increased lighting reduces the likelihood of flights being diverted or held back, meaning travellers can get to where they need to go sooner.

LIFE-SAVING SERVICES

Runway safety and reliability are essential for ensuring uninterrupted life-saving emergency air services at YMM. Every minute counts when transferring a distressed patient to a medical center, or when responding to a remote accident.

WILDFIRE PREVENTION/SUPPRESSION

Aerial firefighting services that operate at YMM protect both the city of Fort McMurray and our 75,000 residents, and billions of dollars of assets in the Athabasca oil sands. Alberta Forestry operates from YMM as part of their wildfire prevention and forest management program for the Fort McMurray Forest area, the 2nd largest area in AB at 6,081,025 ha.

2020 HIGHLIGHTS

CUSTOMER EXPERIENCE

Customer experience at YMM is about delivering safe, efficient, and memorable experiences for travellers.

We measure our customer's experience using Airports Council International (ACI) – World's Airport Service Quality (ASQ) program. Despite significant declines to our passenger traffic, we continue to make investments in the passenger journey at YMM.

Over the next five years, YMM is focused on regaining routes lost because of the pandemic, sustaining current flights, and growing destination options for our community. When the airport attracts and sustains new air service, it creates a ripple effect by making our market even more appealing to other carriers, all of which has a positive impact on destinations, route schedules and pricing.



YMM LAUGHLIN EXPERIENCE WITH CAESARS REWARDS & HARRAH'S

YMM kicked off the year with sold-out winter getaway vacation package to Laughlin, Nevada with Caesars Rewards Air. Harrah's Laughlin, a fully owned Caesars Entertainment hotel and casino, is located on the banks of the Colorado River. YMM rolled out the red carpet for our inaugural flight guests who were the first to travel on a cross-border flight from YMM since 2015.

As the pandemic picked-up speed globally, we soon saw the U.S./Canada border close to non-essential air travel. Caesars Entertainment Group made the swift decision to cancel their March service and issued customers full refunds. As we re-build our air service, Caesars Rewards Air and Caesars Entertainment Group remains a key partner in our business recovery.





FLAIR AIRLINES

In August, YMM and Flair Airlines announced a new partnership to reinstate nonstop air service between Fort McMurray, Toronto, and Vancouver, with the addition of service to Victoria. After more than three years of proving our business case to similar carriers, Flair Airlines became the first ultra-low-cost carrier to enter the local market.

However, the pandemic continued to have catastrophic impacts on air travel into the fall and winter. Airports and airlines were hit hard because of evolving travel restrictions, quarantine rules and no clear timeline for a vaccine. Flair Airlines would later announce they were experiencing consistent demand for travel from YMM to Vancouver and Toronto destinations, however there was less demand for Victoria.

Flair Airlines decided to direct their focus to Vancouver and Toronto, which showed promising uptake. Flair Airlines then paused air service at YMM until the spring of 2021, with direct flights returning for the spring/summer travel season.





What Our Stakeholders Had to Say



It's critical for residents and their families to have affordable travel options. Throughout the year, we see extended family networks from across Canada and the globe visiting our region, and we want to welcome even more of them in the future. Wood Buffalo has so much to offer and air connectivity is key to doing just that."

– Mayor Don Scott,
Regional Municipality of Wood Buffalo.



This new route represents a positive step forward in Wood Buffalo's economic recovery. Air transportation contributes to our local GDP and employment and government tax revenues generated by the marketplace. "

– Kevin Weidlich, President and CEO,
Wood Buffalo Economic Development
Corporation.

2020 HIGHLIGHTS

OPERATIONAL EXCELLENCE

For YMM, operational excellence means balancing the interests of stakeholders and creating value for our customers, while placing even greater focus on efficiency, cost savings and lean ways of working, without compromising the health and safety of employees and customers.

Operational excellence can be seen in action at YMM, through various continuous improvement initiatives led by our talented Team YMM members.



ENHANCED HEALTH & SAFETY – YMM COMMITTED

In March, FMAA introduced several public health guided measures to enhance our existing health and safety program. The YMM COMMITTED program was launched as our public pledge to our customers, employees, and guests, stating our continued commitment to live by our values to provide a healthy, safe, and secure air travel experience.

In October, YMM earned global health accreditation from Airports Council International (ACI) – World. As part of the accreditation process, a third-party global audit was conducted of YMM's policies, procedures, and precautionary measures to reduce the risk of infectious disease exposure and regain the confidence of the traveling public. In addition, YMM had to successfully demonstrate it is providing a safe airport experience for all travelers, in line with recommended health measures

established by the ACI Aviation Business Restart and Recovery Guidelines, the International Civil Aviation Organization (ICAO) Council Aviation Recovery Task Force Recommendations and aviation industry best practices.

YMM COMMITTED is backed by our Safety Management System, which involves ongoing field observations inside and outside the terminal. Field Observations promote regular conversations about health and safety with airport personnel and provide us with the capacity to respond quickly and implement new measures if we identify new hazards and risks. The program is designed to ensure airports are staying on top of the latest developments and regulations in health and safety, which means YMM can continue to improve as best practices evolve in the industry.



Enhancements:

- Placed physical distancing reminders throughout the passenger journey.
- Increased the number of hand sanitizing stations.
- Amplified travel information from official health and transportation authorities.
- Published educational information and signage.
- Introduced state-of-the-art sterilization technology.
- Amplified our hand washing measures.
- Worked collectively with stakeholders (AHS, airlines, RMWB, business partners).
- Rearranged seating in our Food Court to encourage physical distancing.
- Increased cleaning and disinfecting of all flat surfaces and shared space areas.

OUR SHARED RESPONSIBILITY

YMM works with a number of stakeholders who have touchpoints along the passenger experience at YMM. Airlines, federal agencies, terminal restaurants, car rentals and so many more groups share the responsible for assessing and mitigation their own health and safety hazards based on their prevention needs. YMM is responsible for facilitating a collaborative service environment with both aeronautical stakeholders and non-aeronautical airport businesses, working together to deliver a healthy and safe traveler experience.



CARBON REDUCTION

Airports around the globe are actively addressing their carbon emissions, and YMM is proud to be one of them. In 2019, 334 airports actively engaged in Airports Council International (ACI) – World's Airport Carbon Accreditation Program, collectively reducing CO₂ emissions by 322,297 tonnes.

Since joining the program in 2019, YMM has made important progress to measure, manage, and reduce our CO₂ emissions. YMM has achieved Carbon Accreditation Level 1 and are working towards level 2.

RECYCLING PROGRAM

YMM's recycling program is now going on its 5th year. In collaboration with our terminal partners, and passengers, we aim to minimize our collective contributions to the landfill by separating general waste from recyclables. Clearly marked recycling bins are located throughout the terminal, making it simple for people to correctly dispose of their bottles and cans. The program helps us reduce our environmental footprint and supports our community's broader goals on sustainability. Based on the number of beverage containers collected and recycled in 2020, YMM has made the following impact.

YMM BY THE NUMBERS (2019-2020)



22% LESS
overall carbon footprint



12.8% LESS
natural gas consumed by airport restaurants for cooking and cleaning



16.2% LESS
electricity consumed to light and heat airport buildings and light the runway and taxiway



44.3% LESS
glycol consumed for aircraft de-icing activities in the winter



25.6% LESS
diesel consumed by ground service equipment, power generators and other



12% LESS
gasoline consumed by airport operated vehicles

ENVIRONMENTAL IMPACT



416 KGs
GHG Emissions Saved



1,426 Kwh
of energy saved



219 KGs
diverted from landfill

2020 HIGHLIGHTS

HIGH PERFORMING TEAMS

Our people are our greatest strength at YMM.

For us, developing and sustaining high-performing teams means we live by our values and work interdependently to achieve the vision of the organization. We cultivate a healthy team environment where we celebrate each team member's diverse expertise, perspective, and voice. We believe in continuously improving how we work, and we invest in training and growth opportunities to help our people achieve their greatest potential.



YMM BETTER TOGETHER INITIATIVE

The Better Together group was created to provide a platform for developing high performing individuals, teams, and emerging leaders. This continuous improvement team constructively challenges and supports each other to develop their personal and joint “crafts.” The group consist of FMAA, Security and the Firehall and meets bi-weekly to collaborate on projects and share expertise. This group is centered around honouring and valuing our people. When we learn from each other, we grow with each other.

CELEBRATING OUR PEOPLE

2020 was a challenging year, yet we had so much to celebrate. Airports are a people business first, and it takes exceptional people in front and behind the scenes to deliver a meaningful and safe experience. We are thrilled to introduce you to a few of our talented team members.



DENEAN ROBINSON

Finance Professional of the Year

Accelerating Financial Sustainability

YMM's very own Denean Robinson was named Finance Professional of the Year by Airports Council International – North America (ACI-NA). Denean is the Chief Financial Officer and Vice-President of Corporate Services at YMM. She was recognized for her work in pivoting the airport toward sustainable financial business operations, identifying process improvements and cost efficiencies. Under her portfolio, she oversees financial controls and commercial agreements with 70+ businesses operating on privately owned Fort McMurray Airport Authority lands.



RJ STEENSTRA

YMM Magazine Top 50 Under 50

Building Community

President and CEO of YMM, RJ Steenstra was recognized as a community leader who has made an extraordinary impact. Local leaders from across various sectors including oil and gas, media, arts and culture, and transportation, were recognized for their passion and commitment to making our region stronger.

YMM PRESIDENT'S AWARDS

Celebrating Excellence

Each year, YMM's President's Awards of Excellence Program recognizes FMAA staff and members of Team YMM who make an exceptional contribution to our airport community. This peer-nominated program promotes an environment of appreciation and gratitude where team members acknowledge and celebrate the achievement of their colleagues.



YMM CREW AWARD

Taphim Zaman & Victor Okorie,
Fort McMurray Airport Authority



YMM PASSENGER EXCELLENCE AWARD

Assia Foufa, Burger King



YMM COMMITTED AWARD

Glenda Higdon, Bill Asefa and Roselie Rupisan,
Bill's General Cleaning



YMM CO-PILOT AWARD

Diana Hood, Garda World

2020 HIGHLIGHTS

STAKEHOLDER RELATIONSHIPS

For YMM, strong internal and external relationships with our stakeholders and community partners are critical for ensuring we fulfill our mandate and deliver on our vision.

Our airport has an impact on, and is impacted by, a number of other organizations.

From airlines, tenants, concessions, and government agencies that operate at YMM, to our local community and suppliers – each group has a role in YMM's ability to deliver essential air service.



A TEAM SPORT – ECONOMIC DEVELOPMENT

Flair Airlines

YMM and Fort McMurray Wood Buffalo Economic Development & Tourism (FMWBEDT) share common goals centered around the movement of goods, people, ideas, and business. Through the Economic Development Initiatives Fund, YMM was able to secure Flair Airlines as the first ultra-low-cost air carrier to serve our market. Air service is a form of investment attraction. Airlines invest aircraft into markets that can produce the greatest return, which means YMM has to compete with other cities to get the best flights at the best prices for our community. By working together in synergy, we are able to move towards meeting our broader goals.



Sustainable air service depends on both outbound and inbound demand. Air service creates significant local economic benefits including:

- Tourism product development for leisure and northern experiences.
- Provincial, national, and international meetings and conventions attraction.
- Job creation and retention.
- Hotel occupancy growth.
- Restaurant revenue growth.
- Retail revenue growth.
- Venue utilization and optimization.
- Entrepreneurial start-up opportunities.
- Cargo development.
- Procurement opportunities.
- Arts and culture development.
- Place brand development and reinforcement.
- Economic diversification.

STAYING CONNECTED WITH OUR COMMUNITY

COVID-19 might have created some physical distance between us and the community, but that did not hinder our ability to promote strong social connections at a time when we needed it the most.

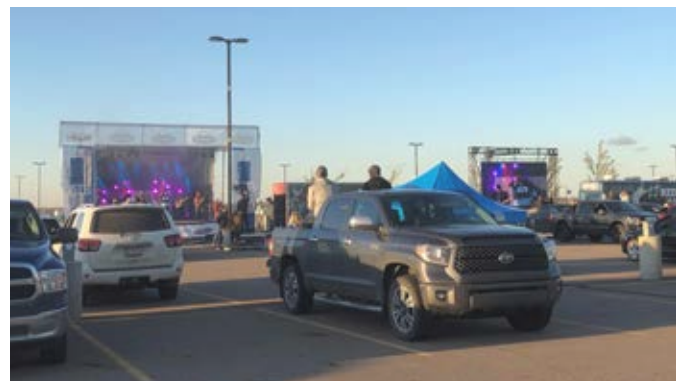
2020 GIFT-IN KIND COMMUNITY SUPPORT

In 2020, YMM supported a number of local social profit agencies with space inside our terminal buildings, and advertising for signature events such as the Northern Lights Health Foundation's Festival of Trees, which ran for 49 days, and Arts Council Wood Buffalo's Buffy Awards.

In total, YMM's gift in-kind contributions equaled approximately \$80,000 in 2020.

CANADIAN MENTAL HEALTH – DRIVE-IN FOR MENTAL HEALTH

Last summer, Alberta country music star, Gord Bamford performed a series of drive-in concerts across the province in support of mental health. One of those stops was the Fort McMurray International Airport parking lot. More than 100 vehicles rolled into the concert, raising more than \$12,000 for the Canadian Mental Health Association of Wood Buffalo. YMM was pleased to support this important initiative as a gift-in kind sponsor.





YMM MAGAZINE – TOP 20 UNDER 20

YMM returned as the presenting gift-in-kind sponsor of the Top 20 Under 20 Awards Celebration. We are proud to support programs and initiatives that build self-confidence, cultivate leadership skills, and develop character attributes to help youth reach their full potential academically, professionally, and personally. YMM's support included spotlighting this year's recipients on our digital screens throughout the terminal.

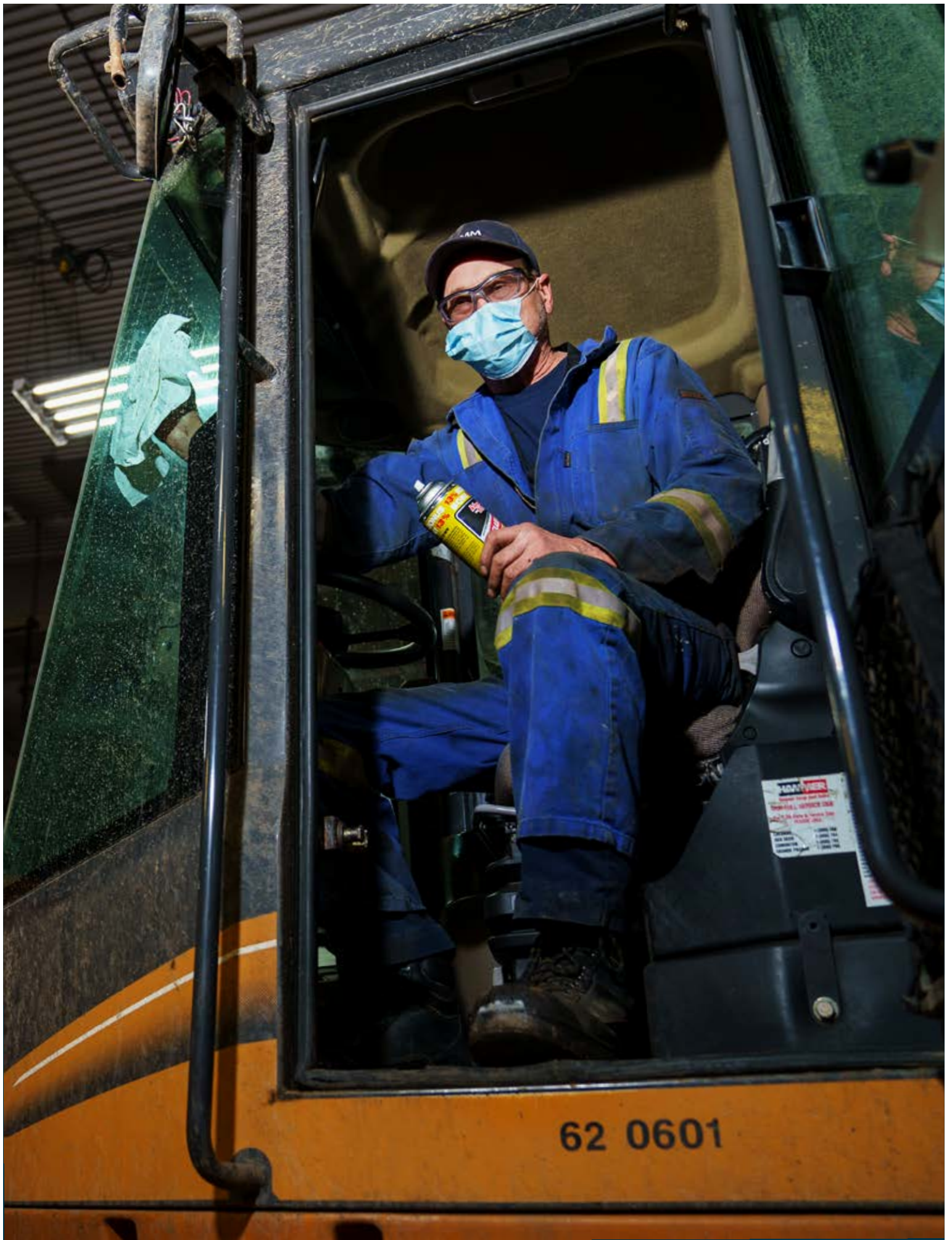
ART'S COUNCIL WOOD BUFFALO – BUFFY AWARDS

YMM was pleased to be back as the presenting gift-in-kind sponsor of the Buffy Awards, which celebrates our region's many talented artists. YMM supports Arts Council Wood Buffalo. Our contribution included highlighting each award recipient on our digital screens in arrivals and departures.



NORTHERN LIGHTS HEALTH FOUNDATION – FESTIVAL OF TREES

In November, the Northern Lights Health Foundation took the community down memory lane by hosting Festival of Trees, sponsored by Syncrude Canada, at YMM's original terminal. The terminal holds a special place in people's lives. Countless memories were made over the decades as many residents got their first glimpse into the region after stepping off the plane and into the terminal. YMM was thrilled to be the lead gift-in-kind sponsor for this revamped COVID-friendly event where new memories were made.



62 0601

PART 2

2020 FINANCIALS

2020 FINANCIALS

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 Murray International Airport (YMM).

Board Directors are appointed through four appointer entities and the community at large, as selected by the current serving board. The nominating entities include: Regional Municipality of Wood Buffalo, Canadian Association of Petroleum Producers, Fort McMurray Chamber of Commerce and 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.



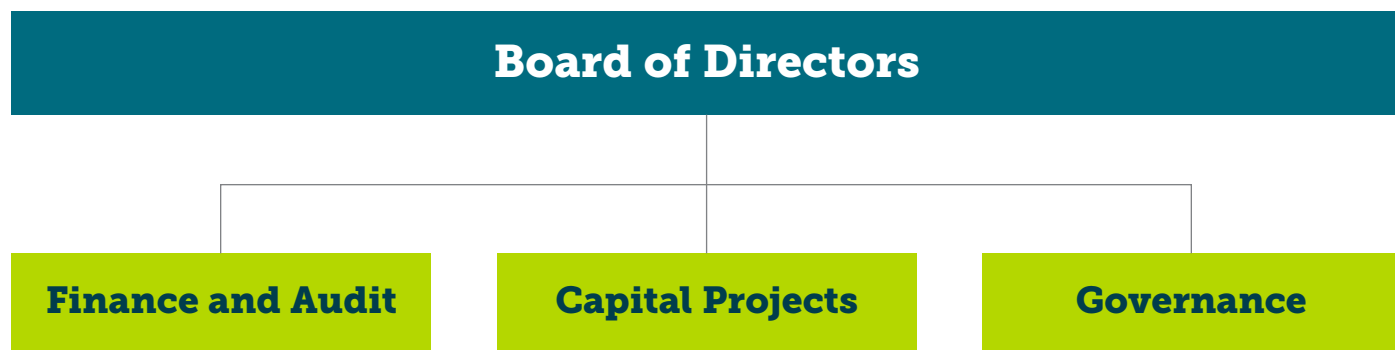
Fort McMurray Airport Authority Board of Directors & Leadership Team (from left to right):

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

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

Photo taken before COVID-19 restrictions came into effect.

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 apportionment 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	4 years	6/6	All	11/13
Joanne Day	Director/Governance Committee Chair	Regional Municipality of Wood Buffalo	2016/2020	5 years	6/6	Governance	3/3
Doug Simms	Director/Finance & Audit Committee Chair	Fort McMurray Chamber of Commerce	2019	1.5 years	6/6	Finance & Audit	7/7
Bill McGoey	Director/Capital Projects Committee Chair	At large appointment	2018	2 years	6/6	Capital Project	3/3
Colin Solbak	Director	Fort McMurray Chamber of Commerce	2015/2020	5 years	6/6	Finance & Audit	7/7
Sheldon Germain	Director	Regional Municipality of Wood Buffalo	2018	2 years	6/6	Governance	3/3
Linda Huebscher	Director	CUPE	2016/20	4 years	6/6	Capital Project	3/3
Keith Haxton	Director	Regional Municipality of Wood Buffalo	2019	1.5 years	6/6	Finance & Audit	7/7
Staci Millard	Director	At large appointment	2019	1.5 years	6/6	Governance	3/3
Ken Bell	Director	Canadian Association of Petroleum Procedures	2019	1.5 years	6/6	Capital Project	2/3

MANAGEMENT TEAM

Management Team	
RJ Steenstra	President & Chief Executive Officer
Denean Robinson	Chief Financial Officer, Vice President Corporate Services
Cuyler Green	Vice President, Operations
Sylvie Lemieux-Comtois	Senior Manager, Human Resources & Administration
Sara Viveiros	Manager, Health, Safety, & Environment
Jeff Vader	Manager, Airport Maintenance



MANAGEMENT DISCUSSION & ANALYSIS

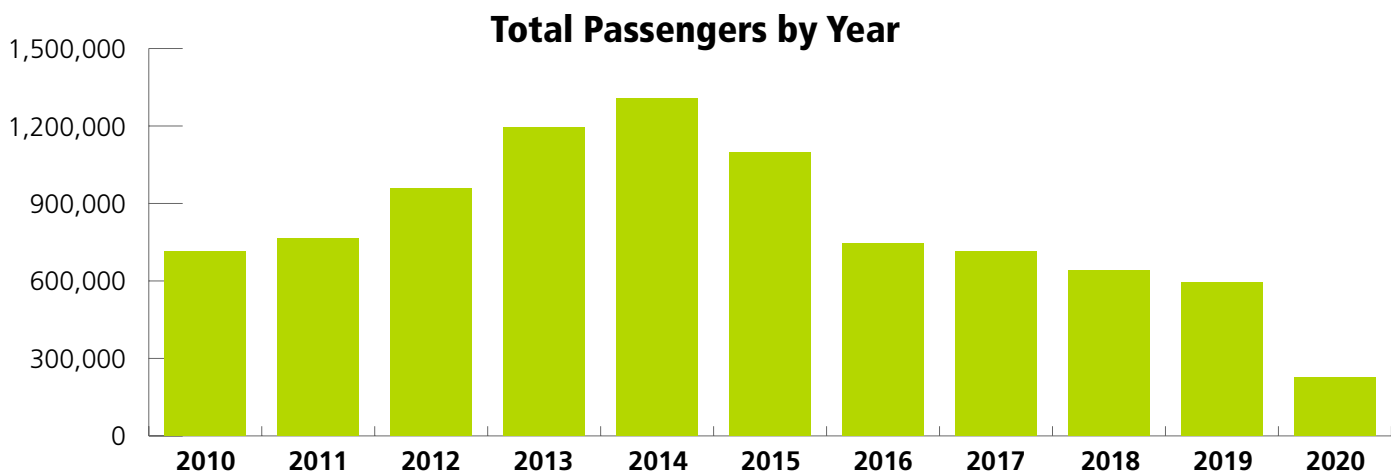
Introduction

This Management Discussion and Analysis (MD&A) enhances reporting of the audited financial statements of The Authority for the year ended December 31, 2020. It is delivered to explain management’s view of the environment and events of the information contained in the financial statements and assists 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 catastrophic impact of COVID-19 on the air transportation industry had a dramatic impact on YMM passenger traffic in 2020. The year-end result is a traffic decline of 366,602 passengers or 61.5% over the traffic recorded in 2019 and is 61.9% of the passenger traffic forecast approved by management in the 2020 annual budget. The Authority entered 2020 with optimism that the downward trend in passenger traffic was diminishing.

The subsequent impact of COVID-19, however, has severely impacted 2020 and additionally, has created significant uncertainty for future passenger forecasts.



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 Sands projects are key economic drivers for the Regional Municipality of Wood Buffalo and the sustained reduction in capital project investment activity, along with local economic drivers, has significantly impacted passenger traffic at YMM. The addition of the impact of COVID -19 has decimated current passenger levels and has created significant uncertainty as to when passenger volume will return to pre-pandemic levels.

The Authority demonstrated continued fiscal prudence in 2020 by achieving an additional 10% reduction in operating expenses. The Authority has reduced expenses in each of the past 5 years and has now sustained a 29% reduction in costs over the level of spending required in 2016.

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 revenues, including AIF collected in 2020, totaled \$7.6M.

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 approved capital projects. AIF is a major source of the Authority's revenue and remained so in 2020, representing 31% of all operating revenue for the year. 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 2020 AIF decreased by \$7.1M or 61.9% as a direct result of decline in passenger volume.

All amounts collected from AIF during 2020 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 \$6.6M in 2020.

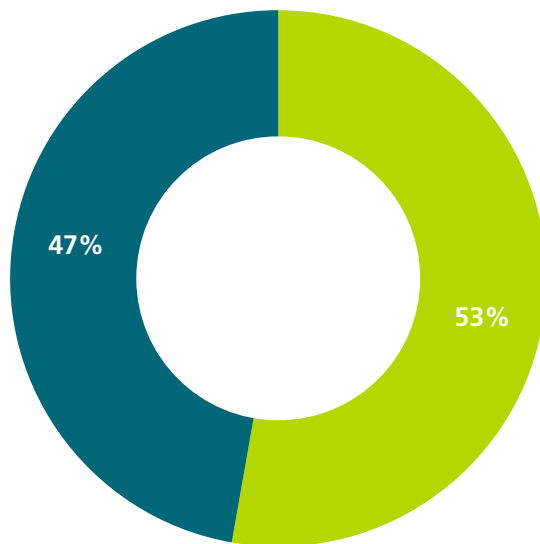
All non- AIF revenue contributes to financial operations of the airport and covers costs including salaries and wages, contracted services, general and administration, operating and board expenses.

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 plans to actively pursue opportunities for development on airport lands were deferred in 2020 due to the ongoing pandemic. Once the pandemic is behind us and the economy reopens, FMAA will again focus on the implementation of the Master Plan strategy which was refreshed in 2019.

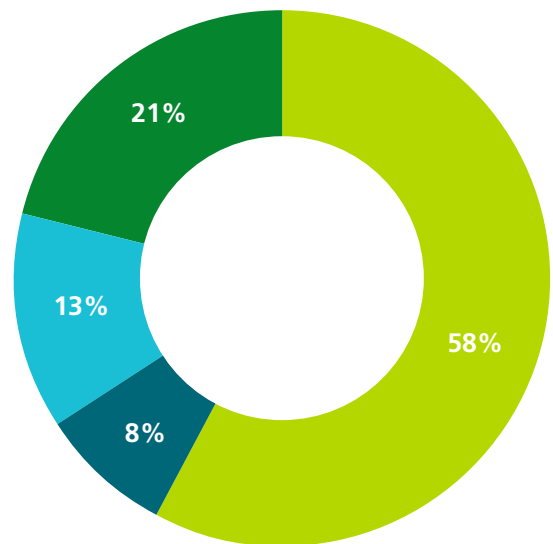
The Authority also generates revenue by selling advertising space inside and outside terminals. Additionally, sponsored spaces, special events and branded areas generate operating income while improving airport ambiance and the passenger experience.

2019 Revenue by Source



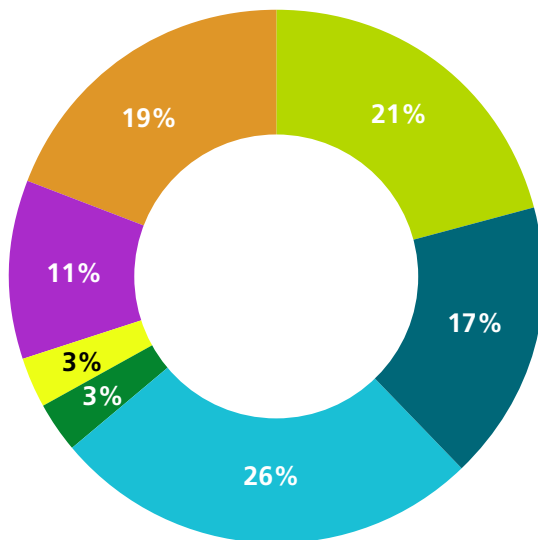
- Aeronautical Revenue
- Non Aeronautical Revenue

Aeronautical Revenue

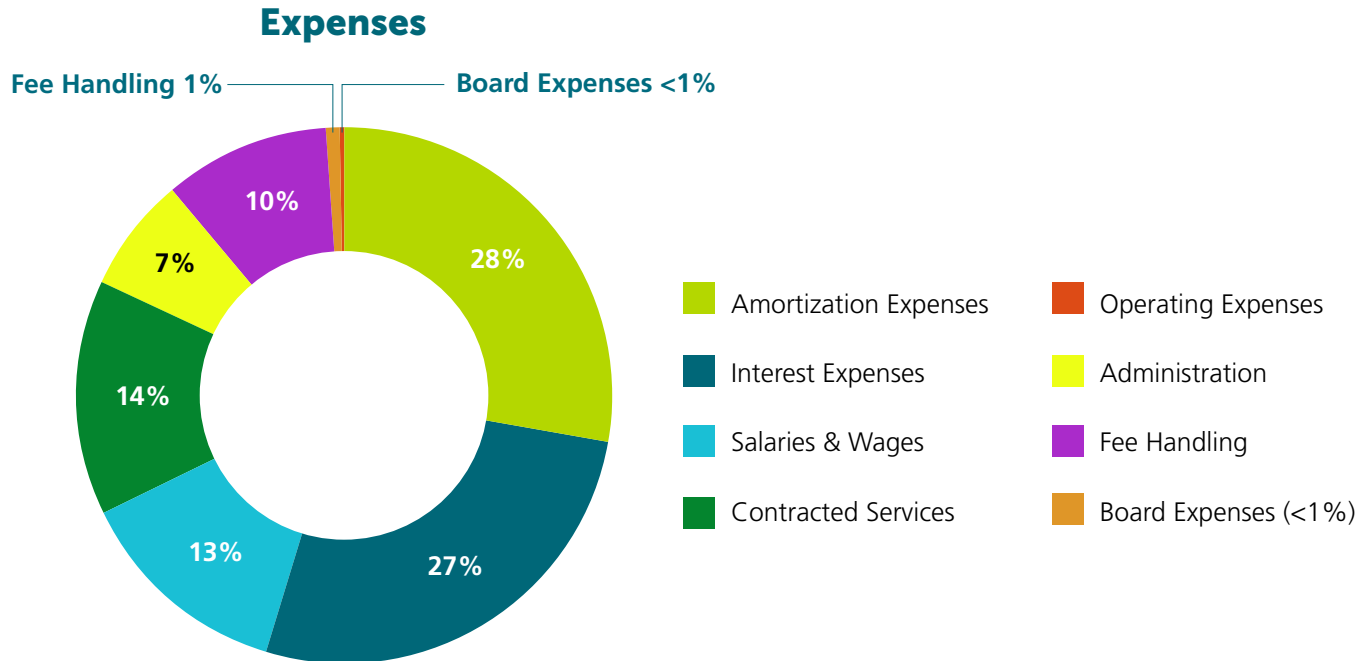


- Airport Improvement Fee
- General Operations Revenue
- Airfield
- Terminal

Non Aeronautical Revenue



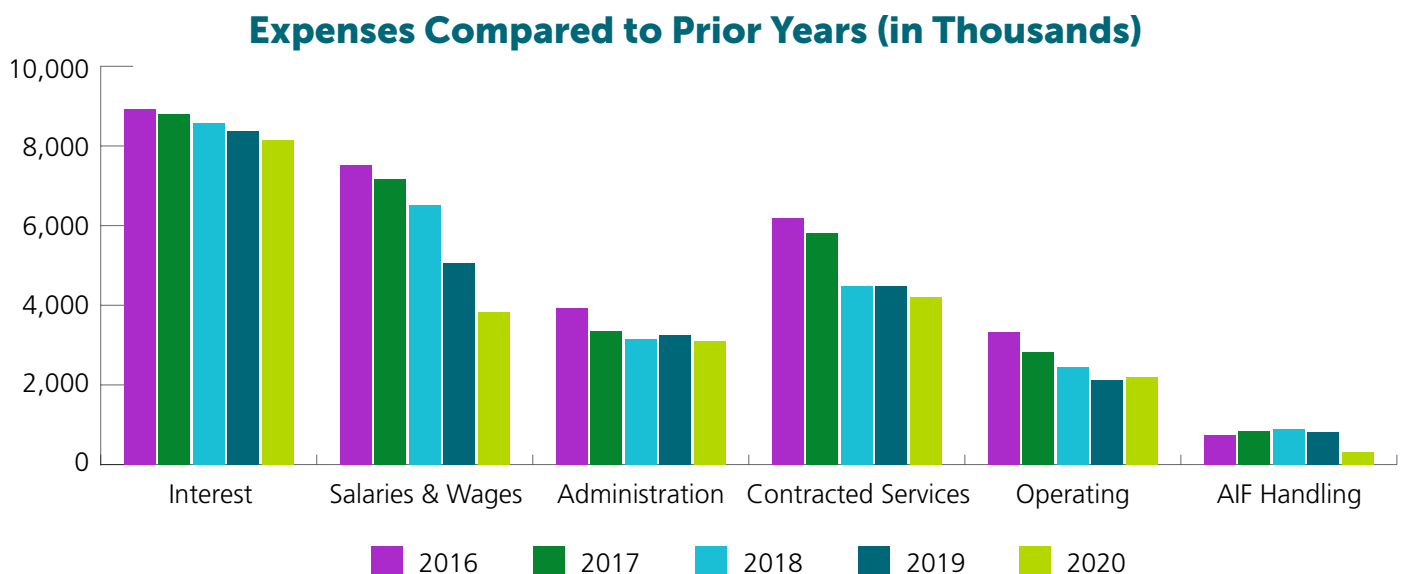
- Parking
- Ground Transportation
- Land Lease
- Advertising
- Concession
- Other
- Interest



Expenses

Cost reduction is challenging for airport operators because of the significant investment in infrastructure which requires extensive maintenance and improvements over time to adapt to changing customer demand, wear and tear and airport regulations. The Authority significantly reduced operating expenses over the past five years through a streamlining of operations. This reduced level of operation leaves little room for additional cost cutting in the face of the pandemic, as more than 68% of the Authority's remaining costs are of a fixed or non controllable nature. In 2020, The Authority actively reviewed expenditures and succeeded in further reducing operating costs by \$1.5M (10.3%) over 2019. A portion of this reduction is attributed to the Canadian Emergency Wage Subsidy which acts as a reduction in payroll costs.

Total annual expenses have reduced by \$8.8M over the past five which represents a 29% sustained reduction.



Capital Investment

Capital investment is required to maintain the terminal and infrastructure as an operationally efficient asset seamlessly serving the needs of residents and visitors to the RMWB. The Fort McMurray International Airport benefits from being a newer structure and required terminal capital maintenance remains relatively modest as a percentage of asset value.

Capital program expenditures in 2020 totaled \$10,291K (2019 - \$471K)

Capital Spend

Runway rehabilitation	\$ 9,593,000
Furniture, fixtures & equipment	698,000
Total	\$ 10,291,000

The Airport Authority completed a runway rehabilitation in the summer of 2020. This significant infrastructure investment could not be delayed as the last rehabilitation was completed more than 15 years ago. The project consisted 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 give aircraft more room for safe landing and take-off. Additional work on the apron and access roads will complete the project in 2021.

The Authority was able to proceed with this significant project thanks to a 2020 Community Infrastructure Grant made possible by the Regional Municipality of Wood Buffalo. The \$15 million project supports the community with connectivity, economic growth, quality of life service, safety, and emergency response capabilities well into the future.

Outlook

In 2021, the Authority will focus on recouping air service capacity that was lost during the pandemic, in addition to pursuing opportunities for new direct routes to international destinations to better service the residents of Wood Buffalo, once it is deemed safe to travel. The Authority continues to leverage the strength and operational excellence that has been streamlined over the past few years, and will look for growth opportunities to increase service to the community and improve the competitiveness of YMM as soon as the world returns to a more normal level of economic activity. Non aeronautical revenue development remains a focus and the Authority will develop airport lands where opportunities exist.

The Authority continues to work closely with our airline partners to actively respond to changing market needs and provide benefit to our passengers, airlines and the 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, 2020 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 financial statements.

Section 17 (1) FOIP

RJ Steenstra

President and Chief Executive Officer

Section 17 (1) FOIP

Denean Robinson

VP Corporate Services & CFO



FINANCIAL STATEMENTS

December 31, 2020

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, 2020, 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, 2020, 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 6th, 2021

MNP LLP

Chartered Professional Accountants

MNP

STATEMENT OF FINANCIAL POSITION

As at December 31, 2020

	2020	2019
Assets		
Current		
Cash and cash equivalents	6,563,546	6,205,794
Restricted cash (Note 5)	7,112,179	-
Accounts receivable (Note 18)	1,753,348	2,344,495
Investments (Note 5)	21,181,544	30,994,418
Prepaid expenses	509,715	617,938
Insurance claim receivable	-	4,200,000
	37,120,332	44,362,645
Restricted cash (Note 5) (Note 15)	4,338,633	4,109,657
Tangible capital assets (Note 3)	316,906,869	315,171,380
Intangible assets (Note 4)	154,010	171,552
	358,519,844	363,815,234
Liabilities		
Current		
Accounts payable and accrued liabilities (Note 6)	4,902,666	3,799,874
Deferred revenue	234,771	328,064
Current portion of long-term debt (Note 7)	5,073,955	4,842,731
	10,211,392	8,970,669
Long-term debt (Note 7)	165,133,938	170,207,893
Deferred capital contributions (Note 9) (Note 14)	5,484,211	-
Unamortized capital contributions (Note 9)	35,901,343	26,912,997
	216,730,884	206,091,559
Contractual obligation (Note 14)		
Significant event (Note 18)		
Net Assets		
Unrestricted net assets	137,450,327	153,614,018
Internally restricted net assets (Note 15)	4,338,633	4,109,657
	141,788,960	157,723,675
	358,519,844	363,815,234

Approved on behalf of the Board

Section 17 (1) FOIP

Director

Mike Chwelos

Section 17 (1) FOIP

Director

Doug G. Simms

STATEMENT OF OPERATIONS

For the year ended December 31, 2020

	2020	2019
Aeronautical revenue		
Airport improvement fee (Note 10)	4,396,420	11,531,991
Main terminal	1,600,290	3,062,491
Airfield	1,029,215	2,035,472
General operations	578,334	1,531,678
North Terminal	12,015	231,256
	7,616,274	18,392,888
Non-aeronautical revenue		
Land lease	1,741,289	2,059,870
Parking	1,417,844	2,719,330
Ground transportation	1,122,364	2,552,394
Interest	688,934	1,064,754
Amortization of deferred capital contributions (Note 9)	604,547	498,271
Other	428,494	964,102
Concessions	391,102	162,000
Grant revenue (Note 11)	246,385	209,877
	6,640,959	10,230,598
	14,257,233	28,623,486
Expenses		
Amortization (Note 3), (Note 4)	8,388,542	10,738,439
Interest	8,137,180	8,360,920
Salaries and wages (Note 12), (Note 17)	4,853,565	5,051,419
Contracted services	4,194,402	4,494,396
General and administrative	3,011,986	3,093,064
Operating	2,208,226	2,127,587
Airport improvement fee handling (Note 10)	310,880	807,243
Board expenses	72,633	103,729
	31,177,414	34,776,797
Deficiency of revenue over expenses before other items	(16,920,181)	(6,153,311)
Other items		
Canada emergency wage subsidy (Note 18)	1,013,466	-
Insurance recoveries	-	4,200,000
Loss on disposal of tangible capital assets	(28,000)	(43,266)
	985,466	4,156,734
Deficiency of revenue over expenses	(15,934,715)	(1,996,577)

STATEMENT OF CHANGES IN NET ASSETS

For the year ended December 31, 2020

	2020	2019
Net assets, beginning of year	157,723,675	159,720,252
Deficiency of revenue over expenses	(15,934,715)	(1,996,577)
Net assets, end of year	141,788,960	157,723,675

STATEMENT OF CASH FLOWS

For the year ended December 31, 2020

	2020	2019
Cash provided by (used for) the following activities		
Operating		
Deficiency of revenue over expenses	(15,934,715)	(1,996,577)
Amortization	8,388,542	10,738,439
Loss on disposal of tangible capital assets	28,000	43,266
Amortization of deferred capital contribution	(604,547)	(498,271)
	(8,122,720)	8,286,857
Changes in working capital accounts		
Accounts receivable	591,147	(804,397)
Prepaid expenses	108,223	(178,712)
Insurance claim receivable	4,200,000	(4,200,000)
Accounts payable and accrued liabilities	(81,635)	(372,862)
Deferred revenue	(93,293)	225,637
	(3,398,278)	2,956,523
Financing		
Repayment of long-term debt	(4,842,731)	(4,622,044)
Receipt of capital contributions (Note 9)	15,077,103	-
	10,234,372	(4,622,044)
Investing		
Purchase of tangible capital assets (Note 3)	(8,907,225)	(470,768)
Purchase of intangible assets	(67,052)	-
Proceeds on disposal of tangible capital assets	24,216	66,000
Increase in restricted cash	(7,341,155)	(435,208)
Net change in investments	9,812,874	(642,539)
	(6,478,342)	(1,482,515)
Increase (decrease) in cash and cash equivalents	357,752	(3,148,036)
Cash and cash equivalents, beginning of year	6,205,794	9,353,830
Cash and cash equivalents, end of year	6,563,546	6,205,794

NOTES TO THE FINANCIAL STATEMENTS

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

Intangible assets

Specified intangible assets are recognized and reported 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.

Long-lived assets

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

When the Authority determines that a long-lived asset no longer has any long-term service potential to the organization, the excess of its net carrying amount over any residual value is recognized as an expense in the statement of operations. Write-downs are not reversed.

Revenue recognition

Revenue generated from airport improvement fees, airfield revenues, fees charged for parking, terminal and ground transportation and other revenues, including general operations, are recognized as the airport facilities are utilized. Concession revenues are charged on a monthly basis and are recognized on a percentage of sales or specified minimum rent basis. Other rentals are recognized over the term of the respective agreements. The Authority follows the deferral method of revenue recognition for externally restricted revenues.

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 revenues 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 deficiency of revenues 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 deficiency of revenues over expenses.

3. Tangible capital assets

	Cost	Accumulated amortization	2020 Net book value	2019 Net book value
Airside lighting structures	5,451,294	1,822,443	3,628,851	910,220
Airside paving structure - subgrade and paving	43,606,588	14,559,878	29,046,710	24,285,191
Apron expansion - subgrade and paving	41,535,313	20,456,142	21,079,171	21,857,959
Assets under construction	5,478,874	-	5,478,874	4,686,145
Buildings	263,904,829	38,124,655	225,780,174	231,064,087
Computer hardware	33,411	12,777	20,634	19,745
Fences	112,438	937	111,501	-
Fire trucks & equipment	1,452,562	1,390,086	62,476	198,789
Furniture, fixtures & equipment	820,209	418,840	401,369	264,493
Land	25,037,536	-	25,037,536	25,037,536
Light vehicle fleet	639,480	579,156	60,324	61,899
Maintenance equipment	8,099,545	5,166,793	2,932,752	3,238,072
Parking lots - subgrade and paving	2,595,586	1,372,291	1,223,295	1,353,911
Roadways & groundside paving structure	3,002,626	959,424	2,043,202	2,193,333
	401,770,291	84,863,422	316,906,869	315,171,380

The Authority has commenced an expansion project under the Building Canada Fund (Note 14). Assets under construction include \$5,478,874 (2019 - \$4,686,145) which are not subject to amortization as the asset was not available for use at December 31, 2020. Tangible capital asset additions of \$1,184,427 (2019 - \$nil) remain in accounts payable as at December 31, 2020.

4. Intangible assets

	2020 Net book value	2019 Net book value
Computer software	154,010	171,552

During the year, amortization of \$84,594 (2019 - \$103,112) was recorded relating to intangible assets.

5. Investments and restricted cash

Investments	2020	2019
RBC Wealth Management Dominion Securities (GIC, 0.85%, maturing December 23, 2021)	21,145,222	20,698,921
ATB 90 Day Demand (ATB prime - 1.60%)	36,322	10,295,497
	21,181,544	30,994,418

Restricted cash

Restricted cash includes \$4,338,633 (2019 - \$4,109,657) received from car rental agencies (the “agencies”) operating from the Airport. The cash 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. The remaining balance of \$7,112,179 (2019 - \$nil) represents grant proceeds received from the RMWB which is restricted to capital expenditures related to the runway rehabilitation project (Note 9).

6. Accounts payable and accrued liabilities

Included in accounts payable are the following preferred creditor amounts: Goods and Services Taxes of \$58,781 (2019 - \$56,488).

7. Long-term debt

Alberta Treasury Board (the “Province”)

On March 7, 2011, the Authority secured \$198,000,000 in long-term financing from the Alberta Capital Finance Authority (the “ACFA”) 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.

Effective April 14, 2020 the ACFA was dissolved, and the Authority’s credit facility was transferred to Her Majesty The Queen in Right Alberta as represented by the Alberta Treasury Board and Minister of Finance (the “Province”). 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 held by the Province has been arranged by the RBC, pari passu with the Province. Subsequent to year-end, the Letter of Guarantee was reduced to \$3,000,000.

Under the terms of the 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 and was further downgraded in 2020 as a result of the COVID-19 pandemic and travel restrictions which triggered an unprecedented decline in passenger traffic. The Authority is in violation of the credit rating requirement, the interest coverage and cash flow covenants at December 31, 2020.

The Province has acknowledged the conditions leading to this downgrade in credit rating and has provided a waiver of all required covenants to December 31, 2021.

	2020	2019
Alberta Treasury Board long-term debt	170,207,893	175,050,624
Less: Current portion	5,073,955	4,842,731
	165,133,938	170,207,893

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:

2021	5,073,955
2022	5,316,221
2023	5,570,053
2024	5,836,005
2025	6,114,655
Thereafter	142,297,004
	170,207,893

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, 2020, no amounts were drawn (2019 - \$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.

On January 1, 2020, the Council of the RMWB approved a capital funding grant of \$15,000,000 to the Authority. The capital grant is designated for the Runway Rehabilitation project at the Fort McMurray International Airport which commenced in 2020.

During the year, the Authority recognized government grant revenue of \$524,155 (2019 - \$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 contributions on the statement of financial position, as the project was completed in June 2014. During the year the Authority recognized government grant revenue of \$80,392 (2019 - \$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 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.

	2020	2019
Earned revenue	4,355,950	11,444,821
Airline / ATAC handling and administration fees	(310,880)	(807,243)
Net AIF revenue earned	4,045,070	10,637,578

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 2020 in the amount of \$112,000 (2019 - \$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, 2019, the LAPP reported a surplus of \$7.9 billion (2018 - \$3.4 billion). Total service contributions by the Authority to the LAPP for 2020 totaled \$369,137 (2019 - \$344,802).

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, 2020, the Authority had five (2019 - three) major customers which represented 60% of the Authority's accounts receivable (2019 - 70%). Accounts receivable are presented net of an allowance for doubtful accounts of \$227,962 (2019 - \$74,705) 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.

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.

During 2020, the Authority received a Capital Grant in the amount of \$15,000,000 from the Regional Municipality of Wood Buffalo to fund a runway rehabilitation project which commenced in 2020. The Authority has recognized tangible capital assets in the amount of \$9,592,892 less amortization of \$106,276 for a net carrying amount of \$9,486,617 at December 31, 2020, which represents the value of work completed during the year and placed in use. The authority will complete the remainder of the rehabilitation project work in 2021 and has recognized \$5,484,211 as a liability for unspent funds. This liability includes \$77,103 of interest earned on the grant proceeds during the year.

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 \$4,338,633 (2019 - \$4,109,657) 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 revenues 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 2020:

Total remuneration to the Board of Directors was \$64,393 (2019 - \$88,862), and expenses reimbursed totaled \$1,975 (2019 - \$8,782).

Total base compensation range for the senior officers at the Authority is \$172,205 to \$236,691 (2019 - \$167,004 to \$229,788).

18. Significant event

In early March 2020, there was a global outbreak of COVID-19, which had a significant impact on the Authority's results of operations for the year ending December 31, 2020, resulting in violation of the Authority's long term debt covenants (Note 7). The extent to which the COVID-19 pandemic may continue to impact the Authority will depend on future developments, which are highly uncertain and cannot be predicted with confidence, such as the duration of the outbreak, travel restrictions and return of passenger confidence in travel, business closures or business disruptions, and the effectiveness of actions taken in Canada and other countries to contain and treat the disease including the timing of vaccine deliveries. The resulting reduction in traffic of carriers served by the Authority could continue to have a material adverse effect on the Authority, its business, results from operations and financial condition.

The Authority was eligible for the Canada Emergency Wage Subsidy due to the significant drop in revenue experienced in 2020 during the COVID-19 pandemic. A wage subsidy of \$1,013,466 has been recognized in the statement of operations. The authority received \$427,750 of this subsidy during the year and \$585,716 is recorded as accrued receivable at December 31, 2020.

Due to the impact of the COVID-19 pandemic on the air transportation sector, the Authority provided support to tenants by providing either rent waivers or deferrals. The Authority has applied the practical expedient to all rent concessions that meet the relevant conditions. The amount recognized in the Statement of Operations for the reporting period to reflect changes in lease payments arising from rent concession waivers to which the Authority has applied the practical expedient for COVID-19 related rent concessions is \$546,993. The aggregate amount of lease receivables related to the deferral of lease payments as at the reporting date was \$29,262.





300-100 Snowbird Way

Fort McMurray, AB T9H 0G3

Toll-Free: +1 (855) 4FLY YMM (435-9966)

Fax: (780) 790-3904

Email: info@FlyYMM.com

FlyYMM.com

   FlyYMM

Fort McMurray Airport Authority
Financial Statements
December 31, 2020

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, 2020, 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, 2020, 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, 2021

MNP LLP

Chartered Professional Accountants

Fort McMurray Airport Authority

Statement of Financial Position

As at December 31, 2020

	2020	2019
Assets		
Current		
Cash and cash equivalents	6,563,546	6,205,794
Restricted cash (Note 5)	7,112,179	-
Accounts receivable (Note 18)	1,753,348	2,344,495
Investments (Note 5)	21,181,544	30,994,418
Prepaid expenses	509,715	617,938
Insurance claim receivable	-	4,200,000
	37,120,332	44,362,645
Restricted cash (Note 5) (Note 15)	4,338,633	4,109,657
Tangible capital assets (Note 3)	316,906,869	315,171,380
Intangible assets (Note 4)	154,010	171,552
	358,519,844	363,815,234
Liabilities		
Current		
Accounts payable and accrued liabilities (Note 6)	4,902,666	3,799,874
Deferred revenue	234,771	328,064
Current portion of long-term debt (Note 7)	5,073,955	4,842,731
	10,211,392	8,970,669
Long-term debt (Note 7)	165,133,938	170,207,893
Deferred capital contributions (Note 9) (Note 14)	5,484,211	-
Unamortized capital contributions (Note 9)	35,901,343	26,912,997
	216,730,884	206,091,559
Contractual obligation (Note 14)		
Significant event (Note 18)		
Net Assets		
Unrestricted net assets	137,450,327	153,614,018
Internally restricted net assets (Note 15)	4,338,633	4,109,657
	141,788,960	157,723,675
	358,519,844	363,815,234

Approved on behalf of the Board

signed by "Mike Chwelos"

Director

signed by "Doug Simms"

Director

The accompanying notes are an integral part of these financial statements

Fort McMurray Airport Authority

Statement of Operations

For the year ended December 31, 2020

	2020	2019
Aeronautical revenue		
Airport improvement fee (Note 10)	4,396,420	11,531,991
Main terminal	1,600,290	3,062,491
Airfield	1,029,215	2,035,472
General operations	578,334	1,531,678
North terminal	12,015	231,256
	7,616,274	18,392,888
Non-aeronautical revenue		
Land lease	1,741,289	2,059,870
Parking	1,417,844	2,719,330
Ground transportation	1,122,364	2,552,394
Interest	688,934	1,064,754
Amortization of deferred capital contributions (Note 9)	604,547	498,271
Other	428,494	209,877
Concessions	391,102	964,102
Grant revenue (Note 11)	246,385	162,000
	6,640,959	10,230,598
	14,257,233	28,623,486
Expenses		
Amortization (Note 3), (Note 4)	8,388,542	10,738,439
Interest	8,137,180	8,360,920
Salaries and wages (Note 12), (Note 17)	4,853,565	5,051,419
Contracted services	4,194,402	4,494,396
General and administrative	3,011,986	3,093,064
Operating	2,208,226	2,127,587
Airport improvement fee handling (Note 10)	310,880	807,243
Board expenses	72,633	103,729
	31,177,414	34,776,797
Deficiency of revenue over expenses before other items	(16,920,181)	(6,153,311)
Other items		
Canada emergency wage subsidy (Note 18)	1,013,466	-
Insurance recoveries	-	4,200,000
Loss on disposal of tangible capital assets	(28,000)	(43,266)
	985,466	4,156,734
Deficiency of revenue over expenses	(15,934,715)	(1,996,577)

The accompanying notes are an integral part of these financial statements

Fort McMurray Airport Authority
Statement of Changes in Net Assets
For the year ended December 31, 2020

	2020	2019
Net assets, beginning of year	157,723,675	159,720,252
Deficiency of revenue over expenses	(15,934,715)	(1,996,577)
Net assets, end of year	141,788,960	157,723,675

The accompanying notes are an integral part of these financial statements

Fort McMurray Airport Authority

Statement of Cash Flows

For the year ended December 31, 2020

	2020	2019
Cash provided by (used for) the following activities		
Operating		
Deficiency of revenue over expenses	(15,934,715)	(1,996,577)
Amortization	8,388,542	10,738,439
Loss on disposal of tangible capital assets	28,000	43,266
Amortization of deferred capital contributions	(604,547)	(498,271)
	(8,122,720)	8,286,857
Changes in working capital accounts		
Accounts receivable	591,147	(804,397)
Prepaid expenses	108,223	(178,712)
Insurance claim receivable	4,200,000	(4,200,000)
Accounts payable and accrued liabilities	(81,635)	(372,862)
Deferred revenue	(93,293)	225,637
	(3,398,278)	2,956,523
Financing		
Repayment of long-term debt	(4,842,731)	(4,622,044)
Receipt of capital contributions (Note 9)	15,077,103	-
	10,234,372	(4,622,044)
Investing		
Purchase of tangible capital assets (Note 3)	(8,907,225)	(470,768)
Purchase of intangible assets	(67,052)	-
Proceeds on disposal of tangible capital assets	24,216	66,000
Increase in restricted cash	(7,341,155)	(435,208)
Net change in investments	9,812,874	(642,539)
	(6,478,342)	(1,482,515)
Increase (decrease) in cash and cash equivalents	357,752	(3,148,036)
Cash and cash equivalents, beginning of year	6,205,794	9,353,830
Cash and cash equivalents, end of year	6,563,546	6,205,794

The accompanying notes are an integral part of these financial statements

Fort McMurray Airport Authority

Notes to the Financial Statements

For the year ended December 31, 2020

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

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

Intangible assets

Specified intangible assets are recognized and reported 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.

Long-lived assets

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

When the Authority determines that a long-lived asset no longer has any long-term service potential to the organization, the excess of its net carrying amount over any residual value is recognized as an expense in the statement of operations. Write-downs are not reversed.

Revenue recognition

Revenue generated from airport improvement fees, airfield revenues, fees charged for parking, terminal and ground transportation and other revenues, including general operations, are recognized as the airport facilities are utilized. Concession revenues are charged on a monthly basis and are recognized on a percentage of sales or specified minimum rent basis. Other rentals are recognized over the term of the respective agreements. The Authority follows the deferral method of revenue recognition for externally restricted revenues.

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 revenues 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.

Fort McMurray Airport Authority
Notes to the Financial Statements
For the year ended December 31, 2020

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

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 deficiency of revenues 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 deficiency of revenues over expenses.

3. Tangible capital assets

		Accumulated	2020	2019
	Cost	amortization	Net book value	Net book value
Airside lighting structures	5,451,294	1,822,443	3,628,851	910,220
Airside paving structure - subgrade and paving	43,606,588	14,559,878	29,046,710	24,285,191
Apron expansion - subgrade and paving	41,535,313	20,456,142	21,079,171	21,857,959
Assets under construction	5,478,874	-	5,478,874	4,686,145
Buildings	263,904,829	38,124,655	225,780,174	231,064,087
Computer hardware	33,411	12,777	20,634	19,745
Fences	112,438	937	111,501	-
Fire trucks & equipment	1,452,562	1,390,086	62,476	198,789
Furniture, fixtures & equipment	820,209	418,840	401,369	264,493
Land	25,037,536	-	25,037,536	25,037,536
Light vehicle fleet	639,480	579,156	60,324	61,899
Maintenance equipment	8,099,545	5,166,793	2,932,752	3,238,072
Parking lots - subgrade and paving	2,595,586	1,372,291	1,223,295	1,353,911
Roadways & groundside paving structure	3,002,626	959,424	2,043,202	2,193,333
	401,770,291	84,863,422	316,906,869	315,171,380

The Authority has commenced an expansion project under the Building Canada Fund (Note 14). Assets under construction include \$5,478,874 (2019 - \$4,686,145) which are not subject to amortization as the asset was not available for use at December 31, 2020. Tangible capital asset additions of \$1,184,427 (2019 - \$nil) remain in accounts payable as at December 31, 2020.

4. Intangible assets

	2020	2019
	Net book value	Net book value
Computer software	154,010	171,552

During the year, amortization of \$84,594 (2019 – \$103,112) was recorded relating to intangible assets.

Fort McMurray Airport Authority
Notes to the Financial Statements
For the year ended December 31, 2020

5. Investments and restricted cash

	2020	2019
Investments		
RBC Wealth Management Dominion Securities (GIC, 0.85%, maturing December 23, 2021)	21,145,222	20,698,921
ATB 90 Day Demand (ATB prime - 1.60%)	36,322	10,295,497
	21,181,544	30,994,418

Restricted cash

Restricted cash includes \$4,338,633 (2019 - \$4,109,657) received from car rental agencies (the "agencies") operating from the Airport. The cash 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. The remaining balance of \$7,112,179 (2019 - \$nil) represents grant proceeds received from the RMWB which is restricted to capital expenditures related to the runway rehabilitation project (Note 9).

6. Accounts payable and accrued liabilities

Included in accounts payable are the following preferred creditor amounts: Goods and Services Taxes of \$58,781 (2019 - \$56,488).

7. Long-term debt

Alberta Treasury Board (the "Province")

On March 7, 2011, the Authority secured \$198,000,000 in long-term financing from the Alberta Capital Finance Authority (the "ACFA") 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.

Effective April 14, 2020 the ACFA was dissolved, and the Authority's credit facility was transferred to Her Majesty The Queen in Right Alberta as represented by the Alberta Treasury Board and Minister of Finance (the "Province").

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 held by the Province has been arranged by the RBC, pari passu with the Province. Subsequent to year-end, the Letter of Guarantee was reduced to \$3,000,000.

Under the terms of the 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 and was further downgraded in 2020 as a result of the COVID-19 pandemic and travel restrictions which triggered an unprecedented decline in passenger traffic. The Authority is in violation of the credit rating requirement, the interest coverage and cash flow covenants at December 31, 2020.

The Province has acknowledged the conditions leading to this downgrade in credit rating and has provided a waiver of all required covenants to December 31, 2021.

	2020	2019
Alberta Treasury Board long-term debt	170,207,893	175,050,624
Less: Current portion	5,073,955	4,842,731
	165,133,938	170,207,893

Fort McMurray Airport Authority
Notes to the Financial Statements
For the year ended December 31, 2020

7. Long-term debt *(Continued from previous page)*

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:

2021	5,073,955
2022	5,316,221
2023	5,570,053
2024	5,836,005
2025	6,114,655
Thereafter	142,297,004
	<hr/>
	170,207,893

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, 2020, no amounts were drawn (2019 - \$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.

On January 1, 2020, the Council of the RMWB approved a capital funding grant of \$15,000,000 to the Authority. The capital grant is designated for the Runway Rehabilitation project at the Fort McMurray International Airport which commenced in 2020.

During the year, the Authority recognized government grant revenue of \$524,155 (2019 - \$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 contributions on the statement of financial position, as the project was completed in June 2014. During the year the Authority recognized government grant revenue of \$80,392 (2019 - \$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 contributions on the statement of financial position and no amortization was recognized during the year.

Fort McMurray Airport Authority
Notes to the Financial Statements
For the year ended December 31, 2020

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.

	2020	2019
Earned revenue	4,355,950	11,444,821
Airline / ATAC handling and administration fees	(310,880)	(807,243)
Net AIF revenue earned	4,045,070	10,637,578

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 2020 in the amount of \$112,000 (2019 - \$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, 2019, the LAPP reported a surplus of \$7.9 billion (2018 - \$3.4 billion). Total service contributions by the Authority to the LAPP for 2020 totaled \$369,137 (2019 - \$344,802).

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, 2020, the Authority had five (2019 - three) major customers which represented 60% of the Authority's accounts receivable (2019 - 70%). Accounts receivable are presented net of an allowance for doubtful accounts of \$227,962 (2019 - \$74,705) in the statement of financial position.

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

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.

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.

During 2020, the Authority received a capital grant in the amount of \$15,000,000 from the Regional Municipality of Wood Buffalo to fund a runway rehabilitation project which commenced in 2020. The Authority has recognized tangible capital assets in the amount of \$9,592,892 less amortization of \$106,276 for a net carrying amount of \$9,486,617 at December 31, 2020, which represents the value of work completed during the year and placed in use. The Authority will complete the remainder of the rehabilitation project work in 2021 and has recognized \$5,484,211 as a liability for unspent funds. This liability includes \$77,103 of interest earned on the grant proceeds during the year.

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 \$4,338,633 (2019 - \$4,109,657) 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 revenues 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 2020:

Total remuneration to the Board of Directors was \$64,393 (2019 - \$88,862), and expenses reimbursed totaled \$1,975 (2019 - \$8,782).

Total base compensation range for the senior officers of the Authority is \$172,205 to \$236,691 (2019 - \$167,004 to \$229,788).

18. Significant event

In early March 2020, there was a global outbreak of COVID-19, which had a significant impact on the Authority's results of operations for the year ending December 31, 2020, resulting in violation of the Authority's long term debt covenants (Note 7). The extent to which the COVID-19 pandemic may continue to impact the Authority will depend on future developments, which are highly uncertain and cannot be predicted with confidence, such as the duration of the outbreak, travel restrictions and return of passenger confidence in travel, business closures or business disruptions, and the effectiveness of actions taken in Canada and other countries to contain and treat the disease including the timing of vaccine deliveries. The resulting reduction in traffic of carriers served by the Authority could continue to have a material adverse effect on the Authority, its business, results from operations and financial condition.

The Authority was eligible for the Canada Emergency Wage Subsidy due to the significant drop in revenue experienced in 2020 during the COVID-19 pandemic. A wage subsidy of \$1,013,466 has been recognized in the statement of operations. The authority received \$427,750 of this subsidy during the year and \$585,716 is recorded as accrued receivable at December 31, 2020.

Due to the impact by the COVID-19 pandemic on the air transportation sector, the Authority provided support to tenants by providing either rent waivers or deferrals. The Authority has applied the practical expedient to all rent concessions that meet the relevant conditions. The amount recognized in the statement of operations for the reporting period to reflect changes in lease payments arising from rent concession waivers to which the Authority has applied the practical expedient for COVID-19 related rent concessions is \$546,993. The aggregate amount of lease receivables related to the deferral of lease payments as at the reporting date was \$29,262.