

annual report

2018
BREAKING GROUND



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2018 ANNUAL REPORT

NANAIMO AIRPORT COMMISSION

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"The Government of Canada recognizes the important role played by Canada's local airports in supporting jobs and tourism, enabling investment and facilitating trade. Our investments are helping airports increase safety and accessibility for residents and travellers, while supporting the continued growth of local and regional economies".

*The Honourable Marc Garneau
Minister of Transport*

Introduction

Breaking ground for the future

Nanaimo Airport broke new ground in 2018, both literally and figuratively.

Breaking Ground makes a fitting theme for this year's annual report. It reflects the start of major construction as well as the Nanaimo Airport Commission's innovative ideas guiding our evolution. Here are some of our ground-breaking activities and other highlights from 2018:

Air Terminal Building expands

To accommodate record-breaking traffic, we began adding an extra 14,000 square feet to the terminal. Passengers will enjoy more comfort and convenience, and move through the terminal more quickly.

Passenger traffic soars

For the 10th consecutive year we smashed the previous years' record for the number of travellers flying out of Nanaimo Airport. We continue to be more than a decade ahead of even the most conservative projections. This year, approximately 435,000 passengers flew through Nanaimo Airport -- equivalent to more than half of Vancouver Island's population.

Direct Nanaimo-Toronto flight takes off

Business and leisure travellers were able to travel across the country in mere hours thanks to Air Canada's launch of

seasonal non-stop service to the country's biggest city.

Land development plan shapes future

We began implementing our 20-year master plan for developing our available land. The plan was created after consulting with our communities, including a charrette (planning forum) with our stakeholders to map out development strategies.

Infrastructure investments pay off

Improvements to the aircraft apron along the runway, and to our parking areas, helped prepare us for continued growth.

Airport fuels jobs, economy

Our operations generated \$486 million in economic activity for the region, and more than 2,750 jobs that support Central Island families. We are part of the new Foreign Trade Zone which will encourage the import and export of goods on Vancouver Island.

Community partnerships thrive

We proudly supported many community projects, ranging from the BC Summer Games, to the Nanaimo visit by the world-famous Snowbirds in support of the CHILD Foundation and the Festival of Lights held annually in Ladysmith.

Each of these events represents a significant milestone for the Central Island's airport of choice. Collectively, they represent our new direction as we build for the future. Our expansion meets the expanding needs for air service, and our success contributes to the success of the communities we serve.

Message From Board Chair

Lucie Gosselin

Innovative master plan ensures responsible development

We are proud to say that 2018 was another record year for passenger growth at the Nanaimo Airport. Despite 10 years of double digit increases year over year in passenger counts, we saw a 21.5% increase from 2017 to 2018. This increase in passenger numbers is strong evidence that the Nanaimo Airport Commission made the right decision in launching the Air Terminal Building expansion in early 2018. Breaking ground on this project was just the first phase in a 20-year comprehensive build out plan which we feel is necessary to meet the demands of the future.

Until recently, the Nanaimo Airport Commission has been focused on developing air traffic to and from the Airport. Although we will continue to grow air traffic, we are now expanding our focus to include development of our valuable real estate.

In 2018, we undertook a proactive planning process for the development of our real property. In January, we hosted a design charrette which we followed with a number of public consultations. We received valuable input from local and regional government representatives, First Nations, and community members. Soon we will publish our real estate development plan which will guide our future development and allow us to reach our full potential.

Development of our real property will allow us to diversify our income base and ensure we have a financially feasible airport well into the future. It will also provide services to the fast-growing residential population in our neighbourhood. The Airport continues to be an economic driver. Experts estimate that in 2018 the airport had an economic impact to the local economy of \$486 million.

Many have contributed to the success of the Airport. On behalf of the Board of Directors, I thank all of you. I thank the passengers who use our services, the tenants who are located on our real estate, and the neighbours who trust we will be good corporate citizens.

Last but not least I thank our many volunteers, our CEO Mike Hooper and his team, and our Board of Directors for making Nanaimo Airport an airport to be proud of.

Lucie Gosselin



Chair, Nanaimo Airport Commission



Our vision is laid out in the master plan, which incorporates additional terminal expansion and carefully-managed development of our available land to unlock its vast potential.

Message From President and CEO

Michael Hooper

Safety, service keep pace with our growth



It was another busy and productive year in 2018. We broke ground on a major terminal expansion, added 4 new parking lots, doubled the Emergency Response Team, enlarged our apron for aircraft parking, and greatly increased air service. We were successful on all projects due to the excellent work completed by the full YCD Team. We truly appreciate the extra effort put forward by all members of our Team, including: the always friendly Blue Navigators and customer service reps, the Operations Group, the Air Carrier community, the G4S Team, the Car Rental Team, the FSS Team, Connections Café, the Enex Fuel Team and many others.

In order to maintain high levels of service into the future we also created several new positions at YCD. Following a comprehensive recruiting program, we were fortunate to welcome Keith Granbois as the CFO, VP Finance and Pam Myers as the HR/Marketing Manager. Keith & Pam started their positions at the airport in June of 2018 and have become key members of the YCD family.

All services and projects were completed with a focus on safety. We are committed to maintaining safety and security as our top priorities. We also moved forward on strategic NAC initiatives, which included: completing a Land Charette process with meetings in the community, maintaining our environmental impact projects, updating portions of the NAC Master Plan, improving our Enterprise Risk Management system, and upgrading all operational plans.

We take pride in our efforts to maintain customer service

through a period of explosive growth. We implemented an extensive program to manage the challenges of construction and minimize the impact to our customers. The full YCD Team deserves credit for reducing disruptions and continuing to provide a high level of service. Our customers and guests also have our thanks for their patience and understanding as we work through the capital projects.

An additional improvement in the areas of safety and service came courtesy of our partnership with the Canada Air Transport Security Authority. CATSA is responsible for baggage and passenger screening in our terminal. The agency brought in a new X-ray scanner that allowed a much-needed second security line. The scanner doubled the screening capacity at peak times which greatly reduced the time required to move through the security process.

The increased capacity, along with the additional room we are adding to the terminal, enables us to keep up with the growing demand for service. It also allows our passengers to flow easily from the front doors to the departure lounge.

The advantages of the new equipment became apparent during 2018 as we hosted additional air service that was beneficial to all residents and visitors to the Central Island region. Air Canada launched a non-stop seasonal flight to Toronto, creating opportunities for leisure and business travelers. WestJet, which celebrated its fifth anniversary flying out of Nanaimo, boosted the number of flights it offered, including connections to the Vancouver and Calgary hubs.

Our continued partnerships with the airlines allowed YCD to offer direct connections to three major international airports: Vancouver, Calgary, and Toronto. From there, Central Islanders can access any destination in the world.

As a result, we saw passenger traffic hit an all-time high this year. Approximately 435,000 passengers went through our gates. It's an outstanding demonstration of our region's support for air service. And it will help us as we pursue additional routes, including sun destinations throughout North America.

We will continue to break ground in many ways in the years ahead. No matter what we do, it will be based on the same principles: safety, service, and managing growth with thoughtful oversight.

Sincerely

Michael K. Hooper
President, CEO



Terry Beech (MP Burnaby-North Seymour), Parliamentary Secretary to the Federal Minister of Transport, tours Nanaimo Airport's new Aircraft Rescue Firefighting vehicle (ARFF) shelter. It was funded with the assistance of the Airports Capital Assistance Program (ACAP), a Government of Canada program to help local airports get safety equipment and make safety-related infrastructure improvements.

Nanaimo Airport At a Glance

YCD by the Numbers

#1 in passenger growth
in percentage from 2009 to 2018
among similar or larger B.C. airports

#1

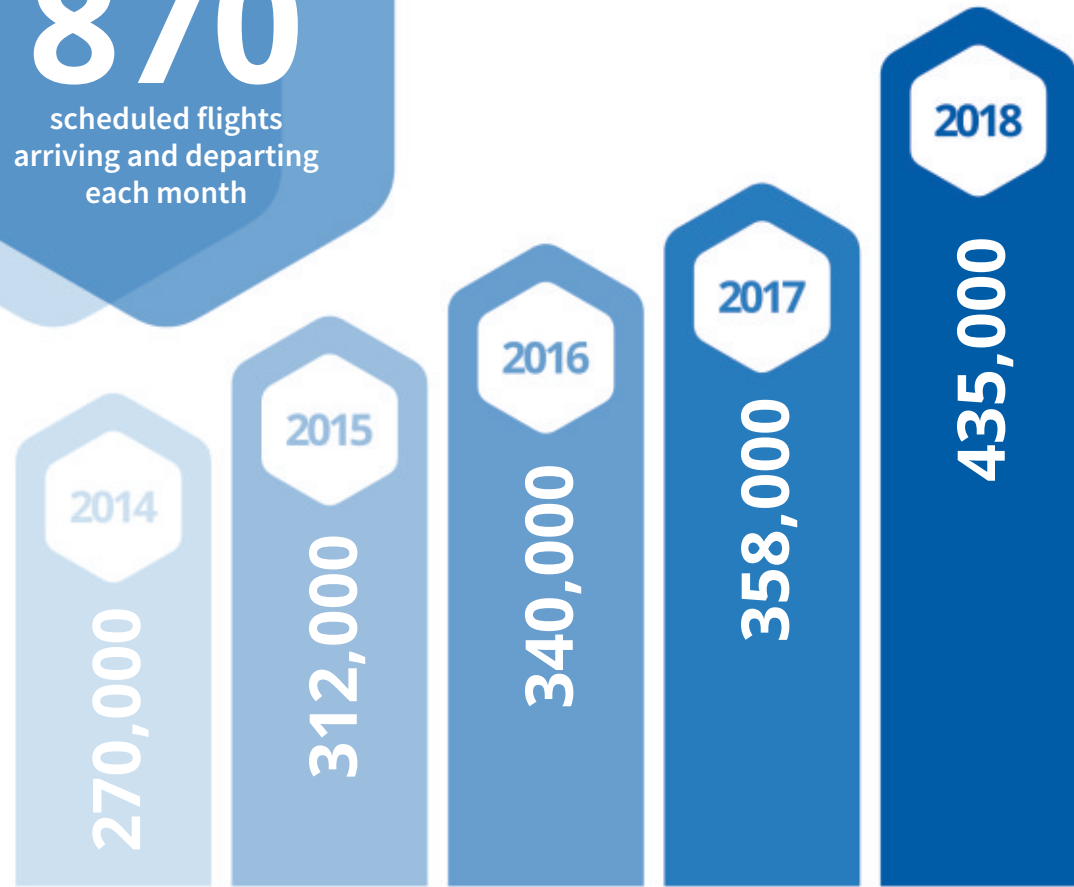
**Over 99%
Weather
Reliability**



\$486 million
direct and indirect economic output

More than **2,750** direct and indirect jobs
created by YCD activities

More than
870
scheduled flights
arriving and departing
each month



21.5%
increase in
passenger
numbers
over 2017

435,000 passengers in 2018
another record year!

10 consecutive years of
record passenger volume

Air Terminal Building Expansion

Ground-breaking kickstarts our future

April 17, 2018 was a ground-breaking day at Nanaimo Airport. That's when the first shovels were turned in a brief ceremony to mark the start of construction on a major expansion of our Air Terminal Building.

It's one of the largest projects in our history, and one of the biggest this year in Central Vancouver Island. The initial expansion, which represents an investment of \$15 million, is expected to be completed by 2020. It enlarges the security area for faster baggage screening and more than doubles the number of seats in the departure lounge for comfort and convenience.

After that, another \$40-million in expansion is part of our 20-year master plan for Terminal development. The work will be done when passenger volumes warrant it and when capital is available.

Expansion is needed now to accommodate record-setting passenger volume. It's also needed to prepare us for the future as we anticipate air carriers bringing in larger jets – like the Airbus A319 used on the non-stop route from here to Toronto -- for direct flights to international destinations.

That future came clearly into view once construction started. The project transformed our skyline. Foundation work was completed before year-end and crews then moved on to erecting structural steel. By Christmas airport users could see the outlines of the expansion. Once the steel work is done, crews will focus on exterior work for the building: cladding, glass and roofing.

We continued to operate throughout the construction period, with more air traffic and passengers than ever before. And even with the normal logistical challenges

associated with projects of this scale, the expansion has been on schedule and budget. The smooth process was the result of months of planning and careful project management.

The federal and provincial governments each invested \$2.48 million in the project from the New Building Canada Fund – Small Communities Fund Program. The B.C. Airport Assistance Program invested \$150,000 and Nanaimo Airport Commission covers the remainder. The project is another reminder of our role in the regional economy, injecting millions of dollars and creating jobs that support local families.

Much of the investment is being spent locally. Island-based project manager Durwest Construction Management oversees many local trades contractors and suppliers.

Nanaimo's Checkwitch Poiron Architects is on the design team with OMB. Local firms McCallan Construction Survey, Herold Engineering, Graf Excavating, Island Overhead Doors, Flynn Canada, Archie Johnstone Plumbing, Houle Electric, Holdfast Metalworks, and Vescon Construction have all been contracted.

Our last airport terminal expansion was completed in 2012. It was part of a six-year project that included extending the airport runway to accommodate Boeing 737-size aircraft. Passenger traffic has more than doubled since then.

In addition to the terminal building, we also invested in other infrastructure in 2018 to prepare us for continued growth. We improved the aircraft apron along the runway, to enhance safety and reduce congestion. And we again upgraded our parking areas, giving customers more convenience and space.



At a glance

Project start date: April 17, 2018
Expected completion: 2020

The work

- Adding approximately 14,000 more sq. ft. to the terminal's existing 23,680 sq. ft.
- Enlarging the departure lounge to 320 seats, from 140
- Enlarging the security area

The benefits

- An enhanced travel experience offering more room and comfort with plenty of natural light
- Additional conveniences such as free WiFi and charging stations
- Faster and more efficient screening of passengers and baggage
- Compact layout to minimize walking

Infrastructure key to our continued growth

Investing in our infrastructure, such as expanding the Air Terminal Building, isn't just good for our airport. It's also good for the entire region since we're an important driver of the local economy.

“Given this role, it becomes a priority to ensure that the necessary facilities and infrastructure are in place to allow for continued airport growth to occur,” says a 2017 economic impact assessment and forecast prepared by Vann Struth Consulting Group Inc. If our facilities fall behind, economic growth for the region will be constrained, it added.

Our 20-year master development plan for the Air Terminal Building addresses three of our critical priorities:

- Regional economic development
- Economic stimulus through infrastructure construction
- Meeting escalating demand for air service through the next decade

Land Development

Turning potential into economic benefits for the region

Breaking ground on new development at Nanaimo Airport will unlock the potential of our vacant land, both for us and for the region's economy.

Commercial development provides many benefits. Our communities will get an injection of new spending and jobs that support local families, contributing to economic growth felt in all corners of our service area.

Lease revenues provide a source of stable income which reduce our dependence on the cycles of aviation and which can be invested back into our operations and infrastructure.

Long-term, well planned airport development and associated infrastructure is essential to our mission of ensuring our long-term viability.

In January 2018, we discussed land development strategies with our communities and stakeholders in a land charrette (planning forum). Members from Nanaimo Chamber of Commerce, City of Nanaimo, Regional District of Nanaimo, Town of Ladysmith, Cowichan Valley Regional District, and First Nations were all included in this process. We then completed three public information sessions in July at the Coast Bastion in Nanaimo, Cedar Community Hall in Cedar and the Eagles Hall in Ladysmith.

As part of our land use planning, we have identified lots that can be developed for a variety of purposes. We are committed to development that is compatible with airport operations, the environment and the needs of our communities. We will work with partners who generate prosperity for the Central Island.

Our first phase of development will focus on aviation-related businesses such as cargo facilities, commercial fixed-base operations like fuel suppliers or aircraft maintenance, aircraft sales and maintenance, repair and overhaul (MRO) services. Hangars for corporate or private aircraft would also be prime uses.

In the remaining phases of development, other potential users or tenants for airport land could include freight and courier operations, retailers and hospitality businesses.

Airport Zoning Regulations (AZR)

Airport Zoning Regulations are federal regulations enabled under the Aeronautics Act that serve to limit the height of buildings and other structures around an airport to ensure safe aircraft operations. AZRs are developed to protect current aircraft operations, but also to ensure that future development near the airport remains compatible with plans for future aviation related projects. Transport Canada is responsible for the creation, amendment and enforcement of AZR's.

The NAC has determined the need to pursue the Federal AZR process to safeguard the Airport and its substantial financial investments. It is proposed that the institution of Off-Airport Zoning be conducted in two distinct phases. The outcome of Phase 1 will allow the NAC to gain a thorough understanding of the current state of protection for the Flight Path and a 4km area around the airport.

This year, the NAC initiated the process for Phase 1, to select a qualified consultancy firm with extensive experience in airport planning, design, operations, safety, and the aviation standards that are required to protect the long-term operational and financial viability of an airport.

Foreign Trade Zone Creates Import, Export Opportunities

Nanaimo Airport plays a key role in the new employment, business and investment opportunities created by Vancouver Island's designation as a Foreign Trade Zone (FTZ).

The zone makes it easier for local businesses to expand international trade. It also makes it easier for the region to attract foreign investment. As a premier transportation and logistics hub, the airport will be one of the zone's major assets.

The designation was announced in 2018 by the federal government. It streamlines processes for companies in the region that want to import or export products and conduct trade with foreign markets. And it gives them easier access to government programs that defer taxes and duty.

Our airport can help them capitalize, with available land and modern infrastructure. Small warehouses and importers/exporters could locate here to gain the most benefit from the zone.

The FTZ is only the 11th of its kind in Canada. It's overseen by the Vancouver Island Economic Alliance. VIEA worked with numerous partners, including NAC, to secure the designation.

The advantages we offer

We offer many competitive advantages for investors and entrepreneurs interested in partnering with us:

- Easy air access to undeveloped airside land, including taxiway lots.
- Ample land with general access for the public and restricted access for aircraft operations.
- Modern infrastructure that includes an Instrument Landing System, on-site aircraft rescue and firefighting.
- A full-service and expanding Air Terminal Building with Customs and passenger screening facilities.
- An airport management team with decades of aviation industry experience.
- Record-setting customer traffic that reached 435,000 people in 2018.
- A strategic location at the hub of the regional economy, with high-visibility land fronting the Island's main highway.
- Easy access to markets, both on and off Vancouver Island.
- Located within the Vancouver Island Foreign Trade Zone.
- Competitive lease rates.

Air Service

Your Island Gateway to the World

2018 was truly ground-breaking when it came to air service at Nanaimo Airport. Air Canada Rouge launched an historic seasonal direct flight to Toronto, and WestJet Encore added additional flights to Vancouver and Calgary.

It was the beginning of a new model in air transportation. In the past, air travel tended to follow a pattern of hubs and spokes: major centres served as the hubs, and smaller airports accessed these hubs to reach other parts of the world. Today, we have permanently altered that model through the development of new long-range destination routes that do not hub through Vancouver International Airport.

The non-stop flight to Toronto opened a new radius of destinations for Island residents. Air Canada flew an Airbus A319, the first scheduled jet service at Nanaimo Airport since our runway was extended. The route created additional opportunities for leisure travellers, visiting tourists, and local businesses that could now easily access new markets in the East and around the world.

Travellers also enjoyed the benefits of additional flights to Vancouver and Calgary offered in the fall by WestJet Encore. The announcement came during WestJet's fifth anniversary of its successful partnership with us.

Improving air services is a catalyst for growth in our region. It enhances tourism, improves export and trade opportunities for local businesses, makes the area more attractive as an investment location, and generates overall improvements in productivity by enhancing the frequency, speed, reliability and affordability of transportation and shipping options.

All of those benefits, in turn, drive demand for even more air service.

We'll continue to pursue additional flights, to sun and other destinations around the world. Our communities are asking for more service and have shown they will support it. And our infrastructure investments show air carriers that we're committed to partnering with them for the benefit of all.



Environmental Stewardship

Our social responsibilities connect to our business values

Responsible planning and management is essential to fulfilling our role as a trusted environmental steward. Nanaimo Airport Commission regularly reviews its operations to ensure compliance with applicable environmental laws and regulations. We balance the maintenance of a safe airfield with the management of our land as a habitat for species that can safely coexist with aviation.

We follow a thorough Environmental Management Plan (EMP). Using a “Plan, Do, Check, and Act” model, it helps us proactively protect the environment. We monitor and correct risks before they result in unsafe conditions, accidents or environmental harm.

Our EMP covers all of our water and land resources, natural habitat, aeronautical noise, energy use and waste management. It sets priorities and direction for our environmental performance. And it makes sure environmental stewardship remains a priority as we grow and develop our available land, by connecting our business values to our social responsibilities.

Before breaking ground on our Air Terminal Building expansion, for example, we reviewed all plans to address any area that might impact our environment. Here are some of our activities that help sustain our ecosystem:

Groundwater management

We deliver careful, responsible management of surface and ground water. With the expertise of a team of consulting scientists, we continue to safeguard the Cassidy Aquifer, which stretches under our property and across the region, including the Island Highway and railway system.

Ongoing sampling allows us to monitor and better understand water flow and quality. We have eight monitoring locations to enhance the quality of the readings.

Additional protective measures include strict management strategies for preventing leaks and spills of harmful substances. Our measures apply to all contractors working on site, including the construction crews expanding our Air Terminal Building.

Vegetation management

Ensuring safety for all of our users requires us to protect our flight path from any kind of encroachment. To accomplish this, we have a vegetation management program with strict guidelines to promote the sustainability of our environment. Our re-vegetation strategy helps us control growth and reduces the need to top trees. As part of the plan, we plant new, slower growing trees and shrubs to replace vegetation that has to be removed for safety reasons. The existing poplars around the airport on site can grow more than three metres per year.

Fish habitat

We have partnered with community organizations to create sustainable fish habitat in the nearby Haslam Creek for more than a decade. As part of our stewardship of this important resource, we support, monitor and maintain a restoration project in the creek's lower reaches.

Avian habitat

Though Coastal Vesper Sparrows have rarely been seen here in recent years, we continue to actively assist in the conservation of their habitat. We've partnered over the years with Canadian Wildlife Services (CWS), and other

local interest groups. Our staff helped develop a conservation and enhancement guide that plans and manages protection activities for the sparrows, a species that has intersected with airport operations and aviation safety. We provide the aviation expertise needed to facilitate species monitoring.

Noise mitigation

Our noise mitigation program aims to reduce or avoid aircraft noise disturbance where possible. We implemented a Good Neighbour Program in June 2013 that targets all non-scheduled aircraft operating from YCD. We also host a Noise Mitigation Roundtable. One part of the Good Neighbour program reminds pilots to avoid flying over areas identified as noise sensitive, as set out in the Canada Flight Supplement, or fly over them at an altitude of not less than 1,000 feet above ground level. It should be noted that the Noise Sensitive Areas are not restricted air space, and that compliance is voluntary. We don't have enforcement authority. Any suspected violation of Canadian Aviation Regulations should be sent to Transport Canada Civil Aviation Enforcement for further investigation.



Community Engagement

As a good neighbour, we support our communities

At Nanaimo Airport, good corporate citizenship means being a good neighbour. We believe in supporting the people who live and work in Central Vancouver Island. And that's why we participate in a variety of projects that contribute to the well-being of the region. Our focus on the community is the airport's future.

Here are some of the ways in which we connected with our communities in 2018:

Sharing information

To update residents in our service area, and to get their input, we made regular public presentations around the region. We hosted our annual Open House for the community, for visitors to learn about our operations and equipment and to meet members of the Nanaimo Airport Commission. We also provided regular updates and encouraged community response through social media (we're on Facebook and Twitter), NanaimoAirport.com, media releases, interviews, our blog, and numerous presentations throughout Central Island communities.

Supporting BC Summer Games

We were a main transportation terminal for hundreds of athletes and support officials heading to the BC Summer Games in the Cowichan Valley. We helped coordinate the arrival of eight charter flights. The Games are a great example of a community-driven event that leave a legacy the region can enjoy.

Supporting children with illness

The world-famous Snowbirds air demonstration squadron

visited Nanaimo Airport so the pilots and technical crew could meet and have lunch with local children suffering from liver and intestinal diseases. The event was in support of the CHILD Foundation.

Assisting 205 Collishaw Nanaimo Squadron of Air Cadets

We continued our support of the Air Cadets movement, which trains the aviators of tomorrow. We offered assistance in finding a new home for their glider training program when safety concerns prompted a move.

Hosting a noise mitigation round table

Noise exposure in inhabited areas around the airport remained well below Transport Canada guidelines. We invited neighbours, representatives from the Nanaimo Flying Club, area pilots, Nav Canada and airport staff to our roundtable meetings, to share information and gather input about how we manage airport noise and to foster a better understanding of the issues.

Sponsoring Ladysmith's winter festival

We continued our sponsorship of the Ladysmith Festival of Lights, the largest family winter celebration in our communities. The festival uses energy-saving LED bulbs for its focal point, the Chuck Perrin Memorial Tree located in front of Aggie Hall.

Supporting the North Oyster & Area Historical Society

Our annual donation helps the society and the area's community centre, which is a social heart of the area. Our donation shows our appreciation for the Society volunteers who also run barbecues at airport events.



Our Service Area

YCD serving more communities

Our service area has expanded in response to the number of new flights offered through Nanaimo Airport.

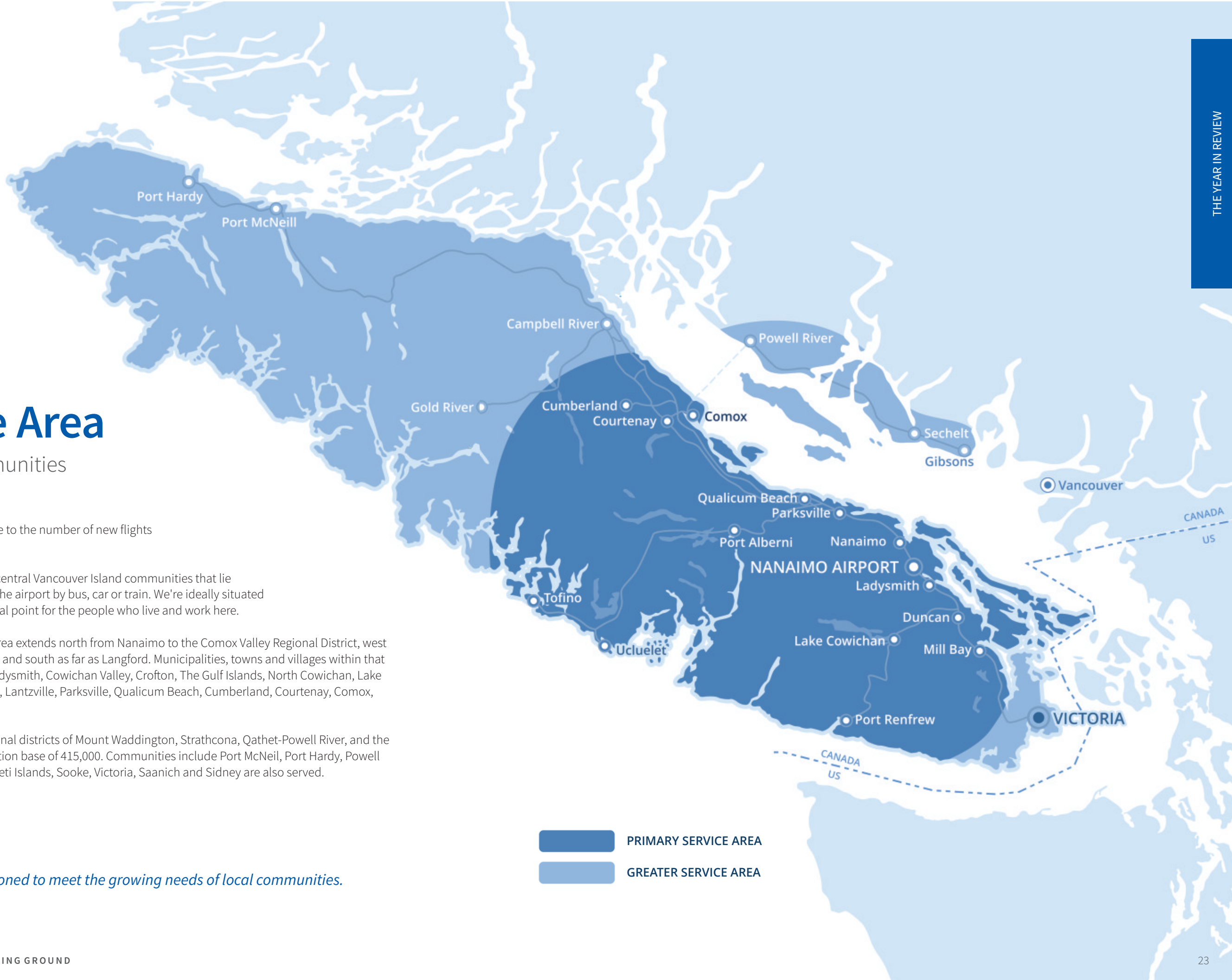
Our primary service area continues to be central Vancouver Island communities that lie within an approximately two-hour trip to the airport by bus, car or train. We're ideally situated to be the most convenient departure/arrival point for the people who live and work here.

Home to more than 400,000 people, the area extends north from Nanaimo to the Comox Valley Regional District, west to the Alberni-Clayoquot Regional District, and south as far as Langford. Municipalities, towns and villages within that area include Nanaimo, Gabriola Island, Ladysmith, Cowichan Valley, Crofton, The Gulf Islands, North Cowichan, Lake Cowichan, Duncan, Mill Bay, Port Renfrew, Lantzville, Parksville, Qualicum Beach, Cumberland, Courtenay, Comox, Port Alberni, Ucluelet and Tofino.

The greater service area includes the regional districts of Mount Waddington, Strathcona, Qathet-Powell River, and the Capitol Region, with an additional population base of 415,000. Communities include Port McNeil, Port Hardy, Powell River, Sechelt, Gibsons, Texada and Lasqueti Islands, Sooke, Victoria, Saanich and Sidney are also served.

* Population numbers based on BC Stats 2018 estimates

The Nanaimo Airport is well positioned to meet the growing needs of local communities.



- PRIMARY SERVICE AREA
- GREATER SERVICE AREA

Our Board of Directors

Building a solid strategic foundation

The non-profit Nanaimo Airport Commission oversees YCD operations and sets the airport's strategic direction.

Directors set our long-term goals consistent with the Commission's vision. They ensure we have the necessary internal controls and reporting systems to protect our operations and finances. Up to nine Directors and a past Chair serve on the Commission. Our directors bring a range of experience and skills to their work, and they live and work here.

Five directors are appointed by the Commission from the communities we serve:

- City of Nanaimo
- Regional District of Nanaimo
- Cowichan Valley Regional District
- Town of Ladysmith
- Greater Nanaimo Chamber of Commerce

The other four directors are appointed to represent the community at large.



Lucie Gosselin
BOARD CHAIR
Member at large



Wendy Clifford
VICE CHAIR
Member at large



Al Tully
BOARD SECRETARY
Regional District of Nanaimo



Mike Brown
DIRECTOR
Member at large



Dave Witty
DIRECTOR
Nanaimo Chamber of Commerce



Mike Kandert
DIRECTOR
City of Nanaimo



Alex Stuart
DIRECTOR
Town of Ladysmith



Colleen Johel
DIRECTOR
Cowichan Valley Regional District



Ray Gauthier
DIRECTOR
Member at large

Strategic Direction

Our guiding principles drive our culture

The Nanaimo Airport Commission has adopted the following guiding principles to assist our management in its decision-making process:

The Commission aspires to be a respectful good neighbor within the region by adhering to its mandate as an airport authority and its regulatory obligation to support airport development.

The Commission will protect and enhance its operations by supporting well-planned airport development and associated infrastructure, ensuring long-term airport viability.

The Commission will communicate its plans and aspirations as a key economic partner that services Vancouver Island needs.

Our guiding principles led to the identification of five key values.

Safety – The continued safe operation of the airport is essential to all other principles.

Reliability – Reliability builds user confidence and enhances growth.

Self-sufficiency – Financial and governance self-sufficiency is critical for YCD.

Community – Our focus on community is the airport's future.

Economic Engine – Recognition of the airport's role in the wider economy.



OUR VISION

Your Island Gateway to the World.

OUR MISSION

To provide safe, financially sustainable, friendly, high quality airport services and facilities that enhance economic prosperity and meet the needs of the communities we serve.

The YCD Team

Administration

Mike Hooper, President / CEO
 Keith Granbois, Vice President Finance, CFO
 Pam Myers, Marketing & Human Resources Manager
 Janelle Raddatz, Office Administrator
 Christania Chantyman, Accounting Assistant / Payroll Administrator

Operations

Don Goulard, Director of Operations
 Brandon Wiebe, Manager of Operations
 Reg Brady, Senior Duty Manager
 Doug Fern, Superintendent, Safety & Security
 Owen Burt, Duty Manager
 Clint Babcock, Assistant Superintendent, Safety & Security
 Gord Medves, Airport Operations Specialist
 Kent Lornson, Airport Operations Specialist
 Jason Benedict, Airport Operations Specialist
 Bryan Leach, Airport Operations Specialist
 Joshua Taylor, Airport Operations Specialist
 Aaron Page, Airport Operations Specialist
 Cody Russell, Airport Operations Specialist
 Kevin Needham, Airport Operations Specialist
 Megan Low, Operations Administrator

Customer Service

Laurie Hawthornthwaite, Customer Service Coordinator
 Tiffany Braun, Customer Service Representative
 Mike Anderson, Social Media / Customer Service Representative



Mike Hooper
President / CEO



Keith Granbois
Vice President
Finance, CFO



Pam Myers
Marketing & Human
Resources Manager



Don Goulard
Director of
Operations



Brandon Wiebe
Manager of
Operations



Laurie Hawthornthwaite
Customer Service
Coordinator



Janelle Raddatz
Office Administrator



Christania Chantyman
Accounting Assistant
Payroll Administrator

Our Volunteers

Blue Navigators serve as friendly travel ambassadors

Our team of Blue Navigators volunteer ambassadors are a big part of Nanaimo Airport's customer service team. They provide friendly assistance and hospitality to airport users in the Air Terminal Building. And they go out of their way to create a comfortable and friendly atmosphere for travellers.

In 2018, 38 volunteers served on the team and gave 5,438 hours of their time. Since the program began in June 2012, volunteers have been on duty for more than 28,000 hours!

The blue-vested ambassadors proactively approach and respond to customers who need assistance with any basic information or travel-related need at the airport. They help passengers move through the terminal, including special assistance for travellers with disabilities and mobility impairments.

From answering questions about parking to finding lost credit cards, the Blue Navigators provide a positive, stress-free experience for passengers and visitors. They also serve as tourism ambassadors by providing information on Vancouver Island and maintaining our travel information centre.

"Our Blue Navigators volunteers help take the stress out of travel. Their warm, friendly greetings are a great way to begin or end a trip."

*Laurie Hawthornthwaite,
Nanaimo Airport Customer Service Coordinator*



Management responsibility for financial statements

The accompanying financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations.

The Commission's accounting procedures and related systems of internal control are designed to provide reasonable assurance that its assets are safeguarded and its financial records are reliable. These statements include some amounts based on Management's best estimates and judgments.

Management is satisfied that the financial statements have been prepared within reasonable limits of materiality.

The Board of Directors appoints a Finance and Audit Committee consisting of four Directors. This Committee meets periodically with Management and auditors to review significant accounting, internal control and audit matters. The Committee also reviews and approves annual financial statements and the independent auditor's report before it is submitted to the Board of Directors for final approval.

Audited financial statements contained within this report are consistent with information presented in the full set of financial statements, available at the Airport Office.



Michael K. Hooper
President, CEO
Nanaimo Airport

Nanaimo, BC
March 28, 2019

Partners
Grant McDonald, CPA, CA*
Lee-Anne Harrison, CPA, CA*
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*incorporated



REPORT OF THE INDEPENDENT AUDITOR ON THE SUMMARY FINANCIAL STATEMENTS

Opinion

The summary financial statements, which comprise the statement of financial position as at December 31, 2018, the statement of revenue and expenses, changes in net assets, and cash flows for the year then ended, and related notes, are derived from the audited financial statements of the Nanaimo Airport Commission for the year ended December 31, 2018. In our opinion, the accompanying summary financial statements are a fair summary of the audited financial statements, in accordance with Canadian accounting standards for not-for-profit organizations.

Summary Financial Statements

The summary financial statements do not contain all the disclosures required by Canadian generally accepted accounting principles. Reading the summary financial statements and the auditor's report thereon, therefore, is not a substitute for reading the audited financial statements and the auditor's report thereon.

The Audited Financial Statements and Our Report Thereon

We expressed an unmodified audit opinion on the audited financial statements in our report dated March 19, 2019.

Management's Responsibility for the Summary Financial Statements

Management is responsible for the preparation of the summary financial statements in accordance with Canadian accounting standards for not-for-profit organizations.

Auditor's Responsibility

Our responsibility is to express an opinion on whether the summary financial statements are a fair summary of the audited financial statements based on our procedures, which were conducted in accordance with Canadian Auditing Standard (CAS) 810, "Engagements to Report on Summary Financial Statements."

Report on Other Legal and Regulatory Requirements

As required by the Societies Act of British Columbia, we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

Nanaimo, B.C.
March 19, 2019



CHURCH PICKARD
Chartered Professional Accountants

Nanaimo Airport Commission

Statement of Financial Position

As at December 31, 2018

	2018	2017
Assets		
Current		
Cash - Note 5	\$ 3,916,444	\$ 2,679,113
Short-term investments - Note 5	1,019,014	637,339
Accounts receivable	855,147	792,772
Funding receivable - Note 2	150,185	175,607
Prepaid expenses and operational supplies	154,444	85,322
Current portion of note receivable - Note 3	2,250	-
	<u>6,097,484</u>	<u>4,370,153</u>
Property and equipment - Note 4	33,681,969	30,567,062
Internally restricted cash and investments - Note 5	1,846,384	2,484,289
Long-term investments - Note 5	518,308	858,458
Note receivable - Note 3	164,223	166,473
Deferred leasing costs	-	11,480
	<u>\$ 42,308,368</u>	<u>\$ 38,457,915</u>
Liabilities		
Current		
Accounts payable and accrued liabilities	\$ 829,019	\$ 781,265
Deferred lease revenue	60,956	61,593
	<u>889,975</u>	<u>842,858</u>
Deferred contributions related to property and equipment - Note 7	18,190,349	17,937,346
Security deposits	19,771	19,771
	<u>19,100,095</u>	<u>18,799,975</u>
Net Assets		
Invested in property and equipment	15,491,620	12,629,716
Internally restricted - Note 9	1,846,384	2,484,289
Unrestricted	5,870,269	4,543,935
Net assets	<u>23,208,273</u>	<u>19,657,940</u>
	<u>\$ 42,308,368</u>	<u>\$ 38,457,915</u>

APPROVED:


 DIRECTOR


 DIRECTOR

Statement of Revenue and Expenses

As at December 31, 2018

	Budget 2018	Actual 2018	Actual 2017
Revenue			
(Unaudited Note 10)			
Passenger revenue	\$ 2,418,528	\$ 2,653,025	\$ 2,230,776
Vehicle parking	1,197,388	1,526,293	1,263,537
Regulatory recovery fee	685,104	768,241	628,852
Terminal building	599,544	686,978	579,234
Land lease and license	279,520	264,636	263,334
Airside facility lease concession and fees	114,980	133,813	119,105
Interest and miscellaneous income	60,540	100,687	83,355
	<u>5,355,604</u>	<u>6,133,673</u>	<u>5,168,193</u>
Expenses			
Safety and security services	902,521	881,536	752,973
Operations and maintenance airfield	870,543	880,658	622,576
Administration and management	728,208	786,058	751,735
Operations and maintenance ATB	541,659	536,132	481,334
Marketing	370,665	377,583	246,662
Community engagement	164,492	186,009	162,574
Airport commission	190,737	161,555	138,450
Insurance	139,400	121,669	91,427
Planning and development	90,980	77,904	77,029
Property taxes and miscellaneous	25,200	42,596	22,685
	<u>4,024,405</u>	<u>4,051,700</u>	<u>3,347,445</u>
Revenue in excess of expenses before other revenue (expenses)	<u>1,331,199</u>	<u>2,081,973</u>	<u>1,820,748</u>
Other revenue (expenses)			
Passenger facility	1,904,490	2,106,519	1,739,329
Amortization of deferred contributions related to property and equipment	885,138	840,262	843,753
Gain on disposal of equipment	-	-	4,162
Interest on demand loan	-	-	(52,501)
Amortization of property and equipment	(1,802,929)	(1,478,421)	(1,393,937)
	<u>986,699</u>	<u>1,468,360</u>	<u>1,140,806</u>
Revenue in excess of expenses	<u>\$ 2,317,898</u>	<u>\$ 3,550,333</u>	<u>\$ 2,961,554</u>

Nanaimo Airport Commission Statement of Changes In Net Assets

As at December 31, 2018

	Invested in Property and Equipment	Internally Restricted <small>(Note 9)</small>	Unrestricted	Total 2018	Total 2017
Balance, beginning of the year	\$ 12,629,716	\$ 2,484,289	\$ 4,543,935	\$ 19,657,940	\$ 16,696,386
Revenue in excess of expenses	-	-	3,550,333	3,550,333	2,961,554
Amortization of deferred contributions related to property and equipment	840,262	-	(840,262)	-	-
Amortization of property and equipment	(1,478,421)	-	1,478,421	-	-
Net transfers	-	(637,905)	637,905	-	-
Purchase of property and equipment, net of disposals	4,593,328	-	(4,593,328)	-	-
Deferred capital contributions	(1,093,265)	-	1,093,265	-	-
Balance, end of the year	<u>\$ 15,491,620</u>	<u>\$ 1,846,384</u>	<u>\$ 5,870,269</u>	<u>\$ 23,208,273</u>	<u>\$ 19,657,940</u>

Statement of Cash Flow

As at December 31, 2018

	2018	2017
Cash provided (used):		
Operating activities		
Revenue in excess of expenses	\$ 3,550,333	\$ 2,961,554
Items not involving cash		
Amortization of property and equipment	1,478,421	1,393,937
Amortization of deferred contributions related to property and equipment	(840,262)	(843,753)
Gain on disposal of equipment	-	(4,162)
	<u>4,188,492</u>	<u>3,507,576</u>
Changes in non-cash operating accounts		
Increase in accounts receivable	(62,376)	(65,163)
Decrease (increase) in funding receivable	25,422	(175,607)
Increase in prepaid expenses and operational supplies	(69,122)	(3,067)
Decrease in deferred leasing costs	11,480	596
Increase (decrease) in accounts payable and accrued liabilities	47,755	(10,190)
Decrease in deferred lease revenue	(637)	(4,119)
	<u>4,141,014</u>	<u>3,250,026</u>
Financing activities		
Decrease in callable debt	-	(1,930,552)
Investing activities		
Purchase of property and equipment	(4,593,328)	(3,473,714)
Proceeds from disposal of property and equipment	-	166,470
Grants received	1,093,265	2,940,744
(Increase) decrease in short-term investments	(381,675)	532,121
Decrease in long-term investments	340,150	637,093
Increase in note receivable	-	(166,473)
	<u>(3,541,588)</u>	<u>636,241</u>
Increase in cash	599,426	1,955,715
Cash, beginning of the year	<u>5,163,402</u>	<u>3,207,687</u>
Cash, end of the year	<u>\$ 5,762,828</u>	<u>\$ 5,163,402</u>
Cash is defined as:		
Unrestricted cash	\$ 3,916,444	\$ 2,679,113
Internally restricted cash	1,846,384	2,484,289
	<u>\$ 5,762,828</u>	<u>\$ 5,163,402</u>

Nanaimo Airport Commission

Notes to the Financial Statements

As at December 31, 2018

Nature of operations

The Nanaimo Airport Commission is registered as a non-profit society which was incorporated under the Societies Act of British Columbia and files as a non-profit organization under the Income Tax Act. The Commission operates the Nanaimo Airport facility which serves individuals travelling to and from central Vancouver Island. On December 2, 1996, all airport land, buildings, and improvements were transferred to the Commission from the Ministry of Transport for \$10. Under the terms of the transfer agreement, the Commission must continue to operate the airport until December 2, 2046. If the Commission ceases to operate or manage the airport, the Ministry of Transport has the option to reacquire the facilities for \$1. This option expires December 2, 2046.

Prior to the transfer, the Commission operated the airport through a head lease from the Ministry of Transport.

1. Significant accounting policies

- Basis of accounting

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations.

- Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and cash on deposit, net of cheques issued and outstanding at the reporting date.

- Deferred leasing charges

Deferred leasing charges are amortized over the life of the lease.

- Property and equipment

Purchased property and equipment are recorded at cost at date of transfer and amortized. Contributed property and equipment are recorded at fair market value (as per property assessments) at the date of transfer and amortized.

Nanaimo Airport Commission

Notes to the Financial Statements

As at December 31, 2018

1. Significant accounting policies - cont.

- Property and equipment - cont.

Amortization is recorded on a straight-line basis over the estimated useful life of the property and equipment as follows:

Buildings and improvements	25 years
Runway, airfield, and parking lot improvements	
Subgrade	20 and 50 years
Paving	10 years
Heavy aviation support equipment	20 years
Fence	10 years
Mobile equipment	15 years
Furniture, equipment, and computer hardware	5 years
Vehicles	5 years
Computer software	5 years

In the year of acquisition, amortization is recorded at one-half of these rates.

- Revenue recognition

The Commission follows the deferral method of accounting for operating grants. Operating grants are recognized as revenue in the year in which the related expenses are incurred. Capital grants are deferred when received and amortized over the useful life of the corresponding assets.

Revenue is recognized as follows:

- Landing and general terminal fees are recognized as revenue when airport facilities are utilized.
- Passenger facility fee and regulatory recovery fee revenue is recognized at passenger departure.
- Concession revenue is recognized monthly based on the relevant agreements.
- Parking concession revenue is recognized as the lot is used.
- Revenue from leases is deferred and recognized into revenue over the life of the lease.

- Investments

Short-term and long-term investments consisting of term deposits, GICs, and note receivable are recorded initially and subsequently measured at fair value. Changes in fair value are recognized in net income in the period incurred.

Nanaimo Airport Commission

Notes to the Financial Statements

As at December 31, 2018

1. Significant accounting policies - cont.

- Use of estimates

The preparation of the financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditure during the reporting period. Significant areas requiring the use of management estimates relate to the determination of the collectibility of accounts receivable, the amortization of property and equipment, and provisions for contingencies. Actual results could differ from those estimates. Adjustments, if any, will be reflected in operations in the period of settlement.

2. Funding receivable

At December 31, 2018, \$150,185 was receivable from the Province of BC relating to the terminal building expansion. The funds were received after year-end.

3. Note receivable

A promissory note was signed on July 14, 2017 for the sale of a fuel truck. The note is in the amount of \$166,473, with interest charged monthly at the Royal Bank of Canada's prime rate (3.95% at December 31, 2018) plus 1%, with monthly payments. The monthly payments will be interest-only from October 2017 to September 2019, \$750 from October 2019 to September 2021, and \$2,500 from October 2021 until the promissory note balance plus interest is paid in full.

Nanaimo Airport Commission

Notes to the Financial Statements

As at December 31, 2018

4. Property and equipment

	Cost	Accumulated Amortization	Net 2018	Net 2017
Land	\$ 3,693,788	\$ -	\$ 3,693,788	\$ 3,693,788
Assets under development*	4,829,180	-	4,829,180	2,122,733
Buildings and improvements	15,225,554	6,158,555	9,066,999	9,334,997
Runway, airfield, and parking lot improvements	23,694,272	8,914,603	14,779,669	14,148,422
Heavy aviation support equipment	806,287	141,099	665,188	705,502
Fence	346,592	268,662	77,930	90,453
Mobile equipment	238,878	62,712	176,166	192,091
Furniture, equipment, and computer hardware	883,561	656,707	226,854	164,211
Vehicles	1,227,321	1,135,689	91,632	80,494
Computer software	144,048	69,485	74,563	34,371
	<u>\$ 51,089,481</u>	<u>\$ 17,407,512</u>	<u>\$ 33,681,969</u>	<u>\$ 30,567,062</u>

*These assets are not being amortized as they are still under development and not readily available for use.

5. Internally restricted cash and investments

The internally restricted cash and investments consist of cash in the bank, short-term investments, and long-term investments. The short-term investments consist of several term deposits and GICs, having interest rates ranging from 2.05% to 2.55% and maturing at various dates from January 18, 2019 to June 18, 2019. The long-term investments consist of several term deposits and GICs having interest rates ranging from 2.17% to 2.31% and maturing at various dates from February 25, 2019 to March 24, 2021.

Nanaimo Airport Commission Notes to the Financial Statements

As at December 31, 2018

5. Internally restricted cash and investments - cont.	2018	2017
Cash	\$ 3,916,444	\$ 2,679,113
Restricted cash and investments	1,846,384	2,484,289
Short-term investments	1,019,014	637,339
Long-term investments	<u>518,308</u>	<u>858,458</u>
Total cash and investments	<u>\$ 7,300,150</u>	<u>\$ 6,659,199</u>
Internally restricted - Note 9	\$ 1,846,384	\$ 2,484,289
Unrestricted	<u>5,453,766</u>	<u>4,174,910</u>
	<u>\$ 7,300,150</u>	<u>\$ 6,659,199</u>

6. Callable debt and line of credit

- Callable debt

The following additional loan facilities were approved on September 27, 2017:

- Loan #3 is from the Royal Bank of Canada with interest payable at prime plus 0%, requiring blended monthly payments of \$35,000 beginning 30 days after initial drawdown; \$1,200,000 is available and cannot be drawn until after March 31, 2018. There have been no draws at December 31, 2018 or subsequent to the year-end.

- Loan #4 loan is from the Royal Bank of Canada with interest payable at prime plus 0%, with blended monthly payments that will be determined within 30 days of the first drawdown; \$3,000,000 is available and cannot be drawn until after December 31, 2018. There have been no draws at December 31, 2018 or subsequent to year-end.

The above debt is secured by a general security agreement on all property of the Commission. Debt is further secured by a collateral mortgage in the amount of \$875,000 constituting a first fixed charge on certain lands and improvements. In addition, there is a collateral mortgage including first ranking assignment of all rents in the amount of \$6,300,000 constituting a first fixed charge on lands and improvements. In addition, the Commission must provide a certificate of insurance showing the Royal Bank of Canada as first mortgagee.

- Line of credit

The line of credit is a \$100,000 operating line of credit with the Royal Bank of Canada. Interest is payable at prime plus 0.50% on the outstanding balance. There was no outstanding balance at December 31, 2018.

Nanaimo Airport Commission Notes to the Financial Statements

As at December 31, 2018

7. Deferred contributions related to property and equipment

Deferred contributions related to property and equipment represent contributed property and equipment and capital grant contributions with which the airport buildings and various other property and equipment were acquired. These contributions are amortized into revenue at the same rates as the related property and equipment are amortized. The changes in the deferred contribution balance for the year are as follows:

	2018	2017
Balance, beginning of the year	\$ 17,937,346	\$ 15,840,355
Capital grants funds received	1,093,265	2,940,744
Amortized to revenue	<u>(840,262)</u>	<u>(843,753)</u>
	<u>\$ 18,190,349</u>	<u>\$ 17,937,346</u>

8. Government remittances

The Commission has the following amounts owing for government remittances at December 31, 2018.

	2018	2017
GST	\$ 29,921	\$ 8,507
Worksafe BC	\$ 3,670	\$ 2,365
Source deductions	\$ -	\$ 500

9. Internally restricted

	2018	2017
Tangible capital asset reserve		
Opening balance	\$ 2,484,289	\$ 2,922,000
Contributions	3,199,784	4,784,112
Expenditures	<u>(4,512,048)</u>	<u>(5,221,823)</u>
	<u>1,172,025</u>	<u>2,484,289</u>
Contingency reserve		
Contributions	<u>650,000</u>	<u>-</u>
Regulatory recovery fee reserve		
Contributions	106,121	104,040
Expenditures	<u>(81,762)</u>	<u>(104,040)</u>
	<u>24,359</u>	<u>-</u>
	<u>\$ 1,846,384</u>	<u>\$ 2,484,289</u>

Nanaimo Airport Commission

Notes to the Financial Statements

As at December 31, 2018

10. 2018 budget

The 2018 budget figures presented in these financial statements are based on the accounting budget as approved by the Board of Directors on November 21, 2017.

11. Commitments and subsequent events

- Operating commitments

The Commission has entered into various operating agreements for the lease of office equipment. The aggregate minimum payments, excluding applicable taxes, due in the next three years are as follows:

2019	\$ 10,176
2020	5,670
2021	<u>1,164</u>
	<u>\$ 17,010</u>

The Commission has signed various agreements for \$6,588,635 (2017 - \$8,090,659) for capital projects in progress that have not been accrued/reflected in the financial statements.

Subsequent to the year-end, the Commission agreed to purchase an Aircraft Rescue & Fire Fighting Truck in the amount of \$961,430 USD. An agreement has been signed with Transport Canada to fund up to \$1,093,540 CAD for the Aircraft Rescue & Fire Fighting Truck.

12. Comparative figures

Certain of the comparative figures have been reclassified to conform with the current year's presentation.

13. Financial risk and concentration of risk

- Credit risk

The Commission is exposed to credit risk from its carriers, tenants, and licensees. The Commission has a significant number of diverse tenants and licensees which reduce the concentration of credit risk; however, at the year-end there were two major scheduled carriers, which increases the amount of credit risk as the carriers create the largest portion of revenue. At December 31, 2018, receivables included \$424,930 (2017 - \$418,912) from the Commission's largest customers.

- Currency risk

There were no significant accounts receivable or accounts payable denominated in foreign currency at the year-end. The Commission awarded a contract for the purchase of an Aircraft Rescue & Fire Fighting Truck subsequent to the year-end, which is to be paid in USD. The Aircraft Rescue & Fire Fighting Truck is estimated to cost \$961,430 USD including taxes. The US dollar cash balance was \$3,744 CAD at December 31, 2018 (2017 - \$16,788). The Commission does not use hedging to minimize their risk to foreign exchange fluctuations as they do not consider this risk to be significant.