



**To the Members of the Canadian Cycling Association:**

***Please see below our inaugural Management's Discussion & Analysis of our financial results for the financial year ended March 31, 2020.***

## **OVERVIEW**

Fiscal 2019/20 was a year of significant fiscal progress for Cycling Canada and our results reflect notable improvements in focus, control and execution by the organization across almost all departments and operational areas.

It was a particularly transformative year for us in the finance and accounting area as we continued to transition the majority of these functions from internal staff to an outsourced, third-party service provider. This initiative was identified by our Board and senior management team as an opportunity to bolster the organization's capacity, expertise and effectiveness in this area while also reducing costs over the long-term. A thorough RFP process was conducted in the fall of 2018 resulting in the hiring of AGA Professional Corporation in early 2019 to provide accounting services and support to Cycling Canada.

While there have been growing pains and bumps in the road along this transition, overall we have seen significant improvement in nearly all aspects of this functional area. The transition to AGA has helped us to improve our budgeting, reporting and cash management and to become generally more efficient from a finance and accounting perspective.

Also of note in 2019 was the procurement of a new banking relationship for Cycling Canada, as we moved from a small business account at Scotiabank to a commercial banking relationship that has provided us with significantly more credit capacity and better capabilities to manage treasury and liquidity.

We would like to recognize the enormous contributions of our outgoing Head of Finance Brett Stewart who deftly guided us through this transition process before moving on to retirement at the conclusion of the 2019/20 fiscal year. Brett's contributions to Cycling Canada over the past 20+ years cannot be understated - he served in a number of different roles and capacities within our sport over that time and has played a foundational role in the long-term development of the organization. Thank you, Brett.

We would also like to acknowledge the volunteer contributions and support of our Board's Finance & Audit Committee. Chaired by outgoing Director At Large Greg Cote, the committee has played a pivotal role providing guidance and expertise to both the Board and management team throughout the transition process.

Immense gratitude and recognition must also go to our entire staff, whose passion, dedication and collaboration underpin and enable any success that we ultimately achieve.

While we have made remarkable progress over the past 12 months, there remains more work to be done, and this area will remain a focus for us in 2020/21 as we look to refine our Chart of Accounts, improve internal budgeting and controls, and to introduce an investment/treasury function in order to

continue to make the organization stronger. We will be working with our Board to update our Finance Policies to reflect these updated processes.

## **FINANCIAL RESULTS – 2019/20**

### *Financial Position*

The organization's overall financial position improved markedly over the course 2019/20, due in large part to a strong operating surplus, better budgeting and expense controls and continued progress in cash and liquidity management.

As referenced above, a key accomplishment in fiscal 19/20 was the renewal of banking arrangements for the organization. Management conducted a process in late 2019 to explore alternatives in this area with the goal of improving credit capacity while enhancing our platforms for managing cash flow and day-to-day transactions. We finalized a new commercial banking arrangement with Scotiabank in January 2020 that features a \$350k increase to our revolving credit facility and substantial improvements in capacity and flexibility related to credit cards. This greatly benefits our staff, who travel extensively and were often relying on personal credit cards, resulting in slower expense report processing and reimbursement. Another direct benefit of this was the elimination of our bank treasury deposit (\$50k) which was required as security for the previous credit facility, thus freeing up additional liquidity. We had no draws on our new \$500k credit facility during the year or at year-end.

Our accounts receivable balance at year-end was \$658k, a slight increase over fiscal 2019 and reflecting the recording of our GST receivable as an account receivable as at March 31, 2020.

Increases in prepaid expenses of just under \$200k primarily reflect expenditures for future National Team projects that were planned for summer 2020. Most of these prepaid expenditures were refunded subsequent to year-end due to COVID-19 related event cancellations and postponements.

Decreases in capital assets and deferred contributions related to capital assets from fiscal 2019 to fiscal 2020 reflect a change in accounting approach. We are no longer capitalizing as much equipment given that the useful life of national team equipment is only one year (or less) in most cases.

Deferred revenues at year-end were down about \$320k. Last year's balance reflected large Sport Canada ISSE funding instalments received for major international events to be hosted in 2019/20 (UCI Mountain Bike World Championships, the Milton UCI Track World Cup and Para Cycling World Championships).

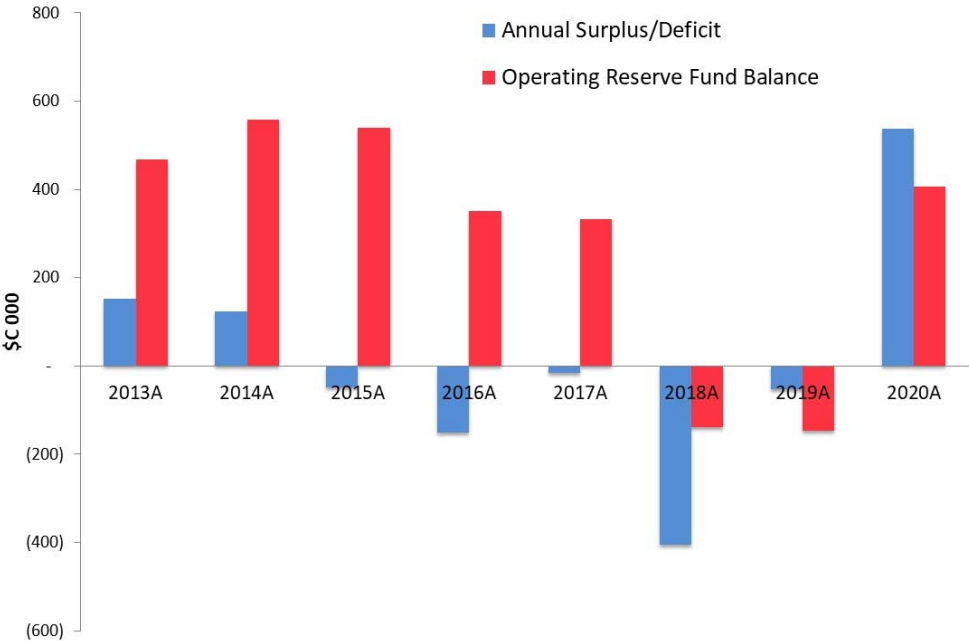
Accounts payable and accrued liabilities were up approximately \$290k from 2019 to 2020. In response to the emerging COVID-19 pandemic in late February and March, we slowed down payment of certain accounts payable as a financial precaution. Subsequent to year-end, we were able to resume payments in normal course as we gained better visibility on the financial impacts of the pandemic.

This year's accrued liability balance also includes about \$100k of accumulated accrued vacation liability. This is the first time that we have formally recognized this on our financial statements. Our liability in this area has been gradually increasing over the past 5 years and we were nearing materiality thresholds as noted annually by our auditors. This growing liability is a reflection and a reminder of the commitment of so many of our staff who regularly forego holidays and work through countless

weekends to support our athletes, programs and events across Canada and around the world. The accrued vacation liability does not include an additional \$30k related to accumulated time-in-lieu which will be worked down over time as we adopt new and more consistent HR policies in this area.

Unrestricted net assets (our operating reserve) increased from a negative balance of \$148k at March 31, 2019 to \$406k in 2020, back to a much healthier level and well ahead of our targets for restoring financial stability to the organization. This increase is the result of our 2019/20 operating surplus of \$538k, which is discussed in more detail below. The table below provides an overview of our reserve fund balance over the past 5 years.

**Annual Surplus / Deficit & Operating Reserve Fund (2013 - 2020)**



*Operating Results*

Cycling Canada concluded the fiscal year with an operating surplus (net revenue) of \$538k, significantly ahead of the \$120k surplus originally targeted in our Board-approved budget. This was our first surplus in the last 5 years and reflects significant improvements in operational planning and budget management as well as increases in revenues from a number of private sources. Most notable in this regard were the legacy proceeds from our UCI Track World Cup & Para World Championships in Milton (with special thanks to Mathieu Boucher, Jolene Dupuis and our entire team for delivering fantastic and fiscally successful events), as well as higher than expected revenues from donations, cash sponsorships, merchandise and foreign exchange related settlements.

Overall revenues from Sport Canada were relatively level versus fiscal 2019, with Reference Level funding up slightly as a result of new contributions to support initiatives related to Gender Equity & Safe Sport (\$140k).

Insurance related revenues and expenditures were both down from fiscal 2019 as a result of the association's collective move away from a nationally coordinated insurance program in 2020.

Cash sponsorship revenues were up approximately \$60k year-over-year. The overall decrease in Sponsorship revenues of \$140k reflects an adjustment in our accounting approach related to the recording of value-in-kind sponsorship contributions (approx. \$200k in fiscal 2019).

Sport Canada hosting revenues reflect ISSE funding coordinated by Cycling Canada for international events such as the 2019 UCI Mountain Bike World Championships, the UCI World Tour road events in Quebec City and Montreal and the UCI Track cycling events in Milton. Revenue decreases in this category year-over-year reflect the timing of event-specific instalments received from Sport Canada (e.g. contributions related to the Mountain Bike World Championships were \$600k in fiscal 2019 versus \$200k in 2020).

Affiliation fee revenues decreased from \$253k in fiscal 2019 to \$216k in 2020. Cycling Canada decided to waive its collection of the first two affiliation fee instalments for calendar 2020 (with Q1 of calendar 2020 coinciding with Q4 fiscal 2019/20) due to COVID-19 related impacts on provincial level membership revenues. This is addressed further below.

Increases in revenues from Non-Recurring Contributions & Other reflect proceeds from Cycling Canada events such as the UCI track cycling events hosted in Milton as well as other events related to business development and sponsor servicing. Proceeds from the sale of used national team equipment are also included here.

Donation revenues increased from \$251k in fiscal 2019 to \$435k in 2020, reflecting an increase in both direct support to Cycling Canada as well as flow-through contributions towards community partners such as clubs and trade team programs (and reflected by a corresponding increase in Athlete Development expense).

Overall expenditures related to National Team operations as well as salaries and benefits for staff and coaches were relatively level from fiscal 2019 to fiscal 2020.

Expenses related to Administration increased by approximately \$115k, which reflect costs related to the outsourcing of accounting and bookkeeping services for the organization. This increase was more than offset through reductions in internal salaries in this area with an ongoing annual net savings north of \$70k.

## **COVID-19 / LOOKING AHEAD**

With our contingency reserve bolstered by a healthy operating surplus for 2019/20 Cycling Canada was well positioned for stability at the onset of the COVID-19 pandemic in March of 2020.

Amid an initial environment of unprecedented uncertainty, we took immediate steps to protect cash balances (deferring payables and mitigating operating expenditures where possible) and provide stability for our athletes, staff and stakeholders.

While the situation continues to evolve rapidly, we feel that we remain well positioned. Our organization and our sport is by no means immune to the impacts of this pandemic, however. We are projecting significant reductions in private source revenues for the 2020/21 fiscal year, most notably in the areas of sponsorship, donations and affiliation fees. Fortunately, our contributions from Sport Canada remain stable and unaffected at this point, and like many NSOs we have received additional support through the government's COVID-19 relief funding program (approximately \$1.3 million). We expect that this relief funding will be sufficient to offset most if not the entirety of any lost revenues in fiscal 2021, however the future continues to remain very much uncertain. Sport Canada has indicated it will conduct a post-pandemic review of their COVID-19 relief support to determine, what, if any, funds were required to shore up NSOs, including Cycling Canada.

Overall expenditures for fiscal 2021 year-to-date are down significantly due to the cancellation or postponement of so many events, programs and projects. As a result, our cash balances remain strong and we are pleased to have been able to extend support to our provincial partners by waiving Cycling Canada's portion of affiliation fee revenues for Q1 and Q2 of the 2020 calendar year. We hope to be able to do the same for Q3 and Q4, but we need to continue to monitor the situation carefully as it progresses.

We understand the enormous and evolving impacts of the pandemic for so many of our partners and stakeholders and we will remain vigilant as we endeavour to provide support and stability across the system. We are both proud and grateful to be in a position of relative stability, which has enabled us to forego any major cuts to programs or staff up to this point.

We look forward to discussing our financial results further with you at our AGM on September 15, 2020.

Yours truly,

A handwritten signature in black ink, appearing to read 'M. Jeffries', with a long, sweeping horizontal stroke extending to the right.

Matthew Jeffries  
Executive Director  
Cycling Cyclisme Canada