



To the Members of the Canadian Cycling Association:

Please see below our Management's Discussion & Analysis of our financial results for the financial year ended March 31, 2021.

OVERVIEW

Fiscal 2020/21 was a year marked by tremendous uncertainty and challenge for all in the Canadian sport system and the situation for Cycling Canada ("CC") and its provincial & territorial sport organization ("PTSO") partners was no different. Our financial statements reflect the unusual, and, in many cases, one-time impacts of this turbulence.

Like most sporting bodies around the world, at the outset of the COVID-19 crisis in March 2020 our immediate focus was the health and safety of our athletes, staff, partners and stakeholders across the Canadian cycling community. From a fiscal perspective we exercised initial caution in light of the unprecedented uncertainty and unknown financial impacts of the pandemic.

Despite the initial upheaval in March and April of 2020 we were fortunate to find ourselves in a position of relative financial stability for the bulk of the fiscal year, with our primary public funding partner (Sport Canada) and other key sport system partners providing assurance very early on that our original funding levels would be unaffected for the 2020/21 fiscal year.

By June of 2020 we were provided with additional security thanks to a \$1.3 million injection of COVID-19 emergency support funding from Sport Canada. This funding was critical in providing near-term stability while helping to offset our projected revenue losses and any extraordinary costs related to the pandemic. We are very grateful for this tremendous support from our public partners and pleased that it allowed us to navigate the early stages of the crisis without having to make any significant staffing changes or budget cuts.

Ultimately the most notable financial impact of the pandemic was on our private source revenues, with year-over-year losses in affiliation fees, sponsorship revenues, fundraising revenues and event related revenues totalling close to \$1.0 million. It remains early but we are optimistic that we will see a full rebound in each of these areas within the next 12-24 months and there is an opportunity for longer-term growth as we enter the early phases of our community-focussed strategic plan which will help us to collectively capitalize on increasing cycling participation and activity levels across the country.

While we experienced major reductions across a number of key revenue streams, we also saw significant decreases in event and program activity levels attributable to the health crisis. As a result of this we were unable to deploy the entirety of our Sport Canada Reference Level and Enhanced Excellence funding and ultimately recorded a deferral of \$1.7 million of Sport Canada funding as at March 31, 2021 which will be deployed in the first 6 months of fiscal 2022.

After accounting for this deferral we ended the year with net revenue (surplus) of \$351k. This is our second consecutive year with a healthy surplus after experiencing five consecutive years of losses and we are pleased to see our reserve fund progressing toward long-term targets for organizational stability.

As the pandemic remains far from over we continue to operate with measured prudence and fiscal restraint. The \$1.7 million deferral of 20/21 Sport Canada funding will be key in providing stability through the first half of fiscal 2022 and we expect to spend through the entirety of this carry-over balance by September 30th, 2021. Pandemic-permitting we hope to return to more normal course operations by the second quarter of fiscal 2022 and to pre-pandemic levels for private source revenues by fiscal 2023.

In 2020 we were pleased to complete our transition of Cycling Canada's finance and accounting functions to an outsourced, third-party service provider (AGA). While there were some growing pains and bumps in the road along the 2-year transition process, overall we have continued to see significant improvement in nearly all aspects of this functional area. The transition to AGA has helped us to improve our budgeting, reporting, internal controls and treasury management and to become generally more efficient from an administrative perspective. A big thank you to Stefan Armstrong and the entire team at AGA for all their support and assistance over the past twenty-four months.

We would also like to express our immense gratitude to our entire staff as well as all our PTSO partners and sport system stakeholders, whose perseverance, dedication and teamwork enabled us to get through this very challenging year and remain well-positioned to emerge stronger than ever.

It is important to also acknowledge the volunteer contributions and support of our Board of Directors and our Finance & Audit Committee. Chaired at the outset of 2020/21 by Greg Cote and now by Mark Collins, the committee continues to play an instrumental role providing guidance and expertise to both the Board and management team in its financial affairs.

FINANCIAL RESULTS – 2020/21

Financial Position

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.

Despite the COVID-19 health crisis the organization's overall financial position continued to improve in 2020/21, due in combination to the extraordinary financial support from Sport Canada, reduced operating activities as well as continued prudence in budgeting/expense controls and cash management.

With event and program activity levels grinding to a halt in the early stages of the pandemic we found ourselves with higher cash balances on a number of occasions throughout the fiscal year. This situation prompted some much-needed work in the area of treasury management and resulted in a couple of key steps to better manage the organization's cash balances both from a short-term liquidity standpoint as well as a long-term investment/value perspective.

We finished the year with short-term investments of \$2.0 million which consist of redeemable Guaranteed Investment Certificates bearing interest between 0.35% and 0.7% per annum and maturing November 2021. During the year we also invested \$250,000 from our operating reserve to create a Cycling Canada endowment fund. Administered by the Canadian Olympic Foundation, the fund will help to preserve and build long-term value for the organization's financial reserve while providing flexibility and support should the resources be required for strategic purposes down the road.

We ended the year with total cash of \$759k versus a balance of \$550k as at March 31, 2020, and we had no draws on our \$500k credit facility during the year or at fiscal year-end. Our accounts receivable balance at year-end was \$162k, a significant decrease from fiscal 2020 reflecting continued improvements in financial controls as well as reduced operating activities. As noted above, \$1.7m of our aggregate cash and investments as at March 31 relate to our deferral of Sport Canada funding which is to be spent by September 30, 2021.

Prepaid expenses also saw a significant decrease, finishing the fiscal year at \$43k versus a balance of \$243k at March 31, 2020. The larger balance in 2020 reflected expenditures for future National Team projects that were planned and prepaid for summer 2020.

Capital assets decreased from \$241k at March 31, 2020 to \$166k at fiscal year end 2021, reflecting accumulated amortization. In fiscal 2020 we adjusted our accounting approach to capital assets, no longer capitalizing as much equipment given that the useful life of national team equipment is only one year (or less) in most cases.

Accounts payable and accrued liabilities decreased from \$954k at year-end in 2020 to \$664k as at March 31, 2021. In response to the emerging pandemic in the spring of 2020, we slowed down payment of certain accounts payable as a financial precaution. As fiscal 2021 progressed we were able to resume payments in normal course as we gained better visibility on the financial impacts of the crisis.

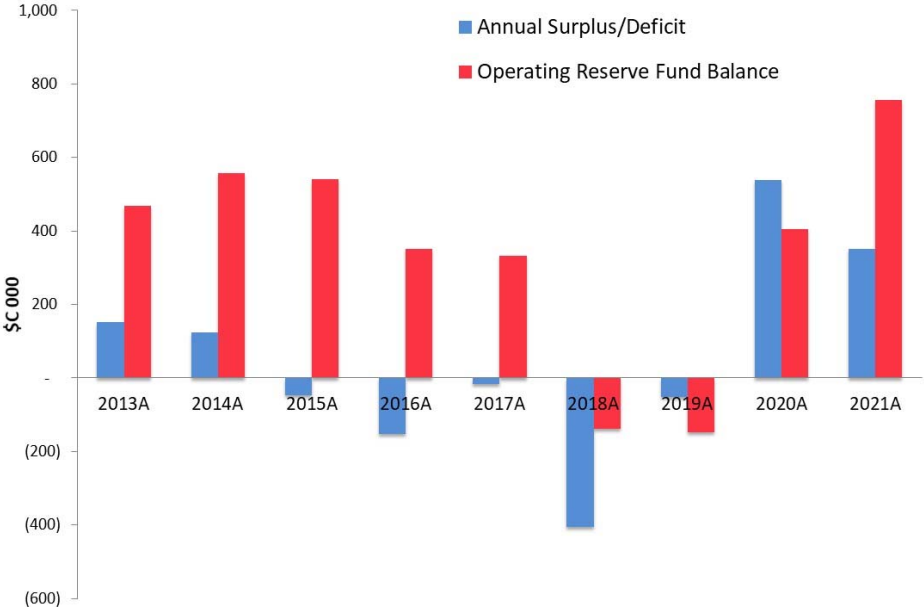
Our accrued liability balance includes \$94k of accumulated accrued vacation liability, which is down \$21k versus year-end 2020. We have taken some measures to decrease our liability in this area which had been gradually increasing over the past 5 years and were nearing materiality thresholds as noted

annually by our auditors. This 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.

Deferred revenues at year-end of \$1.7 million reflect Sport Canada funds received in 2020/21 which could not be deployed by year end. Sport Canada has approved a deferral of these funds to be spent before September 30, 2021. This deferred funding in fiscal 2022 will be key in providing continued stability as the organization continues to deal with the ongoing financial impacts of the COVID-19 pandemic.

Unrestricted net assets (our operating reserve) increased from \$406k at year-end 2020 to \$755k at March 31, 2021 as a result of our 2020/21 operating surplus of \$351k (discussed in more detail below). After reporting a negative balance of \$148k in 2019 we are back to a much healthier level in our operating reserve and we are well ahead of our targets for restoring long-term financial stability to the organization. The table below provides an overview of our reserve fund balance over the past 8 years.

Annual Surplus / Deficit & Operating Reserve Fund (2013 - 2021)



Operating Results

Cycling Canada concluded the fiscal year with an operating surplus (net revenue) of \$351k versus a surplus of \$538k for the year ended March 31, 2020. This was our second consecutive surplus after 5 years of deficits and reflects both the unusual impacts of the pandemic as well as continued improvements in operational planning and budget management.

Before accounting for the \$1.7 million deferral, recurring revenues from Sport Canada were relatively level versus fiscal 2020. Reference Level funding was flat year-over-year and we received \$140k in new contributions to support initiatives related to Gender Equity & Safe Sport. Enhanced Excellence funding decreased slightly from \$3.9 million in 2019/20 to \$3.8 million in 2020/21.

In June 2020 we received \$1.3 million in one-time, COVID-19 emergency funding support from Sport Canada to help mitigate the financial impacts of the pandemic. This support proved vital in offsetting the organization's losses in private source revenues as well as additional costs incurred to adapt programming and events once activities were able to resume.

Insurance related revenues and expenditures continued to trend downward as a result of the association's collective move away from a nationally coordinated insurance program in both fiscal 2020 and 2021.

Cash sponsorship revenues of \$54k (versus \$456k in fiscal 2020) reflect the deferral of most of our sponsorship revenues from fiscal 2021 to fiscal 2022. With most of our programs and events shutdown for the bulk of the season we were not in a position to deliver key rights and benefits for most of our commercial partners. As such we negotiated a one-year COVID-19 deferral with each of our major sponsors and suppliers. A big thank you to each of these important stakeholders for their collaboration and support through this difficult period.

Sport Canada revenues for the International Single Sport Events (ISSE) program were \$204k in fiscal 2021 compared with \$820k in fiscal 2020. This decrease is a reflection of reduced event activities due to the pandemic as well as a general decrease in international events planned in Canada in 2020/21 versus prior years.

Affiliation fee revenues decreased from \$216k in fiscal 2020 to \$48k in 2021. Cycling Canada elected to waive its share of affiliation fee revenues from our PTSO partners for the entirety of calendar 2020 in order to help mitigate COVID-19 related financial impacts on provincial-level finances.

Revenues related to athlete programming fees were \$82k in fiscal 2021 versus \$359k in 2020, reflecting a significant decrease in athlete programs and projects as a result of the pandemic.

Revenues from non-recurring contributions and other sources were \$67k, consisting mainly of fees from coaching courses, merchandise revenues and interest income. This total was down from \$1.4 million in fiscal 2020 when it included significant revenues related to the UCI track cycling events hosted in Milton in early 2020.

Donation and fundraising revenues decreased from \$435k in fiscal 2021 to \$353k in 2020 reflecting a pandemic-related decline in philanthropic activities across our system. Plans to launch a new major fundraising program (Club 1882) in early 2020 were put on hold by a year due to the health crisis. The program was ultimately launched in April 2021, shortly following the conclusion of the 2021 fiscal year.

Donation revenues in 2020/21 reflect contributions to our PTSO partners, trade team partners as well as pre-launch contributions toward Cycling Canada and the Club 1882 program. We must extend our sincere gratitude to our entire donor community for continuing to support cycling through such a difficult time for everyone.

On the Expense side of the equation, overall spending related to high performance programming was down significantly from \$3.6 million in fiscal 2020 to \$1.4 million in 2021. This is a reflection of decreased activity levels in all programs due to COVID-19, particularly in the first 6 month of the fiscal year.

Salaries, benefits and contracts were \$2.95 million in 2021 versus \$2.61 million in 2020. With the emergency support funding from Sport Canada we were fortunate to navigate our way through the pandemic without having to furlough or eliminate any staff positions. Increased spending in this area reflects the addition of several new staff and contract positions during the fiscal year to support strategic delivery and bolster capacity in several business areas.

Expenses related to general operations and administration were \$590k and relatively flat year over year. Decreases in spending related to marketing and communications (\$129k in 2021 vs. \$341k in 2020) as well as meetings and travel (\$20k vs. \$148k) reflect decreased activity levels due to COVID-19.

With most national level events in 2020 cancelled due to the pandemic our expenditures related to domestic events and competitions were down 95% year-over-year from to \$152k to \$8k. Expenditures related to grassroots and domestic development programming were less affected but still down 7% from \$321k to \$299k. Expenses related to development for coaches, officials and safe sport were up from \$45k in fiscal 2020 to \$70k in fiscal 2021 Despite most in-person programming being on hold we were able to proceed with investments in online learning platforms and virtual training opportunities to support future development in these areas.

LOOKING AHEAD

Despite a challenging five-year period marked by multiple years of operating losses, financial volatility and now a global health crisis, Cycling Canada has returned to a position of relative financial stability. With a healthy reserve fund and improved focus, processes and controls we are well positioned to deliver on our new strategic plan and to manage the ups and downs of future economic and funding cycles.

Launched in September 2020, our new strategy outlines a bold, transformative and community-focussed path for our organization and our sport over the coming decade. In the early stages of this 10-year plan it is critical that we continue to collaborate with our partners across the country in developing and diversifying private source revenue streams for our sport and all of its stakeholders.

We are cognisant of the many and still evolving impacts of the pandemic and we will remain vigilant as we seek ways to invest in and sustainably support our programs, people and events in fiscal 2022 and beyond.

We look forward to discussing our financial results further with you at our AGM on September 28, 2021 as well as at our Annual Congress in October.

Yours truly,

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

Matthew Jeffries
Chief Executive Officer
Cycling Cyclisme Canada