



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, 2022.

OVERVIEW

The 2021/22 fiscal was another difficult year marked by continued uncertainty and complications related to the ongoing COVID-19 situation. Similar to 20/21, our financial statements reflect some unusual, and in most cases, one-time impacts of this turbulence.

Despite the evolving pandemic and its ever-changing restrictions, 21/22 saw a return of activities and events across most of our disciplines and program areas around the country. This gradual return to normalcy allowed us to shift from perpetual crisis response/management and return our focus to planning and delivering on the early stages of implementation of our 10-year strategic plan to 2030.

Over the course of the fiscal year we made a number of significant shifts and adjustments to our organizational structure to support the delivery of this plan, particularly in our high performance program after the completion of the Tokyo Olympic and Paralympic Games. We also added critical capacity and resources to support the development of our community and grassroots pillars and continued to drive progress in key strategic initiatives such as Hubs, Shared Services, Education and the Hop On national grassroots program.

For the long-term success 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 revenues for our sport. The 2022 fiscal saw a significant recovery in many of these revenue streams including cash sponsorships, donations, affiliation fees and event-related revenues. Most noteworthy in this area were the successful roll-out of our Club 1882 fundraising program and the launch of our major multi-year collaboration with Victoria-based partner 94 Forward.

Also vital to our stability and progress over the past two years has been the tremendous support provided by our public funding partners (Sport Canada, Own The Podium) as well as many important sport system partners such as the Canadian Olympic and Paralympic Committees. The \$1.3 million in Sport Canada COVID-relief funding received early in fiscal 20/21 provided critical stability in the early days of the crisis. Having the flexibility to defer a portion of our 20/21 funding for deployment in 21/22 was equally important in allowing us to manage the many subsequent waves of shutdowns, postponements, cancellations, and associated adjustments.

Despite such a challenging 24 months marked by unprecedented uncertainty we are pleased to be in a position of relative financial stability. With our third consecutive operating surplus our reserve fund has returned to healthier levels in-line with long-term targets, and we feel that we are well positioned to continue to deliver on our strategic plan and to manage the inevitable ups and downs of future economic and funding cycles.

FINANCIAL RESULTS – 2021/22

Financial Position

With our contingency reserve bolstered by healthy operating surpluses in 2019/20 and 2020/21 Cycling Canada was positioned for continued stability through the 21/22 fiscal. Despite continuing impacts from COVID-19 the organization's overall financial position continued to improve due to the extraordinary financial support from Sport Canada, pandemic-reduced event and operating activities as well as continued prudence in budgeting/expense controls and cash management.

With programming and event activities intermittently effected by pandemic shutdowns we found ourselves with higher than normal cash balances on a number of occasions throughout the fiscal year. This situation required some careful planning 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 combined cash and short-term investments of \$2.2 million, down from \$2.8 million as at March 31, 2021. The 2021 balance included \$2.0 million in Guaranteed Investment Certificates which matured in November 2021. The overall liquidity decrease from fiscal 2021 to 2022 reflects a return to more normal levels of operating activity and as a result the deployment of the \$1.7 million in Sport Canada funding which was deferred from 2021 to 2022. 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 \$4.0 million, much higher than normal and consisting primarily of a \$3.5 million Sport Canada international event instalment which was recognized in 20/21 but not received until after the March 31 fiscal year-end.

Prepaid expenses also saw a significant increase, finishing the fiscal year at \$282k versus a balance of \$43k as at March 31, 2021. This balance is consistent with 2020 levels and reflects expenditures for future National Team and domestic programming projects that were planned and prepaid for summer 2022.

During the 20/21 fiscal year we invested \$250k from our operating reserve to create a Cycling Canada endowment fund. Administered by the Canadian Olympic Foundation, the fund helps to preserve and build long-term value for the organization's financial reserve while providing flexibility should the resources be required for strategic purposes in the future. No additional investments were made in 21/22 and at year-end the balance was \$265k.

Capital assets increased from \$166k as at March 31, 2021 to \$473k at fiscal year end 2022, reflecting investments in computer equipment as well as new timing equipment and technologies for the velodromes in Milton, ON and Bromont, QC. Detail on this can be found in Note 5 to the financial statements.

Accounts payable and accrued liabilities increased from \$664k at year-end in 2021 to \$5.5 million as at March 31, 2022. This major increase is also related to the Sport Canada international event funding instalment noted above. The instalments are effectively flow-through amounts that we transfer to the appropriate local organizing committees once received. There were a number of other large

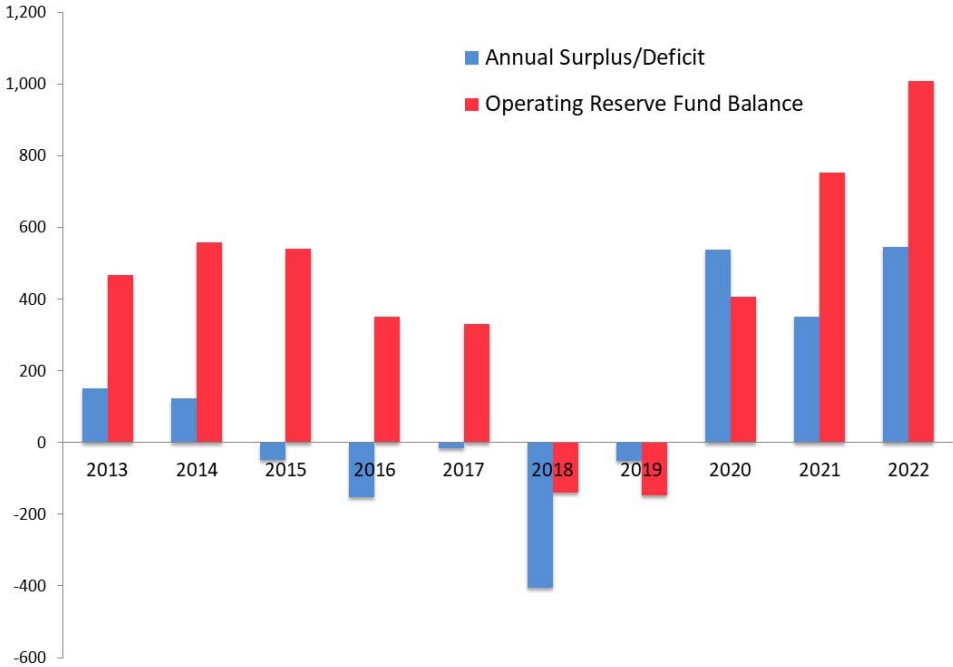
transactions near year-end that contributed to the higher than normal payables balance, including PTSO grants for Hop On programming and the investments in capital assets noted above.

Our accrued liability balance includes \$133k of accumulated accrued vacation liability, which is up from \$94k at year-end 2021. We are continuing to update and refine our HR policies to help decrease our liability in this area while ensuring flexibility, fairness and support for our staff. This liability is a reflection of the passion and commitment of so many of our staff who regularly forego holidays and work through countless weekends to support our athletes, programs and events throughout the year.

Deferred revenues at year-end decreased from \$1.7 million in 2021 (Sport Canada funds received in 2020/21 which could not be deployed by year-end) to \$235k at year end 2022. The current year-end balance reflects deferred revenues related to the May 2022 UCI Nations Cup, RBC Training Ground and a large corporation donation that was received in 21/22 for deployment in 22/23.

Unrestricted net assets (our operating reserve) increased from \$755k at year-end 2021 to \$1.0 million at March 31, 2022 as a result of our 2021/22 operating surplus and continued fiscal prudence. After reporting a negative balance of \$148k in 2019 we are back to a much healthier level in our operating reserve and are 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 10 years.

Annual Surplus / Deficit & Operating Reserve Fund 2013 - 2022



Operating Results

Cycling Canada concluded the fiscal year with an operating surplus (net revenue) of \$547k versus a surplus of \$351k for the year ended March 31, 2021. This was our third consecutive surplus after 5 years of deficits and continues to reflect both the unusual impacts of the pandemic as well as improvements in operational planning and budget management.

Revenues from Reference Level and Enhanced Excellence funding from Sport Canada returned to normal levels after we had deferred significant portions of both during the 20/21 fiscal as a result of pandemic-affected reductions in events and programming.

For the 21/22 fiscal year we also recorded \$1.9 million in "Other" Sport Canada revenue, consisting primarily of the \$1.7 million that we had deferred in 20/21. This line item also includes \$143k in Sport Canada funding for initiatives related to Gender Equity and Safe Sport.

Cash sponsorship revenues (\$556k) returned to pre-pandemic levels after we had deferred the bulk of our sponsorship fees in fiscal 2021. A big thank you must go out to all of our valued corporate partners for their collaboration and support through the pandemic. Unfortunately the 21/22 fiscal year marked the final year of our long-term partnership with Lexus Canada. We are incredibly grateful for their 6 years of collaboration and all of their generous support for cycling across Canada.

Sport Canada revenues for the International Single Sport Events (ISSE) program were \$3.6 million in fiscal 2022 compared with \$204k in fiscal 2021. This increase reflects a return of major international event hosting activity in 20/21 as well as a significant early funding instalment for a high profile international event that will be hosted in Canada in 2026.

Affiliation revenues of \$194k began to return toward pre-pandemic levels after Cycling Canada elected to waive its share of affiliation fees for the entirety of calendar 2020 in order to help mitigate COVID-related impacts on provincial and territorial-level budgets.

Revenues related to athlete programming fees were \$338k in fiscal 2022 versus \$82k in 2021 and \$359k in 2020, reflecting a return to pre-pandemic levels of national team activity as well as increases in national team programming in a number of key disciplines and athlete development stages (junior and U23).

Revenues from non-recurring contributions and other sources increased from \$67k to \$127k, consisting mainly of fees from grassroots programs, coaching courses, merchandise revenues and investment income.

Donation and fundraising revenues increased from \$353k in fiscal 2021 to \$634k in 2022 reflecting a very successful first year for our Club 1882 fundraising campaign. In its first full year of operation the Club 1882 program generated over \$250k from more than 70 individual donors and also received several corporate donations including a generous one-time contribution from the Desjardins Group. We must extend our sincere gratitude to our entire donor community for their incredible support and we look forward to building on this initial momentum in the years to come.

On the Expense side of the equation, overall spending related to high performance programming doubled from \$1.4 million in fiscal 2021 to just under \$3.0 million in 2022 as we returned toward more normal course, pre-pandemic activity levels.

Salaries, benefits and contracts were \$3.3 million in 2022 versus \$3.0 million in 2021. 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 such as the community and grassroots portfolios.

Expenses related to general operations and administration were \$586k, down slightly from \$590k in the prior fiscal. While most of our administrative costs (office rent and communications, insurance, depreciation, etc.) are relatively fixed and as such did not fluctuate during the pandemic, expenditures for meetings and travel saw a return to pre-pandemic levels in 2021 (\$132k) after a marked reduction in 2020 (\$20k). Spending related to marketing and communications (\$249k in 2022 vs. \$129k in 2021) were up similarly although still well below 2019/20 levels.

After the 2020 season where most national calendar events were cancelled due to the pandemic we were pleased to see the return of most national championship events in the summer of 2021. Accordingly our expenditures for domestic events and competitions rose from \$8k in fiscal 2021 to \$182k in 2022. This is up slightly over pre-pandemic levels (\$152k in fiscal 2020) but includes some one-time expenditures for event equipment and infrastructure.

Expenses related to development for coaches, officials and safe sport were \$111k in 2022 vs. \$70k in 2021, reflecting continued strategic investments in coach development (e.g. Hop On instructor training) as well as new programs, policies and education platforms to ensure the safety of our sport and its participants across the country.

Expenditures related to grassroots and domestic development programming increased significantly in 2022 (\$696k vs. \$299k in 2021) reflecting new activity and investments in this key strategic area. Expenses related to the growth and development of the Hop On national grassroots program were \$340k in 2022, including about \$175k which was distributed to our PTSO partners for Hop On development grants.

In fiscal 2022 we also made significant new investments (\$403k) toward development of our long-term community strategy via regional Hub pilot initiatives, most notably in Victoria in collaboration with 94 Forward (the legacy foundation from the 1994 Victoria Commonwealth Games) and Cycling BC. Spending in this area includes contracted staff for Hub development as well as investments toward development of digital applications and local facilities and infrastructure.

LOOKING AHEAD

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

We would like to express our immense gratitude to our entire staff as well as our PTSO partners and sport system stakeholders, whose continued dedication and teamwork underpin the stability, development and health of our organization and our sport day-in and day-out. It is also important to acknowledge the enormous volunteer contributions of our Board of Directors (and provincial boards) who serve an instrumental role providing guidance, expertise and support to our management team and staff across the country.

We look forward to discussing our financial results further with you at our AGM on September 13, 2022 as well as at our Annual Congress in October.

Yours truly,

A handwritten signature in black ink, appearing to read 'Matthew Jeffries', with a stylized flourish extending to the right.

Matthew Jeffries
Chief Executive Officer
Cycling Cyclisme Canada