

**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, 2023.

Financial Position

With our contingency reserve bolstered by healthy operating surpluses over the past three fiscal years, Cycling Canada was positioned for continued stability through the 22/23 fiscal.

We finished the year with combined cash and short-term investments of \$503k, down from \$2.2 million as at March 31, 2022. The overall liquidity decrease from fiscal 2022 to 2023 reflects a return to more normal levels of operating activity after several years of COVID-related disruptions and revenue deferrals. 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 \$1.7 million, down from \$3.9 million at March 31, 2022. The year-end balances in both 2022 and 2023 reflect higher than normal receivables, in both cases due to large payments from Sport Canada received after year-end for international sport hosting grants for the 2026 UCI Road World Championships in Montreal (\$3.5 million in fiscal 2022 and \$1.0 million in 2023).

Prepaid expenses finished the fiscal year at \$447k versus a balance of \$282k as at March 31, 2022. This balance reflects expenditures for future National Team projects as well as costs related to the 2023 UCI Track Cycling Nations Cup in Milton which was hosted in April 2023 subsequent to fiscal year-end.

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 22/23 and at year-end the balance was \$255k. This balance is net of a mandatory, annual disbursement (minimum 3.5% per year) from the fund to Cycling Canada, as per CRA rules.

Capital assets decreased slightly from \$473k as at March 31, 2022 to \$461k at fiscal year end 2023, reflecting depreciation recognized in the fiscal year as well as new investments in automotive equipment to support the delivery of domestic programs and events. Detail on this can be found in Note 4 to the financial statements.

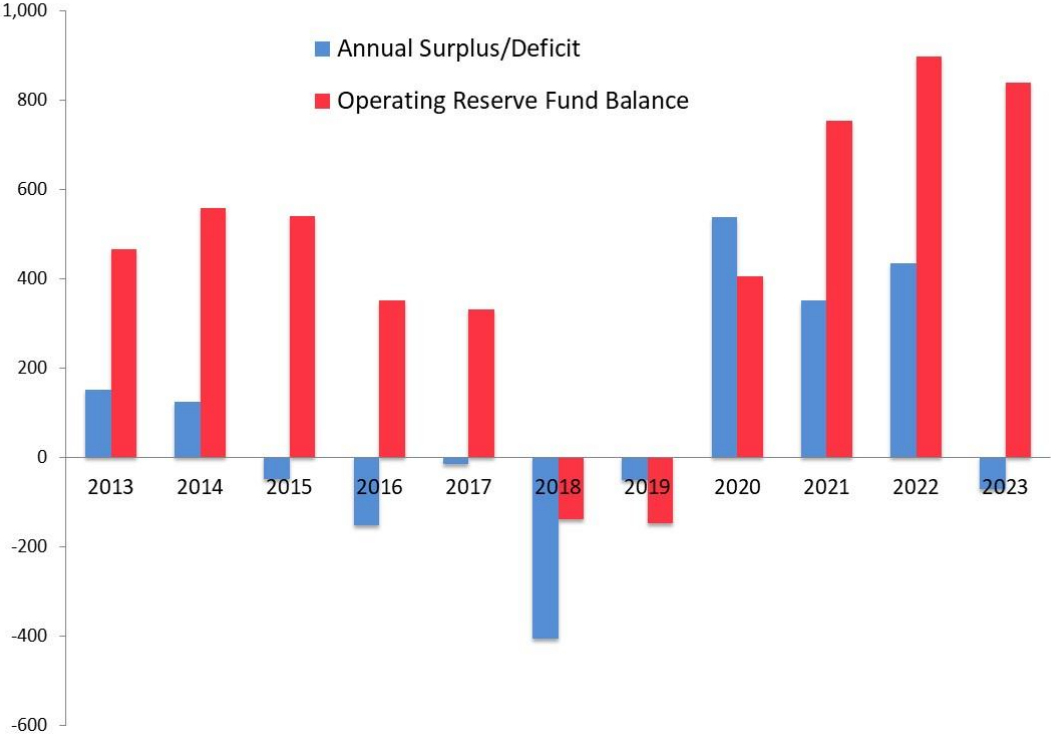
Accounts payable and accrued liabilities were \$1.7 million at year-end, consisting primarily of the \$1 million Sport Canada international event funding instalment noted above. The instalments are effectively flow-through amounts that Cycling Canada transfers to the appropriate local organizing committees once received.

Our accrued liability balance includes \$126k of accumulated accrued vacation liability, which is down slightly from \$133k at year-end 2022. 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 were \$315k and primarily consist of revenues related to the April 2023 UCI Track Cycling Nations Cup in Milton which were received prior to the March 31, 2023 fiscal year-end.

Unrestricted net assets (our operating reserve) decreased from \$897k at year-end 2022 to \$838k at March 31, 2023 as a result of our small 2022/23 operating deficit. This was our first deficit in the past four years after reporting three consecutive years of surpluses and our operating reserve remains at a healthy level, although still slightly below long-term targets (10-15% of total budget). The table below provides an overview of our reserve fund balance and annual surplus/deficit since 2013.

Annual Surplus / Deficit & Operating Reserve Fund 2013 - 2023



Operating Results

Cycling Canada concluded the fiscal year with an operating deficit (net loss) of \$71k versus a surplus of \$435k for the year ended March 31, 2022. This was our first deficit after three consecutive years of surpluses and reflects a return to normal levels of operational activity after several years of COVID-related disruptions. Our final budget for fiscal 2023 had targeted a modest surplus of \$143k, however our financial results were ultimately impacted by increasing cost pressures throughout the fiscal due primarily to rising inflation and travel costs within Canada and across the globe.

Revenues from Reference Level and Enhanced Excellence funding from Sport Canada remained relatively flat at \$1.1 million and \$3.5 million, respectively. Overall Sport Canada funding envelopes have

remained flat for many years now with no meaningful increases in core (reference level) funding for the sport system in close to 20 years. This situation continues to exert pressure on Cycling Canada and most other NSOs to find alternative sources of revenue to support rising costs and expanding operational mandates related to the growth of the sport.

For the 22/23 fiscal year we recorded \$1.1 million in “Other” Sport Canada revenue, consisting of \$610k received via the COVID-relief and recovery fund program, \$450k via the Community Sport For All (CSAI) funding program and \$51k for initiatives related to Gender Equity and Safety in Sport. The COVID-relief and recovery fund programs were special one-time funding initiatives from Sport Canada and are not expected to continue in 23/24 and beyond, despite initial indications from Sport Canada that the recovery fund program could be a stepping stone toward a future bump in reference level funding for many sports.

Funding contributions from our performance partners at the Canadian Olympic Committee and Canadian Paralympic Committee combined to total \$575k in fiscal 2023 versus \$560k in fiscal 2022. These contributions provide vital support for our athlete development and performance programs as it relates to preparation for Paris 2024 as well as support for governance enhancement and system alignment.

Sport Canada revenues for the International Single Sport Events (ISSE) program were \$1.3 million in fiscal 2023 compared with \$3.7 million in fiscal 2022. Both of these figures reflect large early funding instalments related to the 2026 UCI Road World Championships in Montreal, as well as support for domestically held international events such as the 2022 UCI Para Cycling Road World Championships and the UCI Mountain Bike World Cup in Mont Sainte-Anne.

Private funding partner revenues were \$1.2 million in fiscal 2023, consisting primarily of support from 94 Forward (the legacy foundation from the 1994 Victoria Commonwealth Games) related to our two-year collaboration agreement focussed on implementation of new strategic initiatives including the development of hub resources and infrastructure in Victoria, BC. The remainder of the funds from this two-year collaboration will be deployed in the 2023/24 fiscal year.

Cash sponsorship revenues were \$277k compared to \$444k in 2021/22. The decrease reflects the termination of our long-term collaboration with Lexus Canada in 21/22. A big thank you must go out to all of our valued corporate partners for their collaboration and support, particularly long-term partners Global Relay and Corpay, as well as 7-Eleven who more recently joined our family of sponsors.

In regard to sponsorship revenues, it is also worth highlighting Note 9 in our financial statements which outlines a restatement of our 2022 sponsorship revenues due to an accounting error made in the 21/22 fiscal. We have worked with our finance team to adjust our processes and controls to ensure such an error is not made again in the future.

Affiliation revenues increased from \$195k in fiscal 2022 to \$243k in 2023, reflecting a return to pre-pandemic affiliation levels across most of our provincial and territorial associations.

Revenues related to athlete programming fees were \$447k in fiscal 2023 compared to \$338k in fiscal 2022, 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 (e.g. cyclo-cross, downhill mountain bike) and athlete development stages (junior and U23).

Revenues from non-recurring contributions and other sources increased from \$277k to \$693k, consisting primarily of revenues related to the 2022 UCI Track Cycling Nations Cup in Milton. The event resulted in a modest deficit due primarily to a truncated planning window, cost inflation and costs related to transitioning from the previous World Cup event format to the new UCI Nations Cup format. Additional revenue sources in this category include fees from grassroots programs, coaching courses, merchandise revenues and equipment sales.

Donation and fundraising revenues increased from \$634k in 2022 to \$879k in 2023, reflecting another successful year for our Club 1882 fundraising campaign as well as continued growth in funds raised by Cycling Canada clubs, trade teams and provincial and territorial associations via the Cycling Canada charitable donation platform. Since launching our Club 1882 program in 2021 our charitable donation programs have generated over \$1 million from more than 100 individual donors as well as several large corporate donors, including a \$300k 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 momentum in the years to come.

On the Expense side of the equation, overall spending related to high performance programming increased slightly from \$3.0 million in fiscal 2022 to \$3.2 million in 2023, reflecting increases in both total programming levels as well as per-project costs due to inflation pressures.

Salaries, benefits and contracts were \$3.7 million in 2023 versus \$3.2 million in 2022. Increased spending in this area primarily reflects the addition of several new staff positions during the fiscal year to bolster capacity in our community, grassroots, events and fundraising teams.

Expenses related to general operations and administration were up 8% to \$633k, reflecting modest increases in a number of cost areas including insurance, communication, information technology and staff professional development. Costs related to meetings and travel also increased in 2023 to \$244k, reflecting a return to normal levels of in-person meetings after several years of pandemic affected operations. Spending related to marketing and communications (\$261k in 2023 vs. \$249k in 2022) were relatively flat year-over-year.

Funding outflows related to Cycling Canada's charitable donations program were \$404k in fiscal 2023 vs. \$275k in fiscal 2022. This line item reflects donations that Cycling Canada receives on behalf of, and passes along to registered affiliates like clubs, trade teams and provincial and territorial associations across the country.

After the 20/21 and 21/22 seasons where many national calendar events were cancelled due to the pandemic we were pleased to see the return of a full national championship calendar in the summer of 2022. Accordingly our expenditures for domestic events and competitions rose from \$182k in fiscal 2022 to \$223k in 2023. This is up fairly significantly over pre-pandemic levels (\$152k in fiscal 2020), reflecting the continued growth of our events calendar to support new cycling disciplines and race categories.

Expenses related to development for coaches, officials and safe sport were \$59k in 2023 vs. \$111k in 2022. We incurred higher than normal costs during the 2022 fiscal related to 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 development (grassroots) programs, grants and subsidies increased from \$421k in fiscal 2022 to \$554k in 2023 reflecting continued investments and new activity in this key strategic area. The most significant initiative in this program area was the deployment of approximately \$400k in development grants to clubs and affiliates across the country via Sport Canada's Community Sport For All Initiative (CSAI).

In fiscal 2023 we continued to make new investments (\$178k) toward development of our long-term community strategy via regional Hub pilot initiatives, most notably in Victoria in collaboration with 94 Forward 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 significant financial volatility and a global health crisis, Cycling Canada remains in a position of relative financial stability. However, despite a healthy reserve fund and improved focus, processes and controls we remain susceptible to fluctuations in major funding contributions from our private and public funding partners as well as the impact of broader economic cycles on our commercial revenues and operating costs. To ensure continued growth and development of the sport and long-term sustainability for the association it will be vital to continue to expand private and discretionary revenue sources via fundraising and commercial partnerships as well as growth of the national membership base in collaboration with our provincial and territorial partners.

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 12, 2023 as well as at our Annual Congress in October.

Yours truly,

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

Matthew Jeffries
Chief Executive Officer
Cycling Cyclisme Canada