



# **EQUESTRIAN CANADA**

## **FINANCE & AUDIT COMMITTEE**

### **2021/22 ANNUAL REPORT**

August 16, 2022

#### **Overview:**

It has been a very busy and active year for the members of the Finance & Audit Committee (FAC), and I express my sincere thanks for their hard work. There have been 10 meetings during April 1, 2021, to March 31, 2022. The FAC members are as follows:

- Rob Mitchell, CFA, Committee Chair and Board Director
- Christopher Lowe, CFA, Board Director
- Susan Harrison, Registered Participant
- Zahra Kolia, CPA, Registered Participant
- Meg Krueger, Chief Executive Officer, Ex-Officio Member
- Chris Sorensen, Equestrian Canada President, Ex-Officio member
- John Wightman, CPA, Chief Financial Officer, Equestrian Canada, Ex-Officio member

The FAC worked effectively with John Wightman, CPA, Chief Financial Officer, and I would like to thank John for the time and effort he has put into serving EC.

Over the past fiscal year, Equestrian Canada (EC) transitioned our accounting software to Quickbooks Online, which has improved access to financial reports and transparency for staff budget managers. We formalized the EC Corporate Reserve Fund Policy, with engagement meetings between senior leadership and our sport operational committees. The Finance team and FAC also reviewed a financial sensitivity analysis and forecasts for the proposed Canadian Equine Identification Project (CEIP). Finally, the EC leadership team successfully applied for several critical funding initiatives designed to support organizations through the challenging financial times of Covid-19.

#### **Financial Results Fiscal Year Ended March 31, 2022:**

In late March 2020, the COVID-19 outbreak was declared a "pandemic" by the World Health Organization. With significant revenue derived from the competition sector, the reduction in competition activity during Covid-19 has continued to have an impact on EC's financial position. EC initiated several operational mitigation strategies combined with federal relief funding programs, including the Canadian Emergency Wage Subsidy (CEWS), Canadian Emergency Rent Subsidy (CERS), COC Return to Sport Grant and Sport Canada Recovery Fund, throughout this timeframe.



With these efforts and a positive return to competition experienced in the domestic summer season, where overall revenue declined from \$6.4M in 2020 to \$4.6M in 2021, in the 2021/22 fiscal year, revenue increased to \$7.4M. The 2020 Tokyo Olympics and Paralympics took place in the summer of 2021, rescheduled due to Covid-19, and EC's participation in the Games produced increased operational expenditures. The Canadian Olympic Committee (COC) and the Canadian Paralympic Committee (CPC) offered partial cost recovery support to National Sport Organizations in Canada, and provided contributions to EC towards Major Games expenses in the amount of \$433,000 (COC) and \$317,000 (CPC). EC operating expenses totalled \$7.5M this fiscal year, compared to \$4.1M in the prior fiscal year.

Overall, the 2021/22 fiscal year ended with an operating deficit of \$164,000. This compares to a surplus of \$467,000 in the prior fiscal year. The budget preparation for the 2021/22 fiscal year factored in several unknowns, including whether, and to what degree, the Covid-19 or EHV1 global outbreaks would negatively impact sport participation sales for competition and sport licenses for the domestic competition season. Further, EC had to assess the potential impacts of Covid-19 and EHV-1 on increasing costs related to the Tokyo Olympic and Paralympic Games. Despite these unknowns, EC managed effective cost controls and financial reporting to reduce the potential deficit impact, and the year-end deficit was less than the amount originally budgeted.

## Audit:

The annual KPMG audit began in June 2022, with the audit fieldwork concluded by the beginning of August 2022. The audit was successfully completed in a remote workplace environment. The EC Finance team worked to ensure a smooth remote audit process. KPMG issued an unqualified (clean) audit opinion for the year.

The FAC extends its thanks to KPMG staff and EC's Finance team for the efficient way the audit was conducted.

## Sport Canada Recovery Fund:

Sport Canada 2021/22 and 2022/23 Covid-19 "Recovery Fund" applications were completed and submitted to Sport Canada in December 2021.

Sport Canada approved \$577,000 of "Recovery Funding" for fiscal 2021/22. These funds were received after year-end but are included as a receivable in the 2022 financial statements.

The following is the list of project areas approved through the Recovery Fund allocation:

- Increased costs to travel for Olympic/Paralympic site visits;
- An economic and socio-economic equestrian industry study to understand the impact of the pandemic on sport participation and athlete development;
- Enabling officials to travel and participate in clinics available outside of Canada, and ensuring continuance and maintenance of training and certification for domestic equestrian officials;
- Creating a master coach developers working group to oversee any program or resource updates as necessary, and providing continued support and professional development opportunities to master coach developers and the Provincial/Territorial Sport Organizations (PTSOs);



- Covering additional costs to continue working in hybrid and/or remote environment and for national team athletes to compete safely;
- Providing continued support and professional development opportunities to the master officials developers working group and the PTSOs;
- Restoring various programs in both Olympic and Paralympic disciplines cancelled due to COVID-19; and implementing various marketing and engagement initiatives with the ultimate goal of increasing membership;
- Continuance of redesign and development of a new organizational website, making it more functional, interactive and easy to navigate;
- Transitioning to online learning environment for young equestrians, coaches, officials and support personnel; and
- Providing financial support through a partner grant program to event organizers.

Within the parameters noted above, EC allocated 70% of the Recovery Fund received towards cost recovery for the 2020 Tokyo Olympic and Paralympic Games and increased operational costs due to Covid-19, and 30% towards the initiation of parked programs, new programs and competition organizer relief funding within the parameters noted above.

## Cash Flow:

The annual cycle of revenue and expenses for EC is seasonal. EC collects much of its revenue from sport participants in the early part of each year. At the same time, many of its expenses occur in the summer and fall. As such, close attention must continue to be placed on the quieter months when cash flow is tightest. The EC Finance team is focusing on managing accounts receivables and implementing procedures to keep past-due accounts as low as possible. Internal control policies around the management of cash flow have also been improved.

## Remote Workplace and Corporate Office Lease:

In August 2021, EC became a permanent remote workplace. This decision was made to support future potential expansion of the staff team across the country, opening job postings to candidates located in any province or territory in Canada. The Finance Department and Corporate Operations Manager support the required technology to enable an efficient and effective remote workplace, including the transition of EC corporate data servers to a secure “cloud-based” environment, and operations via Microsoft Office 365 and Microsoft Teams.

## Budgets and Longer-Term Financial Forecasts:

Due to the recent review of corporate strategic priorities, coupled with the uncertain impact of future COVID-19 and economic conditions on EC’s operations, EC will now be planning with a shorter three-year budget forecast (i.e.: 2022/23 to 2024/25) in alignment with the 2022-2025 Strategic Plan which will be released later in 2022. This shorter “Rolling Budget Forecast” model will be more useful as a tool to assist in the planning of future EC operational activities.

The FAC was provided updates of financial results, budget forecasts, and cash flow forecasts throughout fiscal 2021/22.



Improving communication, trust, respect, and transparency remains a top priority of the FAC, so that stakeholders can make timely operational and strategic decisions.

*Prepared by Robert Mitchell, Chair of the Finance & Audit Committee August 16th, 2022.*