



FINANCE AND AUDIT COMMITTEE 2020/21 ANNUAL REPORT

August 19, 2021

Overview:

It has been a very busy and active year for the members of the Finance and Audit Committee, and I express my sincere thanks for their hard work. There have been 12 meetings since April 1, 2020 to date. The Committee members are as follows:

- Rob Mitchell, CFA, Committee Chair and Board Director
- Jane Milton, Q.C., Board Director
- Susan Harrison, Registered Participant
- Zahra Kolia, CPA, Registered Participant
- Christopher Lowe, CFA, 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 Committee has worked effectively with John Wightman, CPA, Chief Financial Officer, and I would like to thank John for the many long hours he has put into serving EC through extremely challenging times. John has ensured that EC receives government support through a number of evolving programs and has greatly assisted the process of adapting business processes to a remote working environment.

Under John's leadership, we have improved timeliness of financial reporting, upgraded expense control procedures, and improved the corporate budgeting model tool. Updated budget forecasts are now completed quarterly to provide better visibility of EC's seasonal cash flow projections, and reporting to government stakeholders has further improved.

Financial Results Fiscal Year Ended March 31, 2021:

In late March 2020, the COVID-19 outbreak was declared a "pandemic" by the World Health Organization. The pandemic had a dramatic impact on all aspects of EC operations during the year. A dramatically reduced event schedule and a one-third drop from sports license fees, combined with much lower program funding from Sport Canada resulted in a major impact on revenues compared with previous years. This drop in revenues from lower activity levels was partially offset by a series of COVID-19 related grants and subsidies, however overall revenue declined from \$6.4M in 2020 to \$4.6M in 2021.

EC took dramatic steps to curtail spending while maintaining staffing levels to support its long term strategic goals. Expenses totalled \$4.1M this fiscal year, compared to \$6.5M last year.



Overall, the 2020/21 fiscal year ended with an operating surplus of \$467,000, considerably better than our initial budget estimate of “breakeven”. The year saw constant adapting to changing circumstances and ending the year with a strong surplus is an outcome we are very satisfied with.

Audit:

The annual KPMG audit began in late June, with the audit fieldwork concluded by the beginning of August 2021. The audit was successfully completed in a 100% remote workplace environment for both EC and KPMG staff. The auditor was pleased with the improvements to EC Finance internal financial controls and processes, and the current EC Finance team worked efficiently and effectively to ensure a smooth remote audit process. KPMG concurred with the accounting treatment presented, no financial adjustments were identified, and an unqualified (clean) audit opinion was issued for fiscal 2020/21.

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

EC Corporate Reserve Fund Policy:

The new “EC Corporate Reserve Fund Policy” was developed through the latter half of fiscal 2020/21 and was presented in several meetings to EC Operating Committees to obtain essential equestrian community feedback. The main goal of the EC Corporate Reserve Fund Policy presentations was to outline three pillars of conversation: the EC Reserve Fund Policy, Historical Reserve Funds and Future Reserve Funds.

The EC Corporate Reserve Fund Policy was approved by the Finance and Audit Committee, and the Board in May 2021.

Additional stakeholder consultations will continue in the coming months on a “as-needed” basis to further familiarize EC stakeholders with the EC Corporate Reserve Fund Policy and associated procedures.

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.

IT Infrastructure Re-Design and New Corporate Office Lease:

The Finance Department continues to lead in the further development and completion of EC’s IT Infrastructure re-design project to assist EC staff as they continue to work in a remote work environment throughout fiscal 2020/21. This project has seen the placement of all EC corporate data servers into a “cloud-based” environment (with negotiated third-party data warehouse maintenance and service support contracts), the complete rollout of Microsoft Office 365 and Microsoft Teams to all EC staff, the provision of a standard laptop platform for all EC staff, and the roll-out of third-party IT Support Service contracts to manage all “Help-Desk and NOC Desk” staff requirements. This new IT infrastructure has



allowed EC to effectively manage the current remote work reality of EC staff created by the COVID-19 Pandemic, and as such has allowed EC corporate operations to continue to remain highly efficient and effective.

The Finance Department was the lead in negotiating the relocation of EC's new "Head Office". The new lease took effect on July 1, 2020 and with smaller space and a more efficient design, office lease expense has decreased significantly.

Budgets and Longer-Term Financial Forecasts:

The budgeting process implemented by John Wightman in fiscal 2019/20 to better facilitate the annual budget process has undergone some refinements to allow for increased EC corporate budgeting accuracy throughout fiscal 2020/21. A five-year financial "rolling" budget forecast model continues to be developed to better identify the EC cycle of international competitions and the associated variations in expenses year-over-year. This five-year financial forecast also identifies potential areas where EC should target revenue growth in order to achieve identified EC Strategic Plans.

The Finance and Audit Committee was provided updates of financial results, budget forecasts, and cash flow forecasts throughout fiscal 2020/21.

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

Prepared by Robert Mitchell, Chair of the Audit/Finance Committee to August 19th, 2021.