

SAIL CANADA AUDIT COMMITTEE
REPORT TO THE SAIL CANADA BOARD ON THE 2017 – 2018 DRAFT FINANCIAL STATEMENTS
August 13, 2018

Prepared by Sail Canada Audit Committee:

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The 2017 – 2018 audit of Sail Canada (SailCan) has been concluded. The Audit Committee (AudComm) held a conference call on July 11, 2018 with Secker, Ross & Perry to discuss the financial statements, Audit of Financial Statement Letter (AFL) and Management Representation Letter (MRL). An appendix to the MRL listed the Summary of Unadjusted Differences and Adjusting Journal Entries.

During the Jul 11 call, the AudComm also discussed presentation and note disclosure edits to the draft. The revised draft financial statements were reviewed during a call on Aug 13, 2018.

Materials submitted to the Board

(Revised) draft financial statements for the 2017 – 2018 fiscal year
Report to the Sail Canada Board on the 2017 – 2018 draft financial statements (this document)
Audit of Financial Statement Letter & Management Representation Letter (included for reference)

1.0 Recommendation to the Sail Canada Board

The Audit Committee unanimously recommends the approval of the draft 2017 – 2018 financial statements of Sail Canada as audited by Secker Ross & Perry LLP.

2.0 Audit Committee's Report on the 2017 – 2018 Financial Statements

The report below summarizes the AudComm's oversight on the 2017 – 2018 audit process undertaken to ensure the quality and integrity of Sail Canada's financial statements, encompassing accounting and financial reporting processes, and audit of its financial statements. This report also includes points forward for the 2018 – 2019 audit process. The fees for 2017 – 2018 audit have been remitted.

2.1 Audit Opinion

The report of the independent auditor is a *qualified opinion* (except for completeness of revenues from fund-raising activities run by external parties), the same as in the prior year.

Key auditor comments:

- auditors received full cooperation from management on 2017 – 2018 audit
- did not identify any of the following matters:
 - o misstatements, other than trivial errors;
 - o fraud;
 - o misstatements that may cause future financial statements to be materially misstated; or
 - o significant weaknesses in internal controls
- four (4) recommendations were noted in the AFL; management does not disagree with the findings, accepts the recommendations and will seek ways to implement them in this fiscal year
- three (3) unadjusted differences were noted for 2017 – 2018; no adjustment or restatements were required to the financial statements
- twenty (20) adjusting journal entries were posted by the auditors to close SailCan's 2017 – 2018 fiscal year totaling \$430.2k with a net income effect of \$221.8k

2.2 Key observations on the 2017 – 2018 Financial Statements

2.2a Revision to Presentation of the Financial Statements

The Audit Committee, Sail Canada management and Secker Ross & Perry have worked together to enhance the readability and presentation of the Sail Canada financial statements. The format has been revised to provide an easier-to-understand presentation and reveal pertinent details of Sail Canada's financial position. Notes to the financial statements have also been revised and updated. The overall goal of these revisions is to convey a relevant and accurate communication of Sail Canada's financial responsibility to members, program supporters and donors. These changes did not impact numbers in the original draft distributed to the Board as part of the July board meeting materials.

2.2b Sail Canada's Financial Position as of the year ended April 30, 2018

Sail Canada ended its 2017 – 2018 fiscal year with revenues lower by 2% (\$2.14 mil vs \$2.18 mil). A significant increase in support (and reflecting a partial redirection of funds) from Own the Podium compensated for declines in Sponsorship & Advertising and Grants. Cansail revenue increased +25% reflecting deeper engagement with our sailing community.

Expenses overall *declined* by 8% (\$2.06 mil vs \$2.24 mil). Notable increases were in Salaries & Benefits for Sail Canada staff and High-Performance coaches. Notable reductions were seen in Equipment, repairs & maintenance, travel and resource materials & supplies. Overall, Sail Canada's general expenses consumed 53% of total revenues, up from 50% in the prior year.

3.0 Points forward for 2018 – 2019 Financial Year & Audit

The 2017 – 2018 fiscal year marks the AudComm's first audit cycle. The committee's oversight of the audit process has identified two key items for discussion.

3.1 An Unqualified Audit Opinion

Sail Canada has received a qualified audit opinion since at least 2011. This is not necessarily unusual or extraordinary for similar non-profits. However, Sail Canada's Board is initiating a multi-year fund-raising campaign which can have an actual and perceived benefit from an unqualified opinion.

The AudComm spoke with the auditor regarding options for obtaining an unqualified audit opinion. The auditor has provided one solution to eliminate the difficulties in determining completeness of donation revenue. This would also improve Sail Canada's internal control processes on donation revenue, reduce testing as part of the audit process, and provide higher quality assurance to existing and potential donors.

3.2 Reliance on Finance Committee processes, Improved Quarterly Financial Reporting to the Board and Audit Risk

On March 18, 2018, the AudComm presented the Board with an unanimously passed motion recommending that the Board constitute an active Finance Committee with a Terms of Reference. As part of this year's audit, as improvements to SailCan's internal controls, the auditor identified strengthening the Finance Committee's role in the monitoring and reviewing of financial results, and improving and enhancing financial reporting processes and accounting competence within Sail Canada. Furthermore, as part of its Investments mandate, the Finance Committee is requested to undertake periodic reviews of SailCan's Investment Policy Statement, policies on foreign exchange, liquidity and interest rate risk, and the adequacy of the Corporation's capital base.

Both the AudComm and Board rely on Finance Committee oversight as part of their fiduciary responsibilities. Ultimately, these measures directly impact the risk(s) related to the audit of Sail Canada.

The AudComm concurs with the audit recommendations and has separately highlighted the importance of these improvements to the Board as part of its own oversight role of Sail Canada. Furthermore, the AudComm is committed to assisting both management and the Finance Committee to achieve these improvements.