

August 8, 2015

Sail Canada  
Portsmouth Olympic Harbour  
53 Yonge Street  
Kingston, Ontario K7M 6G4

Attention: Mr. Paddy Boyd,

**To the Board of Directors of Sail Canada:**

**RE: AUDIT COMMITTEE REPORT**

The audit committee is appointed by the board of directors of Sail Canada to fulfil an oversight role in ensuring the quality and integrity of the financial statements of the organization. Our responsibilities include but are not limited to:

- Reviewing and discussing reports of the external auditors on critical accounting policies, including management's responses;
- Review annually the accounting policies and make recommendations to the Board;
- Monitor and review the standards of risk management and internal control;

The Audit Committee 2015 comprises independent non-directors of Sail Canada including Julian Hatherell (Chair), Carole Presseault, and David Everett.

The committee met via email to discuss the 2014-15 audited Financial Statements. In addition a conference call was arranged including Paddy Boyd, Executive Director of Sail Canada, Tyler Rider and Brian Black of Secker, Ross and Perry, Sail Canada's independent external auditors, in order to review the draft financial statements with members of the Committee and to provide background for this committee's findings.

The committee members were provided with draft audited financial statements for the 13 month period ended April 30, 2015 and the budget for the 12 month year 2014-15. Based on discussions during the call, the auditors made minor amendments and issued a revised set of draft statements received by the committee on August 7th.

**FINDINGS (Highlights)**

**Statement of Operations**

Overall revenues and expenses are in line with the budget approved for the year, except as a result of the fiscal year being extended to 13 months. This change in year end was made for the association's administrative purposes.

At the time the budget was prepared, the Board approved transfer of \$90k of investment income from the Sail Canada Fund to the General Fund. The practice of spending the investment income from the Sail Canada Fund on programs has been discussed and adopted by the Board in prior years, and this year's actions were consistent with that agreement. Note that the audited statements present the revenue and expenses of the General Fund before this transfer takes place.

### **Statement of Financial Position (Balance Sheet)**

The Balance Sheet is similar to that of March 31 2014, except that it records additional cash and an offsetting deferred revenue liability due to the receipt of funds (largely block funding from Sport Canada) that typically occurs during the month of April of each year.

The restricted funds show a nominal increase for the year.

The Sail Canada Funds have been moved from the Bank of Montreal to the Canadian Olympic Committee Foundation after year end, and management indicates this is expected to provide a satisfactory blend of risk, return and governance in the future.

Management also indicates that the investment of other endowment funds with BMO will be reviewed in the upcoming year.

### **Cash Flow**

Cash Flow for the year increased by \$230k, largely as a result of funding received for which expenses have not been incurred (cash is received but not recognized as revenue) , and the recognition of unrealized gains in the investment portfolio (cash received is lower than revenue reported).

### **Qualified Vs. Unqualified Report**

The auditors continue to issue a Qualified report, due to the uncertainty over whether all revenue from externally run fundraising activities undertaken in the association's name has been recorded. The audit committee has discussed this issue at length in past years and notes that this is a common qualification for similar organizations. Discussions with Management and the auditors have not identified a practical alternative to current arrangements.

### **Governance**

The auditors indicated that Staff and Management had been cooperative and efficient during the year end review.

During the in-camera session, the auditors rated the governance of the organization as strong for an NFP, due in large part to the knowledge, competence, and tone set by the Executive Director. There is always a risk when an organization relies so much on a single individual, but apart from being aware that the situation exists, the auditors suggested no actions. This risk does illustrate the importance of having a knowledgeable and engaged Finance Committee chair for the association.

### **Audit Committee Succession Planning / Terms of Reference**

The audit committee continues to encourage Sail Canada to identify potential new committee members to facilitate succession planning and to expand the committee to include a member of the Board who has Board responsibility for financial oversight.

## **CONCLUSIONS**

The audit committee wishes to thank Paddy Boyd, management, and the staff of Sail Canada for continued leadership and continued successful financial outcomes. We also wish to thank our independent auditors Secker Ross and Perry for their meaningful input into the organization.

Having reviewed the audited financial statements, the audit committee recommends to the Board of Sail Canada the approval the August 7th draft of the audited financial statements of Sail Canada for the year ended April 30. 2015

Respectfully submitted by,

Julian Hatherell, Carole Presseault, and David R. Everett,  
Audit Committee, Sail Canada, 2015