



SAIL CANADA AUDIT COMMITTEE

REPORT TO THE SAIL CANADA BOARD ON THE 2019 – 2020 DRAFT FINANCIAL STATEMENTS

September 11, 2020 / Revised September 18, 2020

Prepared by Sail Canada Audit Committee:

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The 2019 – 2020 audit of Sail Canada (SailCan) has concluded. Following the conclusion of Sail Canada's Audit Firm RFP process, this year's audit engagement was conducted by a new audit partner, Adam Young, Secker Ross & Perry LLP.

The Audit Committee held a conference call on September 7, 2020 with Secker, Ross & Perry to discuss the draft financial statements, The Committee received the Audit Findings Letter and Management Representation Letter on September 18, 2020.

The delay in the completion of this year's audit is due to Sail Canada's continuing accounting staffing issues. In addition, COVID-19 compounded these problems. This resulted in a substantial delay of the Audit Committee's draft financial statements review, in turn impacting the conclusion of our audit oversight process and submission to the Board.

Materials submitted to the Board

Draft financial statements for the 2019 – 2020 fiscal year

Audit Committee's Report to the Sail Canada Board on the 2019 – 2020 draft financial statements (this revised document)

Audit Findings Letter

Management Representation Letter (including adjusting entries)

The Audit Committee's Journey to the 2019 – 2020 Audit Cycle

The Audit Committee is an authorized Board committee empowered with oversight of the audit process. The annual audit process provides all Sail Canada's stakeholders - the Board, organization's members, current and prospective donors, government and corporate partners, and other interested parties, with independent verification of the safeguarding of Sail Canada's assets and sustainability of its operations.



Sail Canada's Audit Committee was renewed as part of the 2017 – 2018 Audit Cycle after a long and distinguished service by the former committee.

Over these three years, the Audit Committee has used each year to enhance Sail Canada's external reporting and audit process. To date, our efforts and accomplishments on our mandate include:

2017 – 2018:

Director-at-Large as Audit Committee Chair enabling close coordination with and ties into the Sail Canada Board

Recruit three (3) committee members with audit experience and professional accounting designations

Update Audit Committee Terms of Reference

Enhance the clarity of financial statements communication

2018 – 2019:

Enhance the clarity of financial statements communication

Work with management and Independent Auditor to enable an Unqualified ("clean") audit opinion on Sail Canada's financial statements

Recruit Audit Committee member with Risk management experience

2019 – 2020:

Complete RFP process for Independent Auditor appointment. The outcome is retention of same audit firm with a new engagement partner – a fresh set of eyes within a reputable firm with experience of Sail Canada's operations

Navigate audit process impacted simultaneously by organizational disruption and effects of the pandemic

Update presentation of financial statements

Enhance the clarity of financial statements communication

Draft an Annual Report template for Sail Canada's communication to stakeholders

Below are the results of the Audit Committee's work on the 2019 – 2020 audit cycle.

1.0 Recommendation to the Sail Canada Board

The Audit Committee unanimously recommends the approval of the draft 2019 – 2020 financial statements of Sail Canada as audited by Secker Ross & Perry LLP.

2.0 Audit Committee's Report on the 2019 – 2020 Financial Statements

This year's Audit Opinion on the financial statements is Unqualified.

A summary of key changes to the financial statements include:

Statement of Financial Positions as of April 30, 2020 (revised presentation)
Statement of Operations and Change in Fund Balance – General Fund (revised presentation)
Note 3 – Cash (revised)
Note 8 – Loan Payable (new)
Note 11 – Interfund Transfer (revised)
Note 12(b) – Commitments (revised)
Note 15 – Financial Risks (revised)
Note 16 – Effects of Pandemic (new)

The report below summarizes the Audit Committee’s oversight on the 2019 – 2020 audit process undertaken to ensure the quality and integrity of Sail Canada’s financial statements, encompassing accounting and financial reporting internal controls and processes, and audit of its financial statements. Our process relies on the Finance & Investment Committee’s oversight of Sail Canada’s financial reporting and budget processes and its regular reporting to the Board.

This report also includes points forward for the 2019 – 2020 audit process. The fees for 2019 – 2020 audit are expected to be disbursed by October 2020.

2.1 Summary of Key Independent Auditor observations and comments:

- Independent Auditor received full cooperation from management on the 2019 – 2020 audit and thanked Sail Canada for its efforts
- availability of documentation delayed start of the fieldwork and follow-up of related activities
- Independent Auditor 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
- five (5) recommendations were noted in the Audit Findings Letter; management does not disagree with the findings, accepts the recommendations and will seek ways to implement them in this fiscal year
- thirty (30) adjusting journal entries (2019: 23) were posted by the auditors to close Sail Canada’s 2019 – 2020 fiscal year (found in the appendix to the Management Representation Letter)

Sail Canada’s lack of accounting resources for several months during the fiscal year created a significant backlog in record-keeping and financial reporting processes. As of September 2020, the backlog has been cleared and 1Q/2021 financial reporting has been completed.

2.2 Key observations on the 2019 – 2020 Financial Statements

Sail Canada ended its 2019 – 2020 fiscal year with a *deficit* of -\$247,446 (2019: -248,234).

Revenues during the year grew by 6.0% (\$2.45 mil vs \$2.31 mil), driven by a significant skew towards athlete funding. Government funding for our athletes +20% (\$138.1k) and athlete fees +39% (\$36.7k) offset declines in other funding sources (membership & registration fees -10% [-\$49.3k], donations -29% [-\$39.1k] and sponsorship -19% [-\$18.3k]) and national competitions -39% (-\$43.3k). However, thanks to our members, Sail Canada enjoyed increased demand for its branded merchandise +39% (\$44.7k).

Overall expense growth kept pace +5.4% (\$138.6k). Notable General expense increase in consulting fees +21% (\$26.7k) is attributable to additional requirements for mandatory Safe Sport, Code of Conduct and other policy initiatives. High Performance expenses outpaced other categories +28% (\$254.9k) driven by continued athlete support, travel, equipment related expenses and expansion of Training Hub activities focused on next-gen athletes. Programme support related expenses declined due to reduced event and program costs and significant reduction in related travel costs, a significant portion related to pandemic restrictions.

As noted in the prior fiscal year report, the next-gen Training Hubs are a significant undertaking for Sail Canada, underpinning a shift in its High-Performance initiative. Management and the Board recognize that continuing deficit budgets are *not* in the interest of Sail Canada's financial sustainability and stability. The Board and Sail Canada have been actively working on sponsorship and fund-raising efforts to reverse recent trends, though progress has been slower than planned. The pandemic has further impeded these activities.

3.0 Points forward for 2020 – 2021 Financial Year & Audit

As part of its oversight activities, the Audit Committee continues its focus on refreshing and renewing the presentation of the Sail Canada financial statements with the express interest of enhancing the readability and quality of communication.

The Committee recommends strengthening Sail Canada's accounting/reporting function to include organization cash flow projections and financial monitoring competency, contributing to more effective management of working capital.

The Audit Committee informed the Independent Auditor that the Sail Canada audit should be completed in a shorter timeframe than currently done. In response, the Independent Auditor will follow-up with management in October 2020 to discuss the timing of audit activity to enable this outcome.