

CFO Report to the Finance Committee

Fourth Quarter Financial Results

May 4, 2021

PURPOSE

To provide directors with a view of the CNA financial position as of Mar. 31, 2021, and an update on other financial business including forecasted results for fiscal 2021, and to ask the finance committee to recommend the CNA's first quarter 2021 financial results to the executive committee for board approval.

OVERVIEW

The financial results for the first quarter of the 2021 fiscal year are complete and attached as Appendix A. The operations reported a surplus of \$1,486,152 compared to a budget of \$1,294,073. This is a positive variance of \$192,079. The results do not include income from CEWS and CERS as management is assessing its eligibility. While the revenue for the month of January is higher than the previous year, there are certain deeming rules that may allow CNA to claim for that month. Also, given that the annual conference was in February last year and has now moved to September for this year, there is a substantial drop in year-over-year revenue that may allow for the wage subsidy in February. Management will report any additional findings at the meeting.

The positive results for the quarter were derived from savings in both operating expenses and program expenses. Some of the savings are considered timing differences while other savings are permanent differences.

Revenue from membership fees was slightly over budget, however, there is a risk that some members who have not paid their dues may withdraw. Management was recently made aware of one member who will not be renewing as their interest was focused on the trade show during the annual conference. The loss of this member will be reported as a bad debt in Q2. There are several other members that management is working with to secure their membership for 2021.

The investment income is lagging as compared to budget. While the negative variance of \$4,376 is not significant, it is a permanent difference and negative variances are expected for the balance of the year.

Operating expenses were under budget by \$99,062 for the quarter. Most of the savings are considered permanent. The following are highlights for the individual line items:



- **Salaries and benefits** – savings of \$47,122 – resulting from the delay in hiring for both the new government relations and communications positions that were included in the budget. These positions have now been filled, which will offset some of the savings for future periods.
- **Professional fees** – negative variance of \$8,818 – due primarily from the additional cost incurred to hire the two new personnel and other work to support organizational governance.
- **Office expense – savings of \$16,400** – derived from the continued work from home requirement. While these savings will continue over the balance of the year, they will be partially offset by the requirement to payout the remaining balance on some office equipment leases as the equipment will not be needed in the new premises.
- **Board meetings – savings of \$10,450** – with the continued virtual meetings there is no cost incurred for any of the committee or Board meetings.
- **Travel and conferences – savings of \$36,310** – these are permanent savings that are expected to continue into the second and third quarters of the year. Some cost will be incurred for virtual conferences.

Program expense was under budget by \$94,807 for the quarter. The savings include a mix of permanent differences and timing differences as discussed below:

- **Media and Influencer Relations – negative variance of \$39,235** (permanent difference) – as reported to the committee at the last meeting, additional expenditures were required to generate influence on the Federal Government to allocate specific funding to the nuclear industry in the latest budget.
- **Member and Stakeholder Engagement – savings of \$48,617** – generated from a lack of in-person events where the CNA would have participated in sponsorships and trade shows. These are permanent savings, however, leadership has identified some events in the last quarter of the year that are expected to be in-person where additional resources may be required to enhance CNA's presence.
- **Government Relations and Regulatory Affairs – negative variance of \$22,225** – resulted from additional resources with third party professionals engaged to assist with pushing the nuclear agenda in the federal budget and to increase the profile of SMR's in Western Canada. There will be further investment in the SMR agenda in Q2 that will result in further increased expenses over the budget.
- **Industry Alignment – savings of \$90,000** – this is a timing difference as CNA will be investing these funds into research and work with the other green energy associations.
- **Refurbishment – savings of \$17,650** – these are also timing differences as certain projects are occurring at different times than the planned budget. The full refurbishment budget is expected to be used by year end.

Financial Position

The Statement of Financial Position is included in Appendix A. The financial position of the association continues to be strong with net assets at the end of the fourth quarter of \$4.163 million. Total assets are \$4.762 million, and a summary of the assets is as follows:

- **Cash** – Total cash on hand (\$1.08 million) – excess cash is invested in the “High” interest savings account.
- **Marketable securities (\$2.8 million)** – All of the funds invested in marketable securities are GIC’s or money market funds.
- **Account receivable (\$705 K)** – As at April 22nd, the balance is down to \$179,642 with the majority related to membership fees. Leadership is actively contacting the members with outstanding amounts due. Based on discussions, there are minimal concerns regarding the collection of accounts.
- **Prepaid expenses (\$107 K)** – a combination of prepayments for the annual conference and other prepaid expenses related to future periods.

The liabilities total \$599,318 of which \$303,691 is for accounts payables including accrued wages. CNA pays its vendors on terms of 30 days so the balance at the end of the month is paid prior to the end of the subsequent month. The deferred revenue includes unspent funding for both the Ontario Nuclear Advantage Program and the SMR Secretariat.

2021 Financial Forecast

Attached as Appendix B is an updated financial forecast for fiscal 2021 including the actual results through the first quarter of 2021 and the forecasted results for the balance of the year. The forecast reflects several adjustments based on revised activities and the impact with the continuing COVID-19 pandemic. The revised projected deficit for the year is \$821,000 as compared to the approved budgeted deficit of \$645,000 or an increase in the projected deficit by \$176,000. This is a decrease of \$40,000 from the last forecast provided to the committee.

The major contributor to the increase in the deficit continues to be the transition of the annual conference from an in-person event to a virtual event. The financial impact of the change is projected to be \$213,000. The reduction in the deficit from the prior reporting is directly related to the elimination of most travel in Q2. A small reserve of \$9,000 is still included in Q2 should some domestic travel be required.

There may be a continued opportunity to submit claims under the Canada Emergency Wage Subsidy and Canada Emergency Rent Subsidy programs. Certain deeming rules within the legislation may assist in securing this funding. The total amount of funding from these programs have not been confirmed but they may provide funds to help further offset the increased deficit. These amounts have not been included in the financial forecast.

Management continues to focus on the goals detailed in the approved strategic plan to make investments that will benefit the membership.

MOTION

That the finance committee approve the CNA's first quarter financial results for 2021 for recommendation by the executive committee and approval by the board of directors.

APPENDICES

- **Appendix A** – First Quarter Financial Results
- **Appendix B** – 2021 Financial Forecast