

Finance Committee Quarterly Report

David Cates, Committee Chair

Oct. 22, 2020

PURPOSE

To provide an update on the CNA financial position as of June 30, 2020, and other financial business, and to seek approval of the CNA's second quarter financial results for 2020.

CONTEXT/RATIONALE

The committee met via videoconference on Sept. 17, 2020 to review and discuss committee matters for the organization. All committee members were in attendance. Representatives from Management were also in attendance.

A. 2020 – Second Quarter Financial Results

C. St. Germain presented the CFO report with the financial results for the second quarter of 2020, as well as an update on the forecast for the remainder of the year, focusing on certain highlights – including:

- During the second quarter, the operations reported a deficit of \$565,907 on revenue of \$122,351 against expenses of \$688,258. This compares favourably by \$106,992 to the budgeted deficit of \$672,899. The organization remains in strong financial position with \$3,644,618 in net assets as at June 30, 2020 including \$4,121,210 in cash and short-term investments.
- The positive variance in the quarter was the result of both permanent and timing differences in the various line items. In particular, there were program expenditures that were not incurred – sponsorships and events that were cancelled and an economic damage assessment on the nuclear industry that was not completed. Also, there were savings in both Regulatory and Government Relations as there were allowances for consulting fees to assist with new developments in the industry – these services were not required in Q2 but may be needed during the latter part of the year or into 2021.
- Based on Management's best estimate, CNA is projected to have a deficit for 2020 of \$255,586, as compared to a budgeted deficit of \$532,439 – resulting in a projected positive variance of \$276,853. The projected deficit is based on the assumption that events planned for the third and fourth quarters of the year will move forward. If COVID-19 continues to restrict travel, there may be further savings generated in 2020 resulting in further improved results.

The committee reviewed and queried elements of the CFO report, the association's quarterly financial statements for the three months ended June 30, 2020, and the associated analysis presented by Management. No significant changes were made to the results reported.

B. 2021 CNA Operating Budget:

Management presented its proposed 2021 budget and the new base level of spending of expenditures over revenues thereafter.

The proposed budget for 2021 includes planned expenditures necessary to accomplish the tactics outlined in the strategic plan that will be presented to the executive committee for their recommendation of approval by the board of directors. The key budget assumptions and the nature of the investments were outlined to provide details of the budgeted deficit for 2021 of \$535,749. The budget includes certain one-time expenditures, including the costs related to carrying out the CNA refurbishment process of approximately \$186,000.

When non-recurring expenditures in 2021 are adjusted, Management estimated that the association's new "normal" annual excess spending over revenues is projected to be in the range of \$350,000 – which is expected to apply in the year 2022 and thereafter (subject to inflation adjustments, etc.).

Management provided an overview of the impact of scaling back on certain key areas of expenditures and the impact on the organization's ability to deliver the proposed outcomes included in the strategic plan.

There was a discussion around the impact on and risk to the association's financial results given the proposal to move the annual conference to the fall of 2021 – which is designed to minimize the impact of COVID-19. It was recommended that Management provide a budget based on revenues at 80% of past projections for the conference. Further discussion revolved around strategies by the association to mitigate future deficits.

Management presented a schedule outlining the decrease in the net assets from 2020 to 2023 based on the current projections. There was also a discussion on potential increases to membership fees and Management is to propose a scaled increase in fees to show the impact on the future year's deficits and net assets. The fee increase was discussed as an important way to reduce the risk associated with the annual conference and a premature draw down of the association's financial resources.

C. Review of Financial Policies:

The committee reviewed and provided input and direction on Management's proposed approach to amend the CNA's operating reserve fund policy. The committee agreed with Management's presentation to restructure the policy to be based on an orderly windup / closure of the CNA, rather than the ongoing operation of the association for an interim period. The policy will be structured to ensure the organization would have sufficient reserves to allow for the settlement of obligations and an orderly windup over a period of 30, 60 and 90 days. The revised policy will be reviewed by the finance committee in Nov. and presented to the executive committee and board for approval in Dec. 2020.

D. Other Business:

As other business, the finance committee:

- Reviewed its terms of reference to assess whether they accurately describe the duties and responsibilities of the committee in key functional areas and will be providing direction for changes to the GHRC committee for its consideration in Nov. 2020.
- Received and considered the update from Management on the status of the cash and investment portfolio.
- Discussed upcoming vacancies in finance committee membership. Recommendations on how to fill the vacancies will be discussed with the GHRC committee chair in advance of the organizational meeting of the board on Oct. 22, 2020.

APPENDICES

- [Appendix A – Q2 Financial Results](#)

**CANADIAN NUCLEAR ASSOCIATION
STATEMENT OF OPERATIONS
NOTES TO ACTUAL RESULTS FOR QUARTER 2**

- 1 Three new members joined the association in Q2 generating annualized membership fees of \$10,000.
- 2 Annual conference revenue is recorded on a net contribution basis. There were some minor expenses that were processed in Q2 due to late receipt of invoices.
- 3 The investment portfolio is very conservative and the only income generated from it is interest on GIC's or from a high interest savings account.
- 4 Other income includes rental income from Cameco as well as an administrative fee charged on the SMR Secretariat expenses.
- 5 Revenue earned from the Ontario Nuclear Advantage program and the SMR Secretariat are equal to the actual expenditures incurred.
- 6 Salaries and wages were over budget due to some residual cost associated with the termination of two employees in Q1 and the higher than planned cost for a contract employee who is replacing an employee on LTD.
- 7 Professional fees were higher than budget due to extra costs for IT personnel to address issues association with personnel working remotely.
- 8 Office rent was under budget as the operating costs for the building were less than budget resulting in a credit back to the organization.
- 9 Office expenses have been lower than budget as employees are working remotely reducing the costs such as office supplies, courier and postage.
- 10 Communication expense was over budget in Q2 by \$9,270 as management placed significant effort on communications to retain the industry's voice with the Federal and Provincial Governments during COVID-19.
- 11 The Stakeholder Engagement budget included sponsorships for events that were cancelled due to COVID-19.
- 12 There is a plan to do an economic damage assessment to the industry due to COVID-19, but given the continued impact on the economy, the research has been deferred.
- 13 The regulatory budget included an allowance for third party consultants to assist in addressing regulatory issues. The allowance was not used in Q2.
- 14 Similar to Regulatory, the budget included an allowance for third party consultants to address GR issues but the allowance was not used in the quarter.
- 15 A consultant was engaged to assist with the development of the strategic plan. The full budget amount was not used in Q2, but will be used in Q3 / Q4.

**CANADIAN NUCLEAR ASSOCIATION
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2020**

	2020-06-03	2020-03-31	2020-12-31
ASSETS			
Current			
Cash	\$ 344,289	\$ 2,640,398	\$ 1,150,188
Marketable securities	3,776,921	2,011,455	2,010,798
Accounts receivable	167,935	438,639	2,462,843
HST receivable	-	72,763	-
Prepaid expenses	23	3,055	73,308
	4,289,168	5,166,310	5,697,137
Net Fixed Assets	38,276	38,016	32,422
	4,327,444	5,204,326	5,729,559
LIABILITIES AND NET ASSETS			
Current			
Accounts payable and accruals	168,622	692,626	276,171
Government remittances payable	12,746	37,182	202,114
Canadian Nuclear Worker's Council program	25,948	8,644	8,644
Deferred revenue	475,510	255,347	2,833,405
	682,826	993,799	3,320,334
Net Assets			
Invested in property and equipment - internally restricted	38,276	38,016	32,422
Unrestricted	3,606,342	4,172,511	2,376,803
	3,644,618	4,210,527	2,409,225
	4,327,444	5,204,326	5,729,559