

Finance Committee Meeting

Nov.17, 2020

3:00 pm - 4:00 pm

Zoom Meeting ID: 869 9912 3373 - Password: 975511

AGENDA

AGENDA ITEM	TIME	SPEAKER(S)
D 1. Opening remarks by the chair 1.1 Adoption of the agenda* 1.2 Conflict of interest declaration	3:00-3:02	D. Cates
M 2. Consent agenda 2.1 Approval of minutes from previous meeting*	3:02-3:05	D. Cates
M 3. CFO report – third quarter financial results*	3:05-3:15	C. St. Germain
M 4. 2021 budget*	3:15-3:35	J. Gorman C. St. Germain
D 5. Review of financial policies, procedures and internal accounting controls* 5.1 Reserve policy (Operational to Net Assets)	3:35-3:50	C. St. Germain
D 6. Other business 6.1 Revised finance committee terms of reference*	3:50-4:00	D. Cates T. Asdrubolini
7. Adjournment		

LEGEND

M Motion required **D** For discussion
I Information ***** Items with attachments



Finance Committee Meeting Minutes

Held on Sept.17, 2020 at 3:00 p.m.
By Videoconference

MEMBERS

D. Cates (committee chair)	J. MacQuarrie	S. Krishnan
N. Fonseca	S. Fox	J. Gorman

CNA

T. Weagant	Vice President
C. St. Germain	CFO
T. Asdrubolini	Corporate Secretary

1. OPENING REMARKS BY THE CHAIR

Documents Received: Sept. 17, 2020 Finance Committee Meeting Agenda; Board and Standing Committee 2020 Work Plan (Sept. 10, 2020).

There being a quorum present, the meeting was called to order at 3:03 p.m. The meeting agenda was adopted as presented. No conflicts of interest were declared.

2. CONSENT AGENDA

Documents Received: June 12, 2020 Finance Committee Meeting Minutes, Compliance certificate (Sept. 10, 2020).

On motion duly made, seconded and unanimously carried, it was resolved to approve the consent agenda in its entirety.

3. CFO REPORT

Documents Received: CFO Report to Finance Committee - 2020 Second quarter financials, 2020 Quarterly forecast (Sept. 10, 2020)

C. St. Germain presented the financial results and associated reports to the committee, focusing on certain highlights, including the statements of financial position and operations as at June 30, 2020, and the financial forecast for the third and fourth quarters of 2020.

Members queried on Management on the nature of select items in the statement of financial position. The committee accepted the CFO's report.

On motion duly made, seconded and unanimously carried, it was resolved that the finance committee approve the CNA's second quarter financial results for 2020 for recommendation by the executive committee and approval by the board of directors.



4. 2021 OPERATING AND CAPITAL BUDGET

Documents Received: Report to the Finance Committee - 2021 Operating Budget (Sept.15, 2020)

J. Gorman presented Management's proposed 2021 budget, which includes planned expenditures to accomplish the 2021 tactics outlined in the strategic plan and the new, base level of spending thereafter. He reviewed and explained the nature of proposed expenditures (including those that will not reoccur in future years), key budget assumptions, the projected deficit in 2021 (\$535,749) and beyond, and where the budget could be scaled back, if required.

Directors asked many questions of Management with discussion ensuing on the overall financial prudence of the proposed 2021 budget, including:

- The financial prudence of Management's plan to maintain a core internal staff and add scalable expertise through retainers with consultants.
- The primary sources of revenue for the organization and the potential financial impact of COVID-19 on the annual conference (including Management's plans to move the timing of the conference to Oct). Management was asked to consider budgeting the annual conference at 80 percent of forecasted revenue.
- The flexibility and elasticity of the proposal and the impact of scaling back on any of the five key areas of investment on the organization's ability to deliver the proposed outcomes it wants to generate with the strategic plan.
- Strategies to mitigate financial risks associated with the proposed deficit budget. This included drawing on the organization's net assets to fund the necessary investment and considering an increase in CNA membership revenues on a graduated basis over the next three years or after 2021.

Management thanked members for their input and explained that the revised budget would be presented to the committee at its Nov. 17, 2020 meeting.

5. REVIEW OF FINANCIAL POLICIES, PROCEDURES, AND INTERNAL ACCOUNTING CONTROLS

Documents Received: Operational reserve fund policy (Sept. 15, 2020).

The committee considered Management's proposed approach to amend the CNA's operating reserve fund policy; that is be structured to provide for an orderly windup of the organization if it is deemed necessary. The committee generally supported the proposed approach. Directors asked Management to consider building in a contingency to mitigate against any negative cash situations and to change the period for the scaled back operating costs for an orderly windup from 30 days to 60 or 90 days.

6. OTHER BUSINESS

Documents Received: Finance committee terms of reference, Portfolio performance review update [Sept. 15, 2020],

As other business, the finance committee:

- Received the corporate secretary's report on its terms of reference and was asked to consider whether they accurately describe the duties and responsibilities of the committee in key functional areas. Directors agreed to provide input and direction to the corporate secretary by e-mail in advance of the committee's Nov. 17th meeting.
- Received and considered Management's update on the status of the CNA's cash and investment portfolio.
- Discussed upcoming vacancies in finance committee membership. D. Cates noted that 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.

ACTION: The corporate secretary will e-mail members to clarify the process and timeline to provide input on the finance committee's terms of reference.

7. ADJOURNMENT

There being no further business, the meeting ended at 4:03 p.m.

Committee Chair

Secretary

Date

Date

CFO Report to the Finance Committee

Third Quarter Financial Results

Nov. 17, 2020

PURPOSE

To provide directors with a view of the CNA financial position as of Sept. 30, 2020, and an update on other financial business, and to ask the finance committee to recommend the CNA's third quarter 2020 financial results to the executive committee for board approval. The report also provides an updated projection for the remainder of the year.

OVERVIEW

The financial results for the third quarter of the 2020 fiscal year are complete and attached as Appendix A. The operations reported a deficit of \$476,185 on revenue of \$175,525 against expenses of \$651,710. This compares favourably by \$218,299 compared to the budgeted deficit of \$694,484. Despite the deficit for the quarter, the organization continues to be in a strong financial position with \$3,168,431 in net assets as at Sept. 30, 2020 including \$3,541,630 in cash and short-term investments.

The results included in the Statement of Operations in Appendix A show a comparison of the actual results to the budget along with summary notes.

As noted above, the CNA had a deficit of \$476,185 for the third quarter of the year. For the period from January 1, 2020 to September 30, 2020, the organization has generated a surplus of \$759,211. The positive variance in Q3 is due to both permanent and timing differences. For the timing differences, the expenses have been moved to either the fourth quarter or into the 2021 operating budget. Items that have been shifted to Q4 are incorporated into the financial projections discussed further in this report. The items that are being shifted to the 2021 operation budget are identified in this report and also addressed with the 2021 operating budget.

Revenue

Revenue from operations were \$42,558 with an additional \$132,967 recognized from special projects (ONA / SMR) for a total of \$175,525. This compares favourably by \$21,511 to a budgeted revenue of \$154,014. During the quarter, investment income was higher than budget by \$16,733 making up much of the positive variance.

The revenue recognized from special projects is based on the actual expenditures during the quarter. For the Clean Energy / Electrification project, management continues its efforts to secure funding for it hence the reason for nil revenue being recorded to date.



Operating Expenses

The operating expenses in the second quarter were \$389,582 compared to a budget of \$465,816 for a positive variance of \$76,234. The following information provides details on the larger variances:

- **Salaries and Benefits** – There is a positive variance of \$37,998 as the budget included an allocation for one employee managing the ONA program who has transitioned to a full-time employee with Bruce Power. The budget also included planned salary adjustments for two employees. The adjustments have been deferred to 2021. The total variance is a permanent saving for the year.
- **Bad Debts** – Unfortunately, one member cancelled their membership due to COVID-19 impacts on their business operations. Management had been working to collect the fees but was only able to obtain a definitive response from the former member in September (despite many efforts).
- **Travel and Conferences** – The travel budget was based on the assumption that there would be a return to a modest amount of travel. Unfortunately, the impacts of the pandemic continue and there is a permanent savings of \$33,148 on the operations.
- Overall, there are net permanent savings of \$76,000.

Program Expenses

Overall, program expenses were under budget by \$123,588 having incurred expenses of \$129,161 against a budget of \$252,749. The following provides the highlights of the savings during the quarter:

- **Stakeholder Engagement** – There is a positive variance of \$22,375. There is a permanent savings of \$10,000 with the balance being a timing difference, which will be incurred in Q4.
- **Policy & Research** – Management had budgeted for the completion of a research piece on clean energy and electrification. The budget was \$75,000 and management has been working with the renewable industry on the statement of work. This research piece is an integral part of the strategic plan but will not be completed until Q1 of 2021 and will be incorporated into the 2021 operating budget.
- **Regulatory** – The regulatory program budget for the quarter was \$27,000. The budget included an allowance for third party professionals to address regulatory issues. Only a portion of the fees was required during the quarter. The positive variance of \$13,000 is a permanent savings.
- **Government Relations** – Similar to Regulatory, an allowance was budgeted for outside consultants to assist on GR matters, but management did not require the full allowance resulting in a permanent savings of \$13,000.
- **Overall, there are permanent savings of \$36,000 and timing differences of \$12,500 that will be incurred in Q4 and \$75,000 that is being moved to the 2021 operating budget.**

Special Projects

Management identified the Clean Energy / Electrification project as a major initiative for the second half of the year. Advancing the project was subject to management securing separate funding for the project. Efforts continue to secure the funding and once secured the project expenses will be incurred.

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 second quarter of \$3.168 million. Total assets are \$3.758 million, and a summary of the assets is as follows:

- **Cash** – Total cash is \$568,706 of which \$446,636 is held in a high interest savings account. Management is minimizing the cash holdings and placing excess funds in GIC's to maximize interest, however, current GIC rates are at historic lows meaning that returns will be low.
- **Marketable securities** – All of the funds invested in marketable securities are GIC's or money market funds.
- **Account receivable** – Amounts included in accounts receivable have been reviewed for collectability and all amounts are considered collectible.

The liabilities total \$589,335. There is \$220,843 in total trade payables and amounts due for payroll remittances. The remaining balance of \$368,492 is deferred revenue related to funding of the Ontario Nuclear Advantage project and the SMR Secretariat and an amount held for the CNWC program.

2020 Financial Forecast

The budget for the year was a deficit of \$532,439. Based on the financial results of Q1, Q2 and Q3 and the budgeted expenditures in Q4, the projected deficit is \$37,287. Management has reviewed the results to date and the budgeted items for Q4 and now estimates that the operations will result in a deficit of approximately \$35,387.

Management did identify significant savings in Q4 (\$99,400) of which \$84,500 are permanent savings and \$15,000 are being deferred to 2021 (this is a one-time expense). While there are substantial savings, there is an additional \$97,500 in expenses that are required in Q4. Of the new expenses, \$12,500 relates to a timing difference for expenditures moved from Q3 to Q4 and \$10,000 to produce the video that was presented to the board and at the annual general meeting. The remaining \$75,000 has been identified as a new item to help reposition SMR's within the broader, Canadian electricity and energy transition strategy. Based on discussions and feedback with our government relations team, there is a strong sense that the SMR financial "ask" to the federal government would benefit from being positioned in the broader context of the national electrification and climate policy goals. To address this concern, management is pursuing a directed campaign to accomplish this objective.

In addition to the projected variance, management believes it is eligible for the Canadian Emergency Wage Subsidy. KPMG has been engaged to review CNA's eligibility for the subsidy, which will be received prior to the board meeting.

Based on the analysis through September 30th, the organization, if eligible, would be entitled to approximately \$120,000 in wage subsidies. Additional amounts of approximately \$75,000 may be available in the months of October through December. With the subsidies calculated to September 30th, the surplus increases to just under \$85,000.

As noted above, there is one major expenditure of \$75,000 that will move to the 2021 operating budget and there is a further \$15,000 expenditure planned for Q4 that needs to be moved to the 2021 operating budget. Note that both expenditures are non-recurring items and will not affect the organizations normalized annual spending beyond 2021.

The following schedule provides a summary calculation of the revised projection for the year:

Projected deficit based on Q4 budget	\$ (37,287)
Additional Expenditures:	
Q3 Timing differences moved to Q4	(12,500)
Board Video	(10,000)
New GR / Comms	(75,000)
	<u>(134,787)</u>
Less Q4 savings	
Travel and conferences	34,400
Membership (webinar costs)	3,000
Regulatory (consultant allowance)	16,000
Government Relations (Hill Day / Queen's Park Day)	20,000
Government Relations (consultant allowance)	6,000
Stakeholder Engagement (conference sponsorship)	5,000
Stakeholder Engagement (TeachNuclear SMR Module) **	15,000
	<u>(35,387)</u>
Canadian Emergency Wage Subsidy (April to September)	<u>120,000</u>
	<u>\$ 84,613</u>

Notes:

* assuming that the full bonus allowance is paid to employees

** this is a timing difference that will be included in the 2021 operating budget

MOTION

That the finance committee approve the CNA's third quarter financial results for 2020 for recommendation by the executive committee and approval by the board of directors.

APPENDICES

- **Appendix A** – Third Quarter Financial Results

CANADIAN NUCLEAR ASSOCIATION
STATEMENT OF OPERATIONS
ACTUAL RESULTS FOR QUARTER 3

	QUARTER 3					VARIANCE	Notes
	JULY	AUGUST	SEPTEMBER	TOTAL	BUDGET		
Revenue							
Membership Fees	\$ 1,042	\$ -	\$ -	\$ 1,042	\$ -	1,042	
Annual Conference	-	-	-	-	-	-	
Investment Income	24,152	488	1,093	25,733	9,000	16,733	1
Other Income	4,703	4,600	6,480	15,783	15,081	702	
Special Projects Funding							
Ontario Nuclear Advantage	51,589	5,127	12,105	68,821	28,491	40,330	2
SMR Secretariat	15,246	14,111	34,789	64,146	56,442	7,704	2
Clean Energy / Electrification	-	-	-	-	45,000	(45,000)	3
	96,732	24,326	54,467	175,525	154,014	21,511	
Operating Expenses							
Salaries and Benefits	83,205	86,298	89,856	259,359	297,357	37,998	4
Professional Fees	14,727	14,520	19,675	48,922	53,555	4,633	
Office Rent and Insurance	14,394	14,394	14,394	43,182	43,701	519	
Telecommunications	945	1,075	4,936	6,956	4,365	(2,591)	
Office Expense	8,860	7,096	7,200	23,156	27,048	3,892	
Bad Debts	-	-	5,000	5,000	-	(5,000)	5
Board Meetings	-	-	-	-	-	-	
Travel and Conferences	-	838	414	1,252	34,400	33,148	6
Membership	-	-	1,755	1,755	5,390	3,635	
	122,131	124,221	143,230	389,582	465,816	76,234	
Program Expenses							
Communications	15,371	40,598	21,379	77,348	77,249	(99)	
Stakeholder Engagement	5,000	5,125	5,000	15,125	37,500	22,375	7
Policy & Research	151	-	-	151	75,000	74,849	8
Regulatory	2,500	5,500	5,895	13,895	27,000	13,105	9
Government Relations	2,642	2,500	2,500	7,642	21,000	13,358	10
Strategic Projects	5,000	5,000	5,000	15,000	15,000	-	
	30,664	58,723	39,774	129,161	252,749	123,588	
Special Projects							
Ontario Nuclear Advantage	51,589	5,127	12,105	68,821	28,491	(40,330)	2
SMR Secretariat	15,246	14,111	34,789	64,146	56,442	(7,704)	2
Clean Energy / Electrification	-	-	-	-	45,000	45,000	3
SMR Research	-	-	-	-	-	-	
	66,835	19,238	46,894	132,967	129,933	(3,034)	
	(122,898)	(177,856)	(175,431)	(476,185)	(694,484)	218,299	

**CANADIAN NUCLEAR ASSOCIATION
STATEMENT OF OPERATIONS
NOTES TO ACTUAL RESULTS FOR QUARTER 3**

- 1 Higher than budgeted revenue due to an adjustment from the prior quarter results.
- 2 Revenue for special projects is based on actual expenditures incurred.
- 3 Management continues its efforts to secure funding for the Clean Energy / Electrification special project.
- 4 The budget included an allocation of personnel working on the ONA project who has transitioned to being a full time employee with Bruce Nuclear. It also included adjustments for certain personnel. The adjustments have been deferred to 2021.
- 5 One member has cancelled their membership due to the financial impact from COVID-19.
- 6 Most travel was cancelled due to COVID-19 restrictions.
- 7 Sponsorships were cancelled due to cancellation of conferences. Some of the expenses have been pushed to Q4.
- 8 The Clean Energy / Electrification research project has been delayed as the association works with the renewables industry and the statement of work. The expenditure is being moved to the 2021 budget.
- 9 Lower than budgeted use of consultant allowance.
- 10 Lower than budgeted use of consultant allowance.

**CANADIAN NUCLEAR ASSOCIATION
STATEMENT OF FINANCIAL POSITION
SEPT. 30, 2020**

	<u>2020-09-30</u>	<u>2020-06-30</u>	<u>2020-03-31</u>	<u>2020-12-31</u>
ASSETS				
Current				
Cash	\$ 568,706	\$ 344,289	\$ 2,640,398	\$ 1,150,188
Marketable securities	2,972,924	3,776,921	2,011,455	2,010,798
Accounts receivable	131,652	167,935	438,639	2,462,843
HST receivable	28,667	-	72,763	-
Prepaid expenses	15,855	23	3,055	73,308
	<hr/> 3,717,804	<hr/> 4,289,168	<hr/> 5,166,310	<hr/> 5,697,137
Net Fixed Assets	39,962	38,276	38,016	32,422
	<hr/> 3,757,766	<hr/> 4,327,444	<hr/> 5,204,326	<hr/> 5,729,559
LIABILITIES AND NET ASSETS				
Current				
Accounts payable and accruals	207,981	168,622	692,626	276,171
Government remittances payable	12,862	12,746	37,182	202,114
Canadian Nuclear Worker's Council program	25,948	25,948	8,644	8,644
Deferred revenue	342,544	475,510	255,347	2,833,405
	<hr/> 589,335	<hr/> 682,826	<hr/> 993,799	<hr/> 3,320,334
Net Assets				
Invested in property and equipment - internally restricted	39,962	38,276	38,016	32,422
Unrestricted	3,128,469	3,606,342	4,172,511	2,376,803
	<hr/> 3,168,431	<hr/> 3,644,618	<hr/> 4,210,527	<hr/> 2,409,225
	<hr/> 3,757,766	<hr/> 4,327,444	<hr/> 5,204,326	<hr/> 5,729,559

CFO Report to the Finance Committee

2021 Operating Budget

Nov.17, 2020

PURPOSE

To provide directors with details of the 2021 operating budget based on feedback received at the last finance committee, executive committee, and board meetings and to ask the finance committee to recommend the 2021 budget to the executive committee for board approval.

OVERVIEW

Management was given a mandate to make substantial investments to increase the profile of the organization and place nuclear at the forefront of the public and the Federal and Provincial governments. The strategic plan to accomplish these goals was approved by the board in September. The 2021 budget and forecast for future years includes the necessary expenditures to meet the goals.

Management presented a draft 2021 operating budget and a future forecast for discussion at the September 17, 2020 finance committee meeting. Based on the discussions, the committee had several recommendations for changes to the budget. There was also a discussion on generating additional membership revenue. The membership revenue topic was further discussed at both the executive committee and the board of directors.

The recommendations from the committee and board members were as follows:

- Adjust the revenue projections for the annual conference to represent a decrease in revenue by 20%;
- Develop modeling that will allow management and the committee to assess the impact of implementing an increase in membership fees; and,
- Develop modeling that will allow management and the committee to assess the impact on the net assets over a five-year period.

The budget has been updated to reflect a planned decrease of 20% of net contribution from the annual conference. Also, one-time expenditures of \$90,000 that were planned for 2020 were moved to the 2021 budget. There were a few other minor changes to the budget based on additional information from the various members of the management team. These changes to the budget now reflect a planned deficit of approximately \$749,000. Attached as Appendix A is a copy of the budget. Note that it does not include any adjustment to membership fees.



Excluding any adjustment for inflation or additional membership revenues but addressing items in the 2021 budget that are either one-time expenses or planned changes for 2022, the revised ongoing annual excess of expenditures over revenue is projected to be \$413,000. Management also revised the projected net assets to reflect the forecasted surplus of \$85,000 as discussed in the report on the Q3 financial results and Q4 forecast. The projected opening net assets for fiscal 2021 is \$2,461,500. It will be necessary to bring the operations to a break even point over the next several years to ensure the net assets do not fall below the threshold level as determined by the Net Asset Reserve Policy.

Management developed a model that forecasts the financial results factoring an annual change to the membership revenues and including an annual inflation factor for operating expenses. The model assumes the base annual excess of expenditures over revenue is \$413,000 without any adjustment for inflation. An annual inflation factor of 2% is being used for modelling purposes.

In preparing the analysis, management took into consideration the fact that membership fees have not increased since 2012 in which year they decreased.

Based on management's analysis and using an annual expenditure inflation factor of 2% per annum, two alternatives for membership fee increases were identified for consideration by the committee.

One alternative is to have annual increases of five percent (5%) for the next five years beginning in 2021. Under this alternative, the organization is projected to be at a breakeven level by 2026 and still have net assets of \$1.24 million. The benefits to this alternative are:

- The increase is not significant, so it does not lead to "sticker shock" and potential member attrition which might shift greater burden to existing membership base.
- It is at a level that is not likely to give rise to attention (i.e. pre-evaluation of membership status) during budget review by organizations.
- It will allow members to plan for a modest and consistent annual increase.

The concerns for this alternative are the annual increase is marginally above inflation and continues for a period of five years.

The second alternative is to implement an annual inflationary increase along with a one-time large increase in 2022. Under this scenario, the annual inflationary increase would be only slightly above the expense inflation factor (i.e. 3% fee increase versus a 2% expense inflation factor). The one-time large increase would be 15%. The modelling indicates that the organization would be at a break-even budget by 2026, however, it would preserve its net asset balance to be approximately \$1.6 million at the end of that year.

The advantages to the second alternative are:

- Outside of the 2022 fee adjustment, the annual increases are closer to expected inflation levels.
- By presenting the planned increase early, businesses can prepare for the increase in their budget but also be able to explain that it is a one-time adjustment and that future increases are expected to be in line with annual inflation.
- The net asset balance is higher and provides the organization with the opportunity to address future one-time matters.

Clearly the concern with this option is that it does have the “sticker shock” and may raise concerns within organizations as they review expenditures in their budgeting process.

Management is seeking the committees input on the implementation of the membership fee increase. Under the first alternative, the budgeted deficit for fiscal 2021 would be \$645,430. Under the second alternative, the 2021 budget would be a deficit of \$686,830. Subject to the committee’s decision, management is seeking a motion for recommendation of the budget as outlined below.

MOTION

That the finance committee approve the 2021 operating budget for recommendation by the executive committee and approval by the board of directors.

APPENDICES

- **Appendix A** – 2021 Operating Budget

**CANADIAN NUCLEAR ASSOCIATION
OPERATING BUDGET
FOR FISCAL YEAR 2021**

	Q1 BUDGET	Q2 BUDGET	Q3 BUDGET	Q4 BUDGET	TOTAL BUDGET
Revenue					
Membership Fees	\$ 2,070,000	\$ -	\$ -	\$ -	\$ 2,070,000
Annual Conference	-	-	515,534	-	515,534
Investment Income	9,000	9,000	9,000	9,000	36,000
Other Income	14,775	15,975	14,835	18,408	63,993
Special Projects Funding					
Ontario Nuclear Advantage	15,255	15,255	40,255	90,255	161,020
SMR Secretariat	53,076	66,276	53,736	93,033	266,121
Clean Energy / Electrification	-	-	-	-	-
	2,162,106	106,506	633,360	210,696	3,112,668
Operating Expenses					
Salaries and Benefits	340,509	340,509	340,509	440,109	1,461,636
Professional Fees	41,700	40,800	39,300	54,720	176,520
Office Rent and Insurance	47,536	44,736	21,450	21,450	135,172
Telecommunications	4,110	4,110	4,110	4,110	16,440
Office Expense	38,682	29,427	32,047	27,927	128,083
Bad Debts	-	-	-	-	-
Board Meetings	10,450	9,450	10,450	10,450	40,800
Travel and Conferences	36,899	50,699	56,799	85,699	230,096
	519,886	519,731	504,665	644,465	2,188,747
Program Expenses					
Media and Influencer Relations	75,249	90,249	91,749	106,749	363,996
Member & Stakeholder Engagement	82,792	41,892	46,890	73,890	245,464
Gov't Relations & Reg. Affairs	87,775	107,275	68,100	100,100	363,250
Industry Alignment	90,000	15,000	15,000	15,000	135,000
Refurbishment	47,500	35,500	40,000	15,000	138,000
	383,316	289,916	261,739	310,739	1,245,710
Special Projects					
Ontario Nuclear Advantage	15,255	15,255	40,255	90,255	161,020
SMR Secretariat	53,076	66,276	53,736	93,033	266,121
Clean Energy / Electrification	-	-	-	-	-
SMR Research	-	-	-	-	-
	68,331	81,531	93,991	183,288	427,141
	1,190,573	(784,672)	(227,035)	(927,796)	(748,930)

CF0 Report to the Finance Committee

Net Asset Reserve Policy

Nov. 17, 2020

PURPOSE

To provide directors with a draft Net Asset Reserve Policy and to seek finance committee approval to recommend the policy to the executive committee for approval by the board of directors.

OVERVIEW

Management presented to the committee for discussion at the Sept. 17th meeting the recommendation to amend the Operational Reserve Policy to better reflect the purpose of retaining a net asset reserve. The rationale for changing the policy is to better reflect the purpose for maintaining a reserve fund.

The CNA is a member supported organization with the majority of its revenue generated from membership fees. The operations are contingent on the continued support of the members. If the membership determines that it is not in their best interest to continue supporting the organization, then the board may determine that it must wind up the operations.

The purpose of the Net Asset Reserve Policy is to ensure the organization has sufficient net asset available for an orderly windup including ongoing operations for a period of three (3) months and discharging of all outstanding liabilities.

Attached as Appendix A is a draft of the Net Asset Reserve Policy for the committee's review and discussion.

MOTION

That the finance committee approve for executive committee recommendation and board approval that the CNA Operating Reserve Policy be repealed, effective Dec. 4, 2020, and replaced with the CNA Net Asset Reserve Policy.

NEXT STEPS

The following policies will be presented for review at the Dec. 3rd finance committee meeting:

- Cash management Policy
- Investment Policy



- Capitalization and Amortization Policy

APPENDICES

- **Appendix A** – Net Asset Reserve Policy

Net Asset Reserve Policy

Date of creation: Dec. 4, 2020

Revisions:

Purpose

The purpose of the Canadian Nuclear Association (CNA) Net Asset Reserve policy is to ensure the organization has sufficient reserves to allow for the orderly windup of the operations.

Definitions

The Net Asset Reserve is a designated fund (the “Fund”) set aside by action of the executive committee of the board of directors.

The minimum amount to be designated as the Fund will be in an amount sufficient to provide for an orderly windup of the operations including payment of all liabilities and obligations.

The Net Asset Reserve policy serves a dynamic role, and the Fund will be reviewed and adjusted on an annual basis.

Goal

The target minimum Fund is equal to all outstanding liabilities (as detailed below) plus three (3) months of average operating costs.

The calculation of average monthly operating costs includes all recurring, predictable expenses such as:

- salaries and benefits
 - occupancy
 - office
 - travel
 - program; and
 - on-going professional services
- } *3 months = \$400K
- } *3 months = \$200K
- Total: \$600M
- *NB: Taken from 2021 budget

Depreciation, in-kind, and other non-cash expenses are not included in the calculation. The calculation of average monthly expenses also excludes certain expenses such as pass-through programs or one-time or unusual capital purchases.

The outstanding liabilities include the remaining term of any outstanding leases such as office space and equipment, statutory severance or contractual termination costs for employees, termination cost per notice provisions for any professional consultants notwithstanding that

management will provide notice effective the decision date of windup. A schedule of said liabilities will be updated on a regular basis and at a minimum not less than annually during the budget approval process. An example of the schedule is included as Schedule A.

Rationale

The CNA is a member supported organization with the majority of its revenue derived from membership fees. The operations are contingent on the continued support of the members. If the membership determines that it is not in their best interest to continue supporting the organization, then the board may determine that it must wind up the operations.

The Fund under the Net Asset Reserve policy is intended to provide sufficient funding to allow for an orderly wind up of the operations and the discharging of all outstanding liabilities.

The Net Asset Reserve policy will be implemented in concert with the other governance and financial policies of the CNA and is intended to support the goals and strategies contained in these related policies and in strategic and operational plans.

Timing

The amount of the Net Asset Reserve fund target minimum will be set each year during the annual budget approval process; reported to the finance committee of the board of directors and included in the regular financial reports.

Accounting for Reserves

The Net Asset Reserve fund will be recorded in the financial records as Restricted Assets in the Statement of Financial Position.

The Fund will be invested in cash or cash equivalent funds as provided for by CNA’s Investment Policy.

Procedure

Step	Action	Comments
<p>1. Identification of the requirement to access the Net Asset Reserve fund</p>	<ul style="list-style-type: none"> • CEO and board will identify the need for access to reserve funds. • Confirm that use of funds is consistent with the purpose of the policy. 	<ul style="list-style-type: none"> • Analyze the reason for the need to implement the policy and access the Fund.

Step	Action	Comments
<p>2. Authority to use the Fund</p>	<ul style="list-style-type: none"> • The CEO will submit a request to use the Fund to the finance committee of the board of directors. • The request will include the analysis and determination of the use of funds. 	
<p>3. Reporting</p>	<ul style="list-style-type: none"> • Upon approval for the use of the Fund, the CEO will maintain records of the use of funds. • The CEO will provide regular reports to the finance committee/board of directors on the use of the Funds and the discharging of the organization's liabilities. 	
<p>4. Responsibility</p>	<ul style="list-style-type: none"> • The CEO is responsible for ensuring that all obligations of the organization are discharged and is to provide a final report to the finance committee / board of directors. 	

Review of Policy

This policy will be reviewed every other year, at minimum, by the finance committee, or sooner if warranted by internal or external events or changes. Changes to the policy will be recommended by the finance committee to the board of directors.

Related Policy

- Investment Policy
- Signing Authority Policy
- Capitalization and Amortization of Assets Policy

Canadian Nuclear Association
Net Asset Reserve Policy
Schedule of Liabilities

Calculation of severance costs (including contractual termination costs)	\$	331,515	
Occupancy Lease (remaining months multiplied by lease payments)		54,000	Excluding winddown period
Equipment leases (remaining months multiplied by lease payments)		10,500	Excluding winddown period
Long-term contractual operating costs (remaining months multiplied by agreement payments)		-	None
Consultants contractual termination costs		-	Included in winddown period
Regular operational liabilities		-	Included in winddwon period
	\$	<u>396,015</u>	

Report to the GHRC Committee

Board Committee Terms of Reference

Nov. 17, 2020

PURPOSE

To report on changes to the finance committee's terms of reference that standardized format, clarify reporting and committee authority, and to seek final comments from directors.

CONTEXT/HIGHLIGHTS

Annually, each board committee is responsible for reviewing its terms of reference to assess whether they accurately describe the duties and responsibilities of the committee, and either confirm or recommend changes to the governance, human resources and compensation (GHRC) committee.

This report outlines proposed areas for change to the finance committee's terms of reference based on leading and/or common governance practice; actions identified and accepted by the GHRC committee in the first quarter of 2020 to elevate the quality of governance; direction from finance committee members following the Sept. 17 meeting.

Highlights of key proposed changes are set out below:

- **Standardized form:** Amended the form of all board committee terms of reference to standardize key elements and to include a revision history.
- **Purpose:** Renamed and refined the first section of the terms of reference to summarize the purpose of the committee by capturing at a high level some of its key activities (i.e., what is it set up to do). Specific responsibilities for the finance committee are then set out in a schedule based predominantly on the committee's work plan.
- **Membership:** Redrafted membership content and removed the maximum number of members; added elements pertaining to qualifications to serve on the finance committee, removal and vacancies, management attendance and the voting status of *ex officio* members (e.g., clarify if the board chair is voting or non-voting member).
- **Responsibilities and authority:** Amendments, where necessary, to clarify where the committee is empowered by the board to advise and/or recommend versus to act (i.e. delegated authority); and, if an item requires executive committee recommendation prior to board approval. Material proposed changes include:
 - New section related to authority to access information and external advisors.



- Added responsibility to review principal financial risks to the organization's business and the identification and implementation of systems and procedures to manage these risks. In line with this, the responsibility to make recommendations to the executive committee and board on the appropriate fees to be levied by the various membership classes has been moved from the GHRC committee to the finance committee.
- **Committee operations:** Proposed adding and/or changing:
 - Records: Requirement to circulate agenda and material from two weeks to five to seven days.
 - Quorum: If a quorum cannot be obtained for any meeting, any member of the board may, at the request of the chair of the committee or the chair of the board, serve as members of the committee for that meeting; and the powers of the committee may be exercised at any meeting where a quorum is present or by resolution in writing signed by all committee members.
 - In camera meetings: The committee may meet *in camera* with the CEO or invited guests and as committee members only.
 - Assessment: That at least annually, the committee will assess its effectiveness in fulfilling its responsibilities and duties set out in the terms of reference.
- **Oversight of policies:** Added a section that outlines the policies/guidelines that the committee is responsible for overseeing and recommending changes to the board in respect of.

The revised terms of reference with the above proposed changes are attached for committee review and discussion.

NEXT STEPS

Final changes based on committee direction will be tabled for committee recommendation and board approval at the Dec. 3 and 4 meetings of the GHRC committee and board, respectively.

APPENDICES

- **Appendix A:** Finance Committee Terms of Reference (Revised Draft)

Finance Committee Terms of Reference

1. Purpose

The Finance Committee (the “committee”) is a standing committee of directors of the CNA Board of Directors (the “board”) that has been established for the purposes of the board’s oversight of: **[New high-level categorizations]**

- The quality and integrity of the CNA’s financial reporting.
- The qualifications and performance of the external auditor.
- Additional financial matters as specified in these terms of reference.

2. Membership **[Reordered and edited]**

The committee will consist of three or more directors as the board may determine, one of whom will serve as the chair of the committee **[Max. number removed]**. The members of the committee will be appointed by the board on the recommendation of the chair of the board (after consultation with the chair of the committee and the Governance, Human Resources and Compensation committee which reviews qualifications). The chair of the board will be an *ex officio* voting member of the committee, and the CEO will be an *ex-officio* non-voting member the committee.

All appointments are for a three-year term, unless a member resigns, is removed by the board, or ceases to be a director. The board may fill a vacancy that occurs in the committee at any time.

If a vacancy exists, the remaining committee members may exercise all powers of the committee so long as there is a quorum.

Qualifications: **[Proposed new]**

Each of the directors on the committee must possess applicable professional qualifications and/or relevant work experience that demonstrates a high level of financial literacy. Accordingly, each committee member must be able to comprehend the elements of the CNA’s financial statements, applicable accounting policies and judgments, internal controls and accounting procedures supporting the financial reporting process. Experience with budgeting and fiscal oversight are also an important element of the financial literacy required of committee members.

Chair of the Committee:

The board will designate one of the committee members to be the chair of the committee, considering any recommendations that may be made by the chair of the board (after consultation with the committee). The chair of the committee is an officer of the organization



who serves on the executive committee of the board. Appointment of the chair of the committee is for a three-year term. Appointments takes place at the first meeting of the board following the annual meeting of members, or upon the occurrence of any vacancy in the position.

Non-Member Attendance: [New]

The committee may, at its discretion, invite members of management and/or other guests to attend all or part of any meeting.

3. Responsibilities and Authority

The committee has the duties and responsibilities set out in **Schedule A**, as well as any other matters that may be delegated to the committee by the board from time to time.

The chair of the committee or their designate will report to the board on matters arising at committee meetings and, where applicable, present the committee's recommendations to the board for its approval.

Delegation:

The committee may, from time to time, delegate to its chair any powers or responsibilities of the committee itself. This delegation must include a reporting accountability back to the committee. [New and proposed for discussion]

Access to Information and External Advisors [New and proposed for discussion]:

The committee has the authority to make such enquiries and investigations and require such explanations from management as it considers reasonably necessary, and to require management to promptly inform the committee and the external auditor of any material misstatement or error in the CNA's financial statements following the discovery of any such situation.

The committee will have full access to the books, records, facilities, and personnel that are relevant to carrying out the duties of the committee. With the consent of the chair of the board, the committee may retain such advisors, counsel, auditors or other consultants as are reasonably required to assist the committee in fulfilling its duties and may determine the fees of any applicable engagements.

4. Committee Operations

Meetings and Records:

The committee will meet at least four times a year and minutes of their meetings must be kept and approved at the next meeting. To the extent possible, the agenda and meeting materials will be circulated to committee members at least five to seven days in advance of regular meeting dates [changed from two weeks].

If the chair of the committee is absent, committee members will designate another member to temporarily serve in that role.

Decision-Making:

At meetings of the committee, if the committee is unable to reach unanimous consent, each committee member will have one vote, and motions will be decided by a majority of votes. Voting by proxy is not permitted. In case of an equality of votes, the chair of the meeting will not have a second or casting vote. The committee will refer the matter to the board for resolution.

Quorum:

A quorum at any meeting will be a majority of committee members entitled to vote, but not less than two. The powers of the committee may be exercised at any meeting where a quorum is present in person or by telephone or other electric means or by resolution in writing signed by all committee members entitled to vote on that resolutions.

In Camera:

The committee may meet *in camera* with the CEO and as committee members only. The chair of the committee will determine other participants in any *in camera* sessions.

Assessment:

At least annually, the committee will assess its effectiveness in fulfilling its responsibilities and duties set out in these terms of reference.

Review:

Annually the committee will review these terms of reference to assess whether they accurately describe the duties and responsibilities of the committee and will either confirm or recommend changes to the terms of reference to the board.

5. Oversight of Policies

The committee is responsible for overseeing and recommending changes to the executive committee and board in respect of the following policies and/or guidelines:

- a. CNA Signing Authority Policy
- b. Net Assets Reserve Policy
- c. Investment Policy
- d. Cash Management Policy
- e. Capitalization and Amortization of Asset Policy
- f. Such other policies and guidelines as the committee may establish from time to time.

REVISION HISTORY

Date of creation: [Search records for original approval date]
Revisions: Dec. 8, 2017
Dec. 4, 2020

Duties and Responsibilities	
1. Quality and integrity of the CNA's financial reporting	
a.	Review quarterly financial results and forecast and make recommendations to the executive committee and board
b.	Review audited financial statements and make recommendations to the executive committee and board
c.	Review financial policies, procedures and internal accounting controls and make recommendations to the executive committee and board
2. Qualifications and performance of the external auditor	
a.	Make recommendations to the executive committee and board with respect to the appointment of the public accountant to hold office, including fixing compensation
b.	Maintain a direct line of communication with the external auditor and monitor the scope of the external auditor's audit activities and assess its performance
c.	Review with the external auditor the contents of its annual audit report
3. Additional Financial Matters and Oversight	
a.	Review and make recommendations to the executive committee and board on the operating and capital budget for fiscal year ending December 31
b.	Receive the compliance certificate from the CFO quarterly and assess the appropriateness of remedial actions for any outstanding matters
c.	Review assessments by management of principal financial risks to business and identify systems and procedures to manage these risks
d.	Make recommendations to the executive committee and board on measures to manage financial risks, including appropriate fees to be levied by membership classes

Duties and Responsibilities

- e. Review the need for and extent of property management and insurance coverage
- f. Review portfolio performance and performance with investment managers
- g. Annually review committee terms of reference and make recommendations to GHRC committee
- h. Annually assess committee effectiveness in fulfilling its responsibilities and duties