



**Canadian Olympic Committee  
Best Practices Guide  
For Financial Management of  
National Sport Federations**



**March 2016**

# Table of contents – Best Practices Guide

Description	Page
Executive summary	3
Terms of reference	4
I. Financial Health	5
How to achieve financial health	6
How is your current financial health	7-9
II. Warning Signs and Causes	10
Warning signs of financial hardships	11
Potential contributing factors	12-13
III. Forecasting for Financial Health	14
Preparing a cash flow forecast	15-19
IV. Considerations for management and Board	20
Short-term strategic financial considerations	21-23
Medium-term strategic financial considerations	24-26
Long-term strategic financial considerations	27
<u>Appendices/Worksheets:</u>	28
Appendix 1: Statement of financial health	29
Appendix 2: Worksheets (comparative analysis, net working capital, calculating current ratio)	30-31
Appendix 3: Cash Flow Forecast template	32
Appendix 5: NSF cash flow forecast – potential assumptions	33-35
Appendix 7: Initiatives to be undertaken checklist	36-37
Appendix 7: Components of a Board reporting package	38

# Executive Summary – Best Practices Guide

The Best Practices Guide (“BPG”) was produced to provide National Sports Federation (“NSF”) members with the tools needed to administer best practices in identifying signs of financial distress, financial planning, governance and recovery.

It has been prepared by Deloitte Restructuring Inc. (“**Deloitte**”) for the Canadian Olympic Committee (“**COC**”) to provide the NSF members’ key information for good financial health and assist in achieving stability/sustainability as an organization.

The BPG will further assist in the education of NSF members about causes of difficulties and financial hardship and how to put in proper processes and controls to reduce exposure to financial hardship and improve financial health.

# Terms of reference - Best Practices Guide

This report is intended solely for the information and internal use of members of the National Sports Federation (“NSF”). It is not intended to be and should not be used by any other person or entity. None of our communications including, without limitation, this report, other written communications and any related attachments shall be circulated, quoted, disclosed or distributed by the NSF members to anyone, nor will reference to our communications be made by the NSF members to anyone, without our prior written authorization.

In preparing this report, Deloitte has been provided with and has relied upon unaudited financial and operational information. Deloitte has reviewed the information for reasonableness and use in the context in which it was provided; however, Deloitte has not audited or otherwise attempted to verify the accuracy or completeness of the information in a manner that would wholly or partially comply with Canadian Auditing Standards (“**CAS**”) pursuant to the Chartered Professional Accountants Canada Handbook, and accordingly, Deloitte expresses no opinion or other form of assurance contemplated under CAS in respect of the information. COC’ management team maintains responsibility for verifying the accuracy and completeness of all information contained in this report.

Any future oriented financial information referred to in this presentation was prepared based on estimates and assumptions. Readers are cautioned that since projections are based upon assumptions about future events and conditions that are not ascertainable, actual results will vary from the projections, and the variations could be significant.

All analysis and recommendations outlined within this report are based upon interviews with COC management and information provided as at the date of this report. For any identified improvement initiatives, the extent to which the opportunities are realized is dependent upon management.

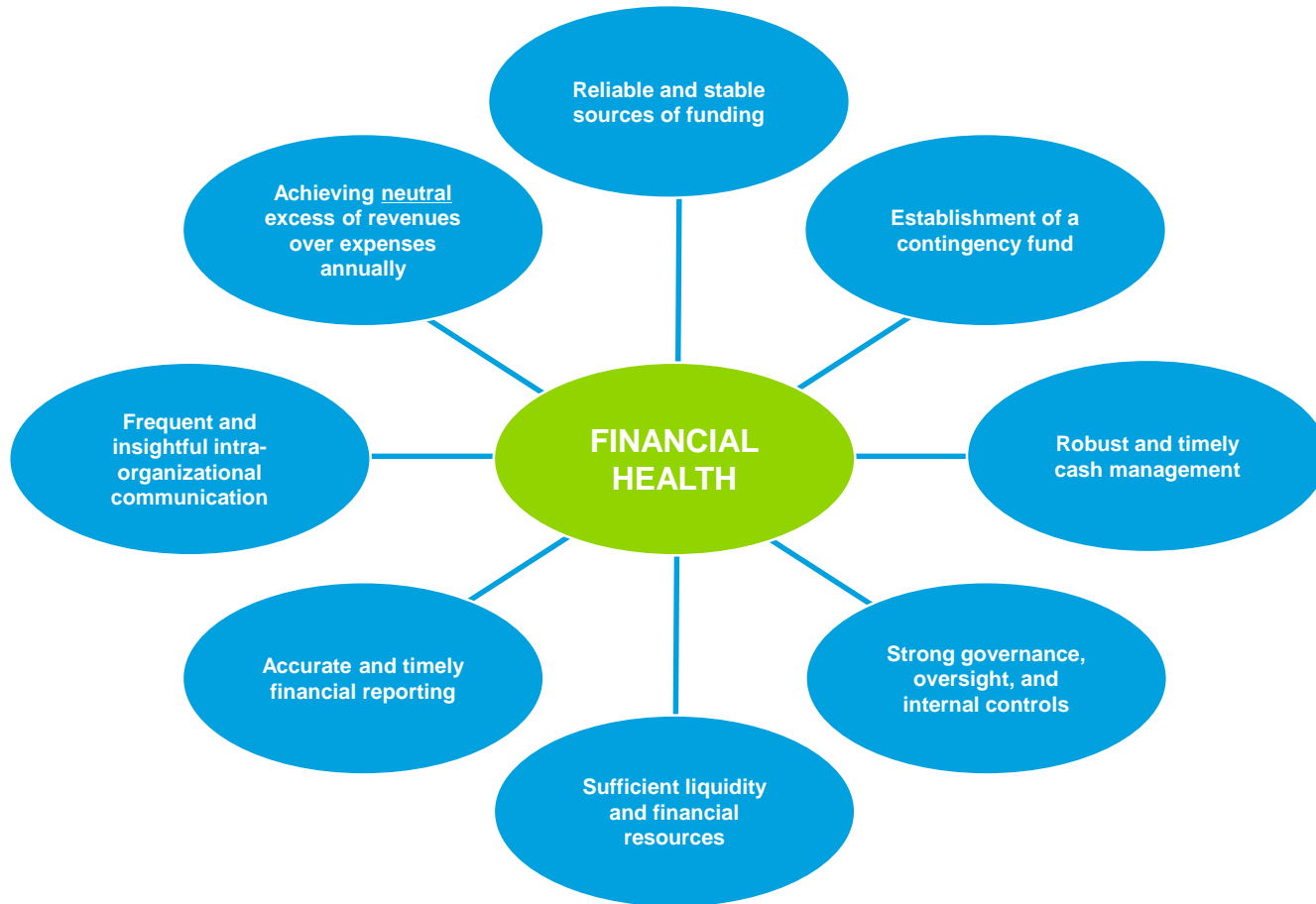
All data presented throughout this report has been provided by the COC. Any other data sources are referenced accordingly.

All references to currency in this report are in Canadian dollars (“**CAD**”) unless otherwise noted.

# I. Financial Health

# How to achieve financial health

Components of financial health for NSF members as non-profit organizations and RCAA



NSF must actively work to maintain and strengthen their positions in all of the above components

# How is your current financial health?

The following table can be used to present a high-level summary of the NSF member's historical financial performance and position. (a more detailed version of the revenue and expense analysis is included as Appendix 1)

	2015 Unaudited	2014 Audited	2013 Audited	2012 Audited
Total revenue				
Total expenses (including amortization)				
Excess (deficiency) of revenues over expenses				
<i>Excess (deficiency) as a % of total revenue</i>				
Net assets (deficiency), beginning of year				
Excess (deficiency) of revenues over expenses				
Net assets (deficiency), end of year				

## Key insights:

- Significant revenue declines should be noted.
- Review any significant declines or increases to understand how they transpired.
- What is the NSF's net asset position, current and historically? Where are there significant changes and why?
- Was certain funding lost and how can it be replaced?

**This schedule should identify when financial the hardship began and allow for a go-forward plan for improvement of the NSF member's financial condition.**

# How is your current financial health? (cont'd)

## Current ratio

An NSF's ability to settle its short-term financial obligations can be assessed by calculating its: 1) current ratio; and, 2) net working capital position.

### 1) Current ratio

- **Purpose:** Measures the NSF's ability to settle its short-term obligations (amounts owed within 12 months), and takes into account both its liquid and illiquid current assets (which includes marketable securities) compared to its total current liabilities.
- **Calculation:** Current ratio = total current assets / total current liabilities.
- **Target:** NSFs with strong financial health will typically have current ratios of greater than 1.5.

		31-Mar-15 Unaudited	31-Mar-14 Audited	31-Mar-13 Audited	31-Mar-12 Audited	31-Mar-11 Audited	31-Mar-10 Audited	31-Mar-09 Audited	31-Mar-08 Audited
Total current assets (excluding Trust assets)	A								
Total current assets (including Trust assets)	B								
Total current liabilities	C								
<b>Adjusted current ratio (excluding Trust assets)</b>	<b>=A/C</b>								
<b>Current ratio (including Trust assets)</b>	<b>=B/C</b>								

### Analysis:

1. Is the current ratio strong?
2. Are there evident declines, increases or has your ratio kept steady?
3. Should you focus more on improving your working capital position?
4. Are you using current funding for current liabilities or are prior year liabilities substantial?



# How is your current financial health? (cont'd)

## Net working capital and conclusion

### 2) Net working capital

- **Purpose:** Measures NSF' short-term financial health by calculating its net position of working capital accounts which include cash, bank indebtedness, A/R, A/P.
- **Calculation:** Net working capital = Cash + A/R – Bank indebtedness – A/P.
- **Target:** Companies with strong financial health will typically have positive net working capital positions.

		31-Mar-15	31-Mar-14	31-Mar-13	31-Mar-12	31-Mar-11	31-Mar-10	31-Mar-09
		Unaudited	Audited	Audited	Audited	Audited	Audited	Audited
Net cash/(bank indebtedness)	E							
A/R	F							
A/P	H							
Net working capital								
Change in net working capital year-over-year								

### Analysis:

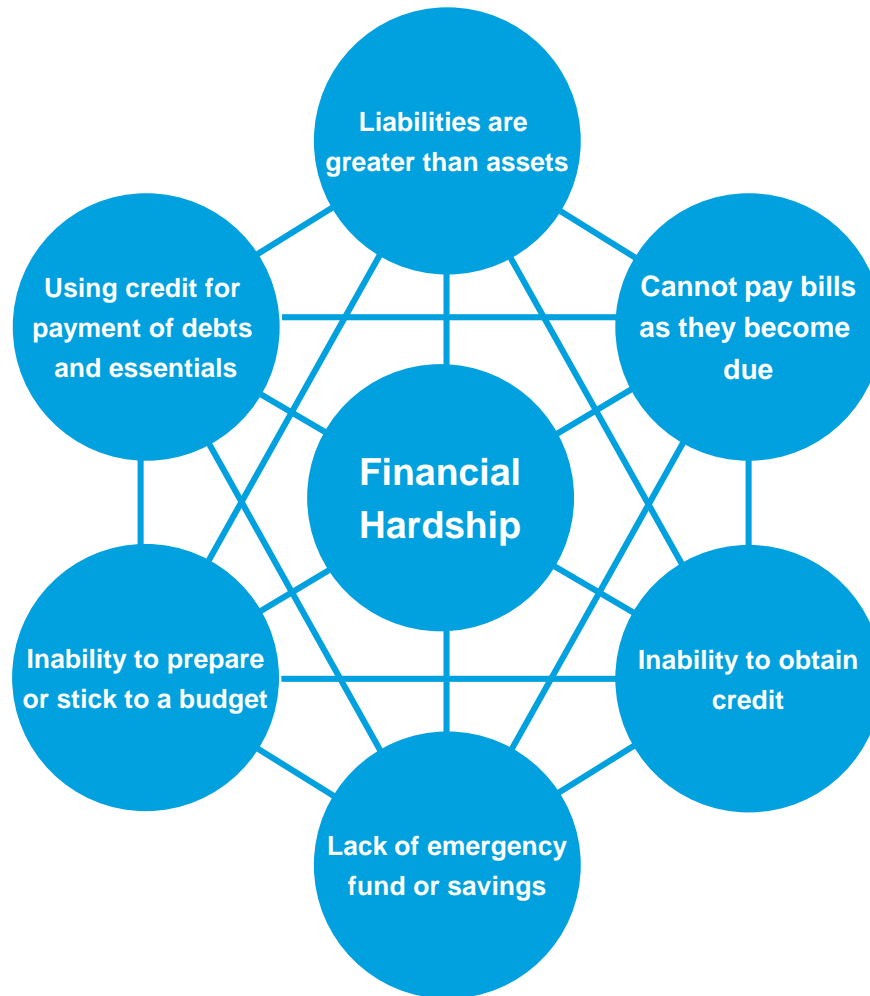
1. What is the status of your net working capital?
2. Is there a significant decline or increase and what can be attributed to this?
3. How can you improve your position?
  - a) Collect accounts receivable more quickly
  - b) Negotiate longer terms with suppliers
  - c) Increase operating surpluses or defer capital investments

To eliminate a working capital deficit the member needs to generate ongoing operating surpluses through increased sponsorship revenue and other unrestricted funding, or obtain one-time contributions that would reduce its liabilities.

# II. Warning Signs and Causes

# Warning signs of financial hardship

We have identified several warning signs that may trigger the NSF member's financial hardship:



# Potential contributing factors to financial hardship

We have identified several **RECURRING FACTORS** that may contribute to the member's financial hardship:

Category	Type	Description of contributing factors	Related risks to NSF	Level of impact on NSF member
Budgeting and forecasting	Recurring	<ul style="list-style-type: none"> <li>High-quality and detailed annual forecasts should be prepared by management and approved by the Board.</li> <li>Forecasts should be prepared on a monthly basis, not just annually, and should be reconciled to actual for each reporting period</li> <li>Forecast should account for timing of receipt and disbursement of funds.</li> <li>Forecast should match the budget that is approved by the Board.</li> </ul>	<ul style="list-style-type: none"> <li>Inability to assess and manage your financial position throughout the year</li> <li>Inability to track progress monthly</li> <li>Lack of insight into timing of cash inflows and outflows in order to properly manage cash</li> <li>Accumulation of smaller annual deficits eventually cause liquidity crisis as current year funding required to pay prior year liabilities</li> </ul>	<b>HIGH</b>
Financial reporting and management	Recurring	<ul style="list-style-type: none"> <li>Sufficient resources and controls should be in place to oversee forecast and on-going financial management processes.</li> <li>Financial statements and Board reporting packages should be prepared on a monthly basis.</li> </ul>	<ul style="list-style-type: none"> <li>Inability for management and the Board to manage and govern</li> <li>Inability to assess the current financial position</li> </ul>	<b>HIGH</b>
Quality and reliability of financial information	Recurring	<ul style="list-style-type: none"> <li>The management teams need to prepare reliable, high quality financial information with which they and the Board can assess its ongoing financial position.</li> </ul>	<ul style="list-style-type: none"> <li>Inability for management and the Board to understand cash availability and the your financial position</li> <li>Risk of running ongoing 'structural deficits'</li> </ul>	<b>HIGH</b>
Funding restrictions	Recurring	<ul style="list-style-type: none"> <li>Funding from certain sources including OTP and Sport Canada are highly restricted and must be spent as allocated as a condition to receiving on-going and future funding considerations.</li> </ul>	<ul style="list-style-type: none"> <li>Inability for management and the Board to allocate funds from these sources for other purposes such as debt repayment</li> </ul>	<b>HIGH</b>
Loss of sponsorship	One-Time	<ul style="list-style-type: none"> <li>Loss of sponsorship can cause immediate difficulties in cash-flow when forecasted and not received.</li> <li>Inability to sufficiently ramp down financial commitments.</li> </ul>	<ul style="list-style-type: none"> <li>Significant operating loss</li> <li>Significant stress on liquidity</li> </ul>	<b>HIGH</b>

# Potential contributing factors to financial hardship (cont'd)

Category	Type	Description of contributing factors	Related risks to NSF	Level of impact on NSF member
Loss of OTP funding	One-Time	<ul style="list-style-type: none"> <li>• Competition results when not achieved can result in substantial elimination of funding for future years.</li> </ul>	<ul style="list-style-type: none"> <li>• Loss of funding requires the NSF member to find the ability to withstand with a reduction of correlated operating expenses</li> <li>• Difficulty of re-establishing competition results and corresponding increase in OTP funding</li> </ul>	<b>HIGH</b>
Timely tax reporting	One-Time	<ul style="list-style-type: none"> <li>• RCAA membership loss for failure to file or non compliance with legislative obligations under the <i>Income Tax Act</i>.</li> <li>• Suspension or penalties at a minimum</li> <li>• Risk of losing charitable status</li> </ul>	<ul style="list-style-type: none"> <li>• Inability to properly fundraise</li> <li>• Inability to provide donation tax receipts</li> <li>• Inability to receive gifts from registered charities.</li> </ul>	<b>HIGH</b>
Availability and timing of information for forecasting	Recurring	<ul style="list-style-type: none"> <li>• Funding and sponsorship confirmations are often not received when forecasting is taking place.</li> <li>• Funding and sponsorship commitments are typically year-to-year.</li> </ul>	<ul style="list-style-type: none"> <li>• Funding estimates could change suddenly and stress the member's liquidity</li> <li>• Exposes the member if commitments are required prior to confirmation of actual funding to be received</li> </ul>	<b>MODERATE</b>
COC expenditure clawback	One-Time	<ul style="list-style-type: none"> <li>• COC may pay expenses directly for the Canadian national teams to attend the Olympic Games and also funded NSF for the same amounts rather than offsetting against amount owing; resulting in duplicate funding</li> </ul>	<ul style="list-style-type: none"> <li>• Duplicate payment and disbursement of the funds reimbursable to the COC for similar categorical expenses as stipulated by the funding restrictions resulting in clawback.</li> </ul>	<b>MODERATE</b>
Personnel	One-Time	<ul style="list-style-type: none"> <li>• Turnover of key personnel;</li> <li>• Turnover of the CEO.</li> </ul>	<ul style="list-style-type: none"> <li>• Lack of continuity with key personnel and related loss of organizational knowledge</li> <li>• Insufficient personnel and stretched resources</li> <li>• Improper expenses difficult to track.</li> </ul>	<b>MODERATE</b>
Financial oversight and control	One-Time	<ul style="list-style-type: none"> <li>• Expenses not properly allocated to the correct category can be detrimental as they may bypass required approvals</li> <li>• Internal controls need to be reviewed to avoid the risks associated with expenditures.</li> <li>• Personnel with purchasing capabilities need to be made aware of the updated budget in order to make proper financial decisions.</li> </ul>	<ul style="list-style-type: none"> <li>• Risk of unauthorized expenditures and/or improper allocation of approved expenses.</li> <li>• Insufficient authorizations and approvals for expenditures</li> </ul>	<b>MODERATE</b>

# III. Forecasting for Financial Health

# Preparing a Cash Flow Forecast

A cash flow forecast is important as it can help identify the warning signs and causes of distress before they get beyond reach. The following are a few key measures to be taken to assist in preparing a forecast that can work for you.

- Prepare and maintain a 12-month financial cash flow, updated and reconciled each month with actuals and a variance analysis;
- Have management and staff assist with assumptions to ensure they are complete;
  - Use conservative assumptions;
- Match dedicated funding to key dates/events (i.e. funding for a specific event/period should be retained for that event/period)
- Ensure that the cash flow forecast agrees to the approved annual budget;
- Update the annual forecast at year end to review assumptions to actuals and adjust as required going forward; and,
- Also prepare and maintain longer term annual forecasts for 3-5 years in the future.

# Cash flow forecast and analysis

## Key drivers

There are several key drivers that may influence the monthly cash flow forecast and an NSF member's overall forecast financial position:

1. COC and Sport Canada funding
2. Sponsorship funding
3. Membership fee revenues
4. National Team and National Development Team expenses
5. Existing aged accounts payables
6. Use of conservative assumptions

### COC and Sport Canada funding

COC and Sport Canada funding represents a large portion of an NSF member's revenue and any unexpected funding changes will significantly impact the cash flow forecast. Funding is to a great extent dependent on the national team's successes in prior year competitions as well as its ability to medal in the next scheduled Olympics.

### Sponsorship funding

Sponsorship funding is a key source of funding for an NSF member as it represents an unrestricted source of cash, unlike certain funding, that can be allocated against expenditures at the member's discretion, including debt repayment. The amount of sponsorship funding is dependent on NSF' ability to secure new or increased levels of sponsorship.

### National Team and National Development Team expenses

These expenses directly correlate to the funding provided by Sport Canada and OTP as the funding agreements stipulate how the funds can be disbursed. As such, if Sport Canada or OTP does not provide all of the funding estimated, these expenses need to be adjusted in the budget to reflect actual funding received.

### Settlement of existing accounts payables

Prior year expenses carried forward can cause disruption in the member's cash flow. Depending on the amounts owing, the NSF member's ability to negotiate with its creditors to settle these amounts for all or a portion of the book value will assist in stabilizing the organization.

### Use of conservative assumptions

The cash flow forecast should utilize conservative assumptions to allow for any fluctuating amounts and no major surprises when compared to actuals.



# Cash Flow Forecast – monthly cash flow forecast

The following is an example of a cash flow schedule

Notes	31-Oct-15	30-Nov-15	31-Dec-15	31-Jan-16	29-Feb-16	31-Mar-16	30-Apr-16	31-May-16	30-Jun-16	31-Jul-16	31-Aug-16	30-Sep-16	31-Oct-16
<b>Monthly cash flow forecast</b>													
<b>Cash balance, beginning of period</b>	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Cash inflows:</b>													
<b>Government and other funding</b>													
Funding													
Other funding agencies													
Other cash revenues – i.e. membership fees													
Other in-kind revenues													
Sponsorships													
Events													
Sale of inventory													
<b>Direct cash deposits</b>													
New A/R as of (60 days)													
Old A/R as of (60 days)													
<b>Total inflows</b>													
<b>Cash outflows:</b>													
<b>Expenses</b>													
General administration													
Governance													
National team programs													
Official languages													
Operations and programming													
Advertising and promotion													
Recruitment													
Long term athlete development													
Athlete expenses													
<b>Purchases</b>													
Purchase of new inventory													
Purchase of new equipment													
<b>Salaries, wages and benefits</b>													
Salaries, fees and benefits													
Coaching salaries and prof. dev.													
Coaching salaries													
Professional development													
<b>Loan payments</b>													
Line of credit payments (withdrawals)													
Credit card payments (withdrawals)													
<b>Interest</b>													
Interest on bank indebtedness													
Interest on credit cards													
<b>Outstanding cheques</b>													
New A/P as of (60 days)													
Old A/P as of (60 days)													
<b>Total outflows</b>													
<b>Net cash inflow (outflow)</b>													
<b>Ending cash balance / (line of credit)</b>													

# Cash flow forecast and analysis

## Critical and significant risks

### Critical risks

The following critical risks could be identified that could jeopardize the viability of an NSF member's cash flow forecast and financial recovery plan:

- **Overspending by staff and departments**
- **Foreign exchange fluctuation** – If you receive funding in Canadian dollars but must transact with vendors and suppliers outside of Canada in USD, CHF and EUR, this can cause leave the NSF member exposed to significant foreign exchange risk.
- **Inability to achieve significant fundraising gains** – Proper forecasting can help avoid any damage.
- **Conflicts resulting litigation costs** – Legal costs can continue to incur during ongoing litigation. A careful cost/benefit should be reviewed and discussed with the Board.
- **Loss of significant sponsorship** – This would critically impact the monthly forecast and the annual forecast.
- **Fraud** – As fraud is always unexpected this is a risk when proper controls are not present.

What events could impact the cash flow forecast

### Significant risks

The following are risks that would **significantly impact the cash flow forecast**:

- **Athlete injury** – If an athlete is injured at a competition, NSF must pay for the athlete's travel and medical expenses. Although the athletes are covered by insurance policies and costs will be reimbursed at a later date, this could result in an immediate cash outflow and further restrict liquidity at a time when the member may not have significant cash availability.
- **Changes to event rules** – In some cases, rules are changed by governing bodies or event organizers that may increase the NSF member's expenses for a particular event. Rule changes could further negatively impact the cash position.
- **Poor financial management** – The inability to prepare the forecast properly and update with actuals will result in a wasted reporting tool.
- **Income Tax Act compliance** – This can result in penalties and/or the NSF member's RCAA membership may be revoked. This would stall and further fundraising.

# Cash flow forecast - Sensitivity analysis

## Overview and assumptions

An extensive listing of potential Cash flow assumption lines is attached as Appendix 4.

A sensitivity analysis can be performed on the monthly cash flow forecast for each of the key drivers of an NSF's cash flows. These should include central sources of funding and any major variable costs. The following parameters are examples of variance analyses which together with any other significant possible change beyond the NSF member's control can be used to determine an NSF's resilience to change:

### **Increases or decreases in sponsorship funding**

Sponsorship funding is critical to the improvement of an NSF member's financial position as there are less restrictions on the allocation of funds for specific purposes or programs. It is suggested that the NSF member perform sensitivity analysis to determine the cash impact on operations should the NSF member either obtain additional funds or in the downside case lose sponsorship funding.

### **Settlement of aged payables**

It is suggested that the NSF member perform a sensitivity analysis to determine the impact of the settlement of aged payables if they are affecting the NSF member's financial health. Below we outline three potential payment scenarios that will assist the NSF member to prepare schedules to determine their impact:

1. Payment of 50% of the amount owing with the remaining 50% considered forgiven or deferred;
2. Payment of 75% evenly over 12 months with the remaining amount of 25% considered forgiven or deferred; and,
3. Payment of the full amount owing in immediately.

### **Foreign exchange fluctuation**

In addition to the Canadian dollar, several NSF members have transactions in US dollars, Euros, and other international currency. Due to the rapid recent decline of the Canadian dollar and the volatility of foreign exchange rates, this can result in a significant impact on the NSF member's cash position. It is suggested that the NSF member performed a sensitivity analysis on cash inflows and outflows impacted by foreign exchange rates using a fluctuation of +/-5% relative to the foreign exchange rates used in the base case scenario.

# IV. Considerations for management and Board

# Considerations for Management

## Short-term strategic financial considerations

Numerous strategic financial considerations with **SHORT-TERM**, **MEDIUM-TERM**, and **LONG-TERM** focus, may be identified. We have detailed these here as each has the potential to have a positive impact going forward. More detailed actions for revenue enhancement or cost reduction are also included in Appendix 5.

The following items represent the **SHORT-TERM** strategic financial considerations that should be addressed by Management as soon as they are identified:

#	Category	Description	Goal
1	Settlement of large payables	Negotiate, defer and settle aged payable to ease up on cash restrains.	Increase certainty over quantity and timing of cash outflows
2	Obtain additional sponsorship funding	<p>Increasing fundraising revenue is critical to improving financial stability when there are signs of distress. It allows for flexibility as funds are associated with less restrictions. Cash donations should be prioritized; however, sponsorships-in-kind are beneficial if the goods or services received directly reduce an expense that would have had to be incurred.</p> <p>Fundraising efforts should be prioritized for debt repayment to reduce a line of credit and working capital deficit as much as possible.</p> <p><u>Additional considerations:</u></p> <ul style="list-style-type: none"> <li>• What split should be used for debt repayment versus program expansion? Sliding scale starting at 90/10 with more going to program expansion over time?</li> <li>• What other services-in-kind could be attracted? Bookkeeping, audit, equipment, car rental, outerwear?</li> </ul>	Sponsorship funds can be utilized for immediate debt repayment, and directly improve the ability to navigate any unforeseen issues in the upcoming months – particularly during competition season.

# Considerations for Management

## Short-term strategic financial considerations (cont'd)

#	Category	Description	Goal
3	Cash management practices and processes	<p>Active liquidity management is critical to manage and improve financial position.</p> <p>This may include implementation of the following processes:</p> <ul style="list-style-type: none"> <li>• Completion of bank reconciliations within 10 days of month end</li> <li>• Completion of forecast-to-actual variance analysis within 10 days of month end</li> <li>• Identify and account for variances quickly</li> <li>• Active purchase controls that enable the NSF member to react quickly should adverse events occur that negatively impact cash flows. These may include, spending restrictions/\$ limits, distinct advance approval levels; clearly defined requirements for supporting documents; budget compliance with approval for variances.</li> </ul>	Actively monitor expenditures, cash resources and liquidity, and react in a timely manner to identified issues.
4	Financial reporting to Management	Preparation and release of a management reporting package prior to month end to be reviewed and approved at management team meetings. A detailed review of all expenditures, excluding sensitive and confidential data, made within the month to be completed.	<p>Allow for timely and efficient management oversight.</p> <p>Allow for timely management decision making.</p>
5	Financial reporting to the Board of Directors/Finance Committee	<p>Preparation and release of a Board reporting package in advance of scheduled board meetings to be reviewed and approved. A review of all major expenditures and reporting to be completed in compliance with established policy (i.e. high dollar investments, budgets, financial reporting should require board approval).</p> <p>Considerations should be made for more frequent reporting to the board and/or finance committee when there are signs of distress.</p> <p>Please refer to Appendix 6 for sample components of a Board reporting package.</p>	<p>Allow for timely and efficient Board oversight.</p> <p>Allow for pro active Board decision making.</p>

# Considerations for Management

## Short-term strategic financial considerations (cont'd)

#	Category	Description	Goal
6	Budgeting and forecasting	The cash flow forecast process must be maintained during the upcoming 12-month period and beyond. The forecast should be updated and extended quarterly for any new or updated information received.	Allows the NSF member to forecast issues and address them in a timely manner.
7	Credit card usage	If a credit card is to be used, it should be paid off in full before the payment due date to avoid interest charges. As soon as interest charges are incurred, it effectively negates the benefit of any points earned by the NSF member. If this is an issue consider discussions with credit card issuers to determine if it's possible to extend payment terms to 45 or 60 days from the current 30 day terms.	Eliminate any monthly balance carryover to avoid high interest charges.
8	Continual assessment and identification of cost reduction initiatives	Management should engage all staff to identify opportunities to further reduce expenditures at both the overhead and operational levels.	Operate on the most cost effective basis possible.

# Considerations for management

## Medium-term strategic financial considerations

The following items represent **MEDIUM-TERM** strategic financial considerations identified that should be addressed by management:

#	Category	Description	Goal
1	Key decision making months	Review financial results and estimated inflow for the key competition timeframe. Will the NSF member have the ability to fund the estimated expenditures throughout the competition season?	Adjust spending to match total estimated funding and allocating sponsorship funds received to debt repayment as required. This will be critical to improving financial health.
2	Prior approval of all future expenditures	Controls that should be in place to ensure that no purchase commitments are made without approval from Management and/or the Board.	All employees who can commit to future expenditures must be aware of the NSF member's financial position and continue to seek approval prior to committing to any expenditures.
3	Board composition	The NSF member should ensure that one or more Chartered Professional Accountant or other individuals with significant financial management experience sit on the Board to oversee financial management and improve financial health.  Establishing a Finance Committee, comprised of members with superior financial knowledge, can assist the CEO and the Board in the financial management.	Such competencies on the Board provides oversight and guidance during any return to financial health.
4	"End-of-the-line" cost reduction options to achieve a balanced budget	Should best efforts fail and total funding does not equal forecast expenditures for competitions, the following actions should be considered: <ul style="list-style-type: none"> <li>• Reduction of participation in certain major events and competitions on a temporary basis.</li> <li>• Temporary reduction in coaching salaries.</li> <li>• Attend events that are more cost effective.</li> </ul>	Actively reduce costs to ensure a zero-budget or surplus result.



# Considerations for Management

## Medium-term strategic financial considerations (cont'd)

The following items represent **MEDIUM-TERM** strategic financial considerations identified that should be addressed by management:

#	Category	Description	Goal
5	Sport specific changes	<p>Positioning the NSF member to be able to support its athletes in major events such as the Olympics , Nationals and World competitions are be critical. Ensure that the NSF member will be able to do with preparations for proper financial health and stability.</p> <p>Additional considerations:</p> <ul style="list-style-type: none"> <li>• Is it better to reduce expenditures that impact operations now, or be forced to do so closer to the event?</li> <li>• If the decision is made to reduce certain expenditures, can those funds be used for debt repayment based on the relevant usage restrictions (if any)?</li> <li>• Will the funding provider agree to waive the usage restrictions for a certain amount of time to increase the NSF member's flexibility and options?</li> </ul>	Actively consider making programming cuts now in order to plan for the future major competitions such as the Olympics, if required.
6	Foreign exchange management, if applicable	<p>Consider opening accounts denominated in USD, EUR, and CHF to minimize foreign exchange impact and associated fees associated with regularly exchanging currencies.</p> <p>Consider holding one credit card in each currency to be paired with each account.</p>	Reduce overall cost of operations for foreign competitions.
7	Invoicing	The NSF member should consider invoicing in advance, or as quickly as possible, for all amounts owing - particularly during competition season – to reduce the strain on its liquidity.	Collect cash receipts as quickly as possible to incrementally improve liquidity.

# Considerations for Management

## Medium-term strategic financial considerations (cont'd)

The following items represent **MEDIUM-TERM** strategic financial considerations identified that should be addressed by management:

#	Category	Description	Goal
8	Renegotiation of contracts	<p>Coaching salaries represent a significant expense annually to all NSF members.</p> <p>Considerations:</p> <ul style="list-style-type: none"><li>• Can the number of full-time coaches be reduced and supplemented with additional part-time coaches as funding allows?</li><li>• Can the contract structure be adjusted with a variable component that reflects actual OTP or Sport Canada funding receipts for increased flexibility?</li></ul>	Improve the ability to reduce expenditures should its financial performance deteriorate further.
9	Capital planning and budgeting	<ul style="list-style-type: none"><li>• The NSF member must periodically assess its capital planning needs on a 3 to 5 year basis for any significant purchases, such as equipment.</li></ul>	Ensure that sufficient funding is raised or allocated to meet total forecast capital expenditures.
10	Administrative cost reduction	<ul style="list-style-type: none"><li>• Seek proposals from other vendors when increases are unexpected and impractical.</li></ul>	Cost reduction

# Considerations for management

## Long-term strategic financial considerations

The following items represent **LONG-TERM** strategic financial considerations identified that should be addressed by management:

#	Category	Description	Goal
1.	Board of Directors	<ul style="list-style-type: none"> <li>Strive to compile a Board of Directors with a diverse skill set to assist in all aspects of governance.</li> <li>The Board should understand their role is not management but governance.</li> <li>Board training should be offered for the inexperienced.</li> <li>Where Board member conflicts seem unreasonable, time consuming and unproductive, consider a consultant or mediator to review the issues and move forward.</li> <li>Open communication with management to work together effectively.</li> </ul>	Exemplary governance and productivity.
2.	Credit remedies	<ul style="list-style-type: none"> <li>A short term loan at a low interest rate may assist the NSF member through its cash flow crunch to assist in paying out higher interest debt.</li> </ul>	Assist with the cash flow at a lower interest rate.
3.	Lender actions/remedies	<ul style="list-style-type: none"> <li>Should the NSF have a credit line, it should be aware that a credit line represents a demand facility that can be called by its lender at any time. Work with the lender to weather a cash crunch by assigning a large receivable to its benefit; however, there is no guarantee the lender will be as accommodating going forward, and it may not extend the facility. Continuous communication with the lender to build a relationship for future borrowing when in need.</li> </ul>	Improve planning to avoid circumstances that could result in the lender taking action against NSF in relation to its indebtedness.
4.	NSF' final alternatives	<p>If all else fails, what are the NSF member's options?</p> <ul style="list-style-type: none"> <li>Seek to understand what conditions would allow the bank to extend additional credit?</li> <li>Would a third-party sponsor a bailout?</li> <li>What is the absolute worst-case scenario?               <ul style="list-style-type: none"> <li>Debt consolidation depending on credit situation and bank options</li> <li>Default on its line of credit and the bank takes action to collect.</li> <li>Division 1 proposal under the Bankruptcy and Insolvency Act would allow to continue to operate while paying out debt at a % of the total.</li> <li>Potential receivership or assignment/petition into bankruptcy.</li> </ul> </li> </ul>	Distribute assets to the benefit of creditors in priority sequence.

# Appendices

# Appendix 1 - Template

## Statement of financial health

Statement of Operations	2015 draft	2014 Audited	2013 Audited	2012 Audited	2011 Audited
<b>Revenue</b>					
Sport Canada contributions					
Other major contributions					
Clinics					
Events					
Memberships					
Interest and sponsorship					
Total Revenue					
<b>Expenditures</b>					
Athletes					
National Team					
Sport Development					
Coaching					
National Competitions					
Planning and management					
Human resources					
Administration					
Governance					
Bank Indebtedness					
Expenditures for the year					
Revenue over expenses ()					
% of total revenue	%	%	%	%	%

# Appendix 2 - Worksheets

## Comparative analysis - Statement of financial position worksheet

Description	FY 2015 (Unaudited)	FY 2014 (Audited)	FY 2013 (Audited)	FY 2012 (Audited)
<b>Assets</b>				
Cash				
A/R				
<b>Liabilities</b>				
Bank indebtedness				
A/P				

## Net Working Capital - worksheet

### Net working capital

- **Purpose:** Measures TC' short-term financial health by calculating its net position of working capital accounts which include cash, bank indebtedness, A/R, A/P.
- **Calculation:** Net working capital = Cash + A/R – Bank indebtedness – A/P.
- **Target:** Companies with strong financial health will typically have positive net working capital positions.

	31-Mar-15	31-Mar-14	31-Mar-13	31-Mar-12	31-Mar-11	31-Mar-10	31-Mar-09
	Unaudited	Audited	Audited	Audited	Audited	Audited	Audited
Net cash/(bank indebtedness)							
A/R							
A/P							
Net working capital	_____	_____	_____	_____	_____	_____	_____
Change in net working capital year-over-year							

# Appendix 2 – (cont'd) Worksheets

## Calculating current ratio

Description		31-Mar-15 Unaudited	31-Mar-14 Audited	31-Mar-13 Audited	31-Mar-12 Audited	31-Mar-11 Audited	31-Mar-10 Audited	31-Mar-09 Audited
Total current assets	A							
Total current liabilities	B							
Current ratio	=A/B							

# Appendix 3 - Template

## Cash Flow Forecast – Monthly Cash Flow

Monthly cash flow forecast	Notes	31-Oct-15	30-Nov-15	31-Dec-15	31-Jan-16	29-Feb-16	31-Mar-16	30-Apr-16	31-May-16	30-Jun-16	31-Jul-16	31-Aug-16	30-Sep-16	31-Oct-16
Cash balance, beginning of period		\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Cash inflows:</b>														
Government and other funding														
Funding														
Other funding agencies														
Other cash revenues – i.e. membership fees														
Other in-kind revenues														
Sponsorships														
Events														
Sale of inventory														
Direct cash deposits														
New A/R as of (60 days)														
Old A/R as of (60 days)														
Total inflows														
<b>Cash outflows:</b>														
Expenses														
General administration														
Governance														
National team programs														
Official languages														
Operations and programming														
Advertising and promotion														
Recruitment														
Long term athlete development														
Athlete expenses														
Purchases														
Purchase of new inventory														
Purchase of new equipment														
Salaries, wages and benefits														
Salaries, fees and benefits														
Coaching salaries and prof. dev.														
Coaching salaries														
Professional development														
Loan payments														
Line of credit payments (withdrawals)														
Credit card payments (withdrawals)														
Interest														
Interest on bank indebtedness														
Interest on credit cards														
Outstanding cheques														
New A/P as of 60 days														
Old A/P as of 60 days														
Total outflows														
Net cash inflow (outflow)														
Ending cash balance / (line of credit)														



# Appendix 4

## NSF cash flow forecast – potential assumptions

The following are a list of potential cash flow lines which will represent management’s assumptions utilized in the development of the cash flow forecast. As many amounts represent best estimates, actual results will vary and the differences could be significant.

Line item	Type	Forecast assumption
Funding Revenue	Cash receipt	Represents cash received from the COC and other funding agencies. Ensure projected increase in funding is conservative.
Membership Fees	Cash receipt	Represents cash received from the payment of membership fees. Ensure projected increase in membership is conservative.
Event Revenue	Cash receipt	Represents cash receipts for events held in Canada and payable to the NSF member. Ensure the amounts are conservative estimates based on the number of athletes expected to attend events in Canada and other potential revenue from the event.
Other Event Revenue	Cash receipt	Represents cash receipts from any other revenue generating events.
Sponsorships	Cash receipt	Represents sponsorship revenue of all kinds. This can be broken down when there are more than one sponsors and to effectively forecast short term and long term sponsorship.
Sport Canada Revenue	Cash receipt	This line item represents cash receipts from Sport Canada, which is a significant source of revenue for NSF members and should be calculated based on the NSF members annual funding application submitted.
Sport Canada Event Revenue	Cash receipt	Represents cash receipts from Sport Canada for event revenues.
Provincial Event Revenue	Cash receipt	Represents cash receipts when there are provincial affiliated members and can include events held in those provinces. The amounts are should be estimated based on the dates of the events and prior year actual cash receipts, if any.
Event Sponsorship Revenue	Cash receipt	Represents sponsorship cash receipts for events. The amounts are estimated based on the dates of the events and prior year actual cash receipts, if any.
Athlete Program Fees	Cash receipt	Represents program fee cash receipts from athletes. The amounts are estimated based on the number of athletes expected for each program.

# Appendix 4

## NSF cash flow forecast – potential assumptions (cont'd)

Line item	Type	Forecast assumption
Collection of A/R	Cash receipt	Represents the collection of A/R recorded on the books as at a certain date and is based on management's estimated collection of cash receipts. Notes should be included in the forecast defining the date used and updated for each period.
Office Administration	Cash disbursement	Represents office administration-related expenditures, including phone, rent, insurance, storage etc.
Marketing and sponsorship	Cash disbursement	Represents costs for marketing and sponsorship expenditures. Calculate by determining upcoming events and historical requirements for marketing.
Meetings/ representations	Cash disbursement	Represents estimated expenditures to attend meetings and is based on dates when meetings are expected to be held.
Recruiting – if applicable	Cash disbursement	Represents expenditures relating to the recruiting of athletes. The majority of the recruiting costs are incurred before the competition season if identifiable and if applicable.
Workshop	Cash disbursement	Represents expenditures for athlete workshops and is based on the dates when workshops are scheduled for and the number of athletes expected to attend.
Canadian Championships	Cash disbursement	Represents expenditures for accommodations and event costs for the Canadian Championships. The costs are estimated based on costs incurred in prior year Canadian Championships.
Purchase of new equipment	Cash disbursement	Represents expenditures for the purchase on new equipment if and as required.
Salaries, fees and benefits	Cash disbursement	Represents expenditures for salaries and benefits for administration and technical staff.
Coaching salaries	Cash disbursement	Represents expenditures for salaries for coaches (e.g., head coaches, strength coaches) and consultants.

## Appendix 4

### NSF cash flow forecast – potential assumptions (cont'd)

Line item	Type	Forecast assumption
Interest on credit cards	Cash disbursement	The interest on credit cards is calculated using an annual rate pursuant to the user agreement.
Interest on line of credit	Cash disbursement	If applicable, the interest on the line of credit is calculated using an annual rate of pursuant to the bank agreement.
Accounts payable	Cash disbursement	Anticipated amounts payable pursuant to any settlement or agreement.
Foreign exchange fluctuation	Sensitivity analysis	Estimates based on anticipated exchange rate.

# Appendix 5 - Initiatives to be undertaken checklist

The following initiatives could be undertaken by the NSF member in order to eliminate a significant operating deficit:

Initiative	Description	Potential positive cash flow impact	Timing
Attract new sponsorships	Work to obtain new, or increased levels of, sponsorships to varying degrees of success. Start discussions with new potential sponsors. The ability to secure new sponsorships is critical to increasing an NSF member's liquidity and financial flexibility.	HIGH	
Upfront government funding	To reduce immediate liquidity concerns, request that the government provide a greater proportion of its funding earlier. This represents a temporary reprieve as a portion of funding can be used to settle old and current liabilities.	HIGH	
Reducing travel expenses	Athletes and coaches can realize savings with travel expenses by booking less expensive accommodations and rental vehicles. Ensure that only required staff and athletes are attending national and international events, as required. Pay by credit card to travel vendors where possible in order to obtain points. Points are utilized to book travel for athletes and coaches. Avoid travel reimbursement directly to athletes and coaches.	MODERATE	
Reducing medical expenses	Work with medical vendors and competition governing bodies to reduce costs based on medical assistance available in the immediate competition area at events.	MODERATE	
Reducing audit and bookkeeping fees	Negotiation on bookkeeping and audit fees to reduce annual fees. Work with auditors and bookkeepers that understand non profit fee issues and comply with lowering their rates. Talk to other NSF members and work to obtaining a group discount, if possible.	HIGH	
Upfront athlete program fees	Consider having athletes pay their athlete program fees prior to the start of the travel season which will provide the NSF member with cash upfront.	MODERATE	
Salary attrition	Optimized organizational needs as employees depart. Avoid duplication of job descriptions and work duties. Consider an increased in the use of volunteers or students looking for job experience to reduce salary expenses.	MODERATE	
Accounting system change	Review your current accounting to ensure your optimizing the program. A new software program may allow for better tracking of expenses on a departmental basis and allow for on-line access to its financial records.	n/a	

# Appendix 5 - Initiatives to be undertaken (cont'd)

The following initiatives could be undertaken by the NSF member in order to eliminate a significant operating deficit:

Initiative	Description	Potential positive financial impact	Timing
Departmental budgets and cash flow forecasts	Implement budgets and cash flows on a departmental basis in order to track expenses by Department and to hold each Department Head accountable for his/her costs. Each month, the Department Head will be responsible for updating the budget and cash flow for actual results.	n/a	
Reduce scale of operations	Reduce the number of covered athletes Reduce the number of competitions attended	HIGH	
Sale of non-core assets	Sell non-core assets, including unused inventory and equipment, if applicable	MODERATE	
Downsizing	Downsize office space Downsize staff	MODERATE	

# Appendix 6

## Components of a Board reporting package

A Board reporting package is used by management to keep the Board informed and up-to-date on the financial health, performance, and position of the organization on a monthly or other periodic basis. Typically, in addition to the annual meeting, boards will meet 6-10 times annually and the Board reporting package will cover the previous period. Where a Finance Committee exists, more detailed reporting may be reviewed by them with summary reporting and comments being provided to the wider board as a whole.

Although each organization will tailor the Board reporting package to best meet the needs of the Board and address the specific nuances of each organization, there are several components that at a minimum are typically included:

Component	Description
Management's summary of key events for month	The summary provides highlights from the period, which typically include but not be limited to significant events (i.e. new sponsorship commitments), financial performance highlights, organizational changes, and any significant risks to the organization.
Funding submissions	Progress on funding requests and commitments including the COC.
Cash flow forecast variance analysis	Once a cash flow forecast has been developed, a variance analysis comparing forecast-to-actuals should be completed for the month ended and also the cumulative forecast period ended. For variances noted, commentary should be provided by management to inform the Board as to the variance.
Annual reporting package and financial statements	Prepared in advance of the annual meeting and distributed for review. The financial statements will include a balance sheet, income statement for the period, statement of cash flow and the budget.
Compliance with statutory filings	Reporting of the NSF's compliance with taxes, source deductions, HST and confirmation of continuous non profit eligibility.
Sponsorship tracking summary	The summary should provide detail by funding provider regarding amounts and timing divided into categories for both committed versus pending commitments.
Detailed aged A/P and A/R listings	A detailed aged A/R and A/P listing should be provided to monitor the status of anticipated cash receipts and disbursements (generally this would be in cases of distress and at a Finance Committee level where required).
Trial balance and related GL listing	The trial balance should show all opening balances as at the start of the month, relevant debit and credit entries made, and a calculated ending balance as at the end of the month. A general ledger listing for the previous month that includes all accounts and transactions should also be included. The Board can review this listing to review payments.



Deloitte, one of Canada's leading professional services firms, provides audit, tax, consulting, and financial advisory services. Deloitte LLP, an Ontario limited liability partnership, is the Canadian member firm of Deloitte Touche Tohmatsu Limited. Deloitte operates in Quebec as Deloitte s.e.n.c.r.l., a Quebec limited liability partnership.

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee, and its network of member firms, each of which is a legally separate and independent entity. Please see [www.deloitte.com/about](http://www.deloitte.com/about) for a detailed description of the legal structure of Deloitte Touche Tohmatsu Limited and its member firms.