



Item 10.1 Finance & Audit Board 2019 Congress Report

By Robert C.W. Smith, Chairman

Committee Members: Hilda Gibson, Rolf Lind, Robert C.W. Smith

Dear World Archery President, Executive Board Members, Secretary General, Congress delegates and friends in Archery,

First of all, some general information:

The Finance and Audit Board continues its work as constituted by the decision of Congress in 2009. The Board meets twice yearly in the World Archery Office, Lausanne, Switzerland. Also, in attendance during our meetings are Mr Tom Dielen, WA Secretary General, and Ms Caroline Murat, WA Finance Director, both of whom are essential to the working of the Board.

The Board functions within the scope of budgetary matters on a long-term basis and with reviews of recent past performance. Professionals, who are better able to determine the appropriateness or legality of financial dealings, do the technical audit of the books and accounts on an annual basis.

World Archery's banking transactions have for several years now been handled by Banque Cantonal de Vaud, a Swiss regional bank centred in Lausanne. WA continues to be very pleased with its dealings with this bank and its more customized approach to our operation. This institution has been very responsive to the needs of WA and has been most accommodating with suggestions to save WA unnecessary expenses.

WA continues to budget and plan in Swiss francs since the largest portion (on the order of 75–80%) of WA expenditures is paid in Swiss francs. Investments have been very conservative as WA has very little tolerance for loss of principal. These investments have been in fixed income bonds and in Dual Currency Certificates. The return on principal reflects the nature of these investments and provides WA with its greatest level of safety.

The primary sources of income to WA are distributions from the Olympic Games. The chief source of revenue between Olympic Games is commercial revenue. Our sponsorship program is a substantial source of on-going income to WA. Much of our income from the Olympic Games and commercial revenues is paid in US dollars and this currency, relative to the Swiss franc, has not been consistent over the years.

All figures below reflect the end of year 2018 status and finalized following the PricewaterhouseCoopers audit in February 2019, and this report was written immediately following that successful audit.

1. The WA 2018 Profit and Loss vs. Budget

WA Expenses during the last year at the bottom line of the Profit and Loss vs. Budget show that the budgeting process of WA and its adherence to the budget are not taken lightly. WA's budget for 2018 was CHF3,871,526.60 and the actual was CHF3,809,989.14, or 1.0% under budget. I will briefly highlight some of the areas.

- Administrative Expenses came in under budget CHF142,641 or 7.1% under budget.

- Operating Expenses as very broad category came in at CHF107,095.4 (3.1%) over budget out of a total budgeted amount of CHF3,440,930.60. Areas of concern here include Consulting fees which have been substantially reduced for 2019, TV Consulting which will see reducing costs going forward and Executive Board costs which were over budget in 2018 by 17.7%, but which should be back within budget in 2019. Boards came in under budget in 2018 by 42.7%, Permanent Committees over by 10.5%, but this does not consider the substantial income generated by the Judges' Committee and the contribution from the IPC.
- Continental Associations came in as a whole under budget by CHF12,982.67 or 9.1%
- The new GPS contract reflects that in 2019 GPS will not receive payments for any new sponsorships not found by them unless WA requests GPS services for these new contracts.
- World Championship Costs were ~9% below budget overall (CHF263,532 vs. CHF290,830).
- The World Archery Office has requested we show that of the total expenses in this category in 2018, CHF178,411.62 were spent on the WA Indoor World Championships.

Profit and Loss on Non-Operating Income and Expenditure

- Financial Result of CHF650,923 vs. CHF33,700 due to the provision of a loss on the loan of CHF722,000 to the World Archery Excellence Centre. The cost is offset by a payment from Sportoto. Generally speaking, there is a positive income flow from investments.
- Extraordinary Expenses currently include contributions to the WAEC. Of this expense, CHF70,168 is offset by a payment from the IOC development funding. As this is expected to be an annual expense, the WA Finance Director will raise the issue with the auditors if this should be listed in Operating Expenses.

This is sampling of budget items, expenses, income. The full account of this process is a part of the budget documents presented to Congress.

In order for everyone to better see and understand the budget, the WA Finance Director will be adding notes to budget documents to highlight where there are expenses that are offset by income elsewhere in the documents. This should assist everyone with a better picture of the WA budget documents.

2. The Excellence Centre

This is an item that continues to weigh heavily on WA finances. WA has continuing obligations to the Centre and these will continue for some years into the future. Historically with the first distribution of money from Rio 2016 WA paid CHF 2,600,000 to the WA Foundation as part of the agreement between WA and the WA Centre with additional payments in 2016 for a total sum of CHF 457,292. In addition, WA will pay CHF 3,500,000 in 2020 and CHF 4,500,000 in 2024. This was our situation from 2016. We now are adding the WA sponsorship of the Excellence Centre as a separate budget item under Extraordinary Expenses as a Contribution from WA to the Excellence Centre so that WA members can see the extent and amount of the effort. These are substantial expenditures. WA is seeking means to relieve this cost to WA. Of course, sponsorship of the costs would be the ideal thing. However, in the meantime WA is holding discussions with the holder of the mortgage, Credit Suisse, for a means to extend the outstanding amount of the of the loan to 2028. This will reduce the amounts payable in 2020 and 2024 and leave more money in the WA accounts to carry on its primary functions.

3. Merchandising and Associate Member updates

Sales of merchandise is at CHF76,583, which is an increase over the previous year of 28%. This is a net revenue contribution of ~CHF53,000.

Regarding Associate Member finances, fee received in 2018 were CHF276,030, an increase of CHF56,030 over budget or 25.5%. Fees for 2019 are already at CHF319,000 with continuing discussions going on.

4. Analysis of TV Expenses and Revenues in 2018 vs. 2017

WA's approach to TV Production and Distribution was changed in 2018 with a fixed payment to QTV for the full season plus a per event cost vs. a full season cost with Hit the Roof previously.

- 2018 TV Revenues were up ~CHF40,000 on 2017 (CHF127,272 v CHF84,357) with CHF15,000 more from Korea, the addition of Eurosport for the European Championships, and input from Germany/Italy for the World Cup Final.
- TV Production and Distribution costs up CHF100,000 in 2018 over 2017 resulting in an overall increase of ~CHF60,000. In addition, there is the cost (~CHF66,000) of the Executive Producer Dennis Harvey to manage the transition. This later payment will be lower in 2019 (budget CHF26,000) and is expected to reduce in future years.
- QTV are providing better production quality with clearer 'story telling' and have made it easier to supply short highlight cuts for news items which have been taken up around the globe. In addition, they provide a detailed breakdown of costs following each event enabling line by line approval and enabling more accurate budget estimates in the future.
- For 2019, World Archery has agreed to pay £300,000 to QTV up front with an understanding that payments for 2020 will be paid later in the year.

5. Commercial Revenue

The WA Sponsorship Programme has continued along very well with generous contributions from all our sponsors and a renewed contract with Hyundai.

- Sponsorship total of CHF1,613,328 includes Longines, Sportoto, Swiss Timing, Hyundai, Errea cash and uniforms and IMGA contribution to WA Masters Championships in Lausanne. CHF1,109,585 budget did not include full amount received from Sportoto. 2018 is double that in 2017 which was ~CHF800,000 in 2017.
- Internet Revenue of ~CHF24,000 (v budget CHF19,000). Need to take care with use of streaming music at events since YouTube blocks more and more events as a result. Possible copyright infringement.
- World Cup Bid Cities and Championships ~CHF207,000 lower than budget due to loss of fee for World Cup Final.

Turnover for sponsorship was CHF2,782,299.37 total in 2018 v CHF2,056,325 budget. This is broadly in line with expectations after taking the Sportoto sponsorship and loss of World Cup Final bid fee into account.

6. Cash Flow

Regarding the cash on hand as of February 2018, WA holds funds in CHF, Euro, and USD. WA has to manage its holdings carefully so as not to be penalized with a negative interest at the bank. So far WA has been able to avoid the negative interest situation, and the staff continuously monitors this factor. The strategy into the future is based on the principle of preservation of funds and the avoidance of negative interest. Our bank, the Bank of the Canton Vaud, has been very good at maintaining communications with our Secretary General and our Finance Director and has provided valuable service on behalf of WA. Cash flow is particularly critical during the Olympic year prior to the distribution of funds.

Current Assets

CHF4,318,800.99 in the bank as of 26 February 2019.

- Accounts receivable CHF129,876.85 at the end of 2020. Many of these have now been paid with reminders sent to the remainder. In addition, Falco Eye accept that they still owe €25,000 and have agreed to provide a service to maintain the targets in 2019/2020.

Fixed Assets

- Long Term Loan of CHF722,000 is offset by the provision in Long-term Liabilities for the same amount.

Liabilities

- Short Term Liabilities - majority have now been paid.
- Membership Fees and Deferred Income
 - CHF72,919 for 2019 Membership Fees invoiced in 2018
 - CHF889,142 - fee for 2020 World Championships paid in advance and ERREA uniform sponsorship for 2019/2020

7. Looking at the remainder of the 2020 Cycle

It is expected that WA will enter 2020 with a cash flow/cash on hand situation of ~CHF500,000. As has been done in past Olympic Years WA has been able to extend certain payments until after the receipt of the Olympic revenue. And as in past years, barring any unforeseen revenues yet to come, WA will deal with our bank for any necessary moneys to carry WA to the Olympic 2020 distribution.

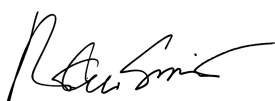
Looking at the overall picture of the budget through 2020 and beyond, the attached 2019–2024 chart should provide you with a very generalised statement of the year-by-year income, draw from reserves, expenses, contributions to the WA Excellence Centre, and end-of-year balance for each year. Payment of the next Olympic Revenues from Tokyo 2020 will probably be made during the very late summer or fall months of 2020. WA financial planning therefore seeks to provide the necessary cash flow until the 2020 distribution.

In addition to the generalised summary of the years through 2020, there is also a four-year document showing the basic income and outgo positions with greater detail than the generalised document.

We hope this report and the two attachments will be of use to Congress in its deliberations.

On behalf of the Finance and Audit Board, it has been an honour and a pleasure to serve World Archery in this capacity.

Respectively submitted,



Robert CW Smith
Chairman, Finance & Audit Board