



WORLD ARCHERY  
FÉDÉRATION  
MONDIALE  
DE TIR À L'ARC

Maison du Sport International  
Avenue de Rhodanie 54  
1007 Lausanne, Switzerland  
Phone: +41 (0)21 614 30 50  
Fax: +41 (0)21 614 30 55  
E-mail: info@archery.org  
www.archery.org

## Item 10.1 Finance & Audit Board 2017 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.

The transition of the accounts from our former bank to our current bank have been discussed previously and to date WA continues to be very pleased with its dealings with Banque Cantonale de Vaud, a Swiss regional bank centred in Lausanne, and with their more customized approach to our operations. 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 sources of income to WA are the 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.

WA Expenses during the period since our last report have shown an increase of operating costs that mainly reflect a continuing cost of staff to handle the responsibilities that WA has taken on. These new responsibilities and operations are directed to the future and reflect a pattern of growth that WA has undertaken. There are substantial costs for television production and distribution, the large costs of transportation of equipment to event locations, merchandising, communications, and the continuing exposure on the Internet, which has shown enormous growth. WA's new television production and distribution has seen an increase in revenue directly related to this activity.



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The WA Sponsorship Programme has continued along very well with generous contributions from all our sponsors and a renewed contract with Spor Toto, which provided nicely for the newly opened World Archery Excellence Centre.

### 1. The Excellence Centre

This is an item that weighs heavily on WA finances. WA has continuing obligations to the Centre and these will continue for some years into the future. 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. And now we 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.

### 2. Operating Expenses

Significant savings will be made for 2017 in the area of World Cup costs. The final budget for 2016 shows the costs as being 2.92% over the budgeted amount. For 2017 it is expected that the costs of shipping much of the equipment for World Cups and World Championships that WA has paid for in the past will be reduced as WA plans to rent locally available TV production and audio equipment. WA hopes to find further savings in post-production and voice-over that will be done in Geneva instead of on-site. By the time of Congress we should have some idea about the savings WA has been able to make in this area.

The costs of the Event Tool Box have now been reposted to remove certain costs that should be shown under other categories. WA had outside people handling the use of the Event Tool Box, but this method resulted in higher costs than expected. WA is no longer using outside sources for the Event Tool Box and has hired an employee who will be doing many of these functions but at lower cost.

World Championship Costs were expected to come in under budget for 2016, but in fact they came in considerably under budget.

Financial Expenses for 2016 have all come in under budget. The strength of the USD relative to the CHF was advantageous to WA in this area.

### 3. Income Categories

Commercial Revenue for 2016 is shown as a fraction lower. The total commercial revenue for 2016 was CHF 2,442,956. Not all of this will continue into the future as Spor Toto made a very generous, one-time contribution for the support of the Excellence Centre. In addition, FILA provided a very large VIK in 2016 and will contribute both income and VIK in 2017.

Financial Incomes were in balance for 2016.



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#### 4. Cash Flow

Regarding the cash on hand as of May 2017, 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. While the end of year figures show funds available, we must be careful to maintain funds prior to the Olympic distribution.

#### 5. Review of Events and Costs for 2017

The Secretary General expects to be able to make substantial savings in renting rather than shipping TV production and on-site audio equipment. At this point it appears that rental costs will be substantially lower than our current practice of shipping the equipment. Furthermore, the WA Office is planning to receive bids from different TV production companies for services to WA. Again, there is the expectation of savings. Once the new figures for the categories already discussed are available, then we will be able to project a more accurate four-year plan.

Communications had been previously discussed with the manager of this effort and cuts were made across the board to bring cost savings to allow for budgetary constraints. Printing efforts for 2016 were limited to an end-of-year photo almanac type of publication highlighting the major players and events from World Championships to World Cups, to Olympic/Paralympic Games and other events on the archery calendar.

Merchandising should at least cover WA's costs of product and the entire merchandising effort is back within house. The evaluation of the stock is based upon the price WA has paid, not on the expected price when sold.

Associate Member Fees are significantly higher for two reasons: additional members and a new fee structure, and this will continue into 2017. The expected income for 2017 is CHF 240,000. Prior to 2015, revenues from Associate Members were around CHF 110,000.

Executive Board Expenses were modified to save additional funds by setting two days for the EB Meeting during the World Championships and then a telephone conference call in December 2017 to finalise budgetary matters.

#### 6. Looking at the 2017–2020 Cycle

We have a new four-year cycle that closely resembles our past four-year cycle. The coming cycle shows available funds at the end of the year 2020. Of course the future is very difficult to predict and we have to look at both our income and expense categories. We do need to establish further commercial sponsorship opportunities to assist with the WA income side of the ledger. On the expense side of things, the Secretary General has told the WA directors to uncover savings on the order of 5–10%. This was done in 2011–2012 with a very successful result for that Olympic cycle. As mentioned above, cash flow is critical in the months prior to the receipt of the 2020 Olympic distribution.



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Looking at the overall picture of the budget through 2020 and beyond, the attached 2017–2024 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 2024, 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