

COMMITTEE REPORT

Finance and Audit Board

Committee members:

Rolf Lind, Hilda Gibson, David Tan

Report by:

Rolf Lind, chairman

Introduction

Dear World Archery President, executive board members, secretary general, congress delegates and friends in archery,

First of all, some general information:

Our chairman Robert Smith wanted to resign from the board at the end of 2019, so Rolf Lind was appointed as chairman and David Tan was appointed as a new member of the board.

I wish to thank Robert Smith for his many years and very valuable work for this committee.

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 Tom Dielen, World Archery secretary general, and Caroline Murat, World Archery Head of finance, both of whom are essential to the working of the Board. In 2020 and until 30 June 2021, our meetings have been online.

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 Cantonale Vaudoise (BCV), a Swiss regional bank centred in Lausanne.

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

The primary sources of income to World Archery 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 ongoing income to World Archery. 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.

Our accounting principle regarding Olympic revenue is to recognise it as income when it is received, mainly in the years the Olympic Games are held. This means that our accounts show a significant profit in the Olympic years and a deficit in the next three years, where the received revenue is used.

This means that World Archery must budget continuously for ongoing four-year periods, to ensure that throughout the period, there is coverage both operationally and in terms of liquidity to pay for the activities that are desired to be carried out.

As mentioned in previous reports, World Archery has commitments to the World Archery Excellence Centre to continuously support their finances. World Archery pays CHF 500,000 yearly to support the ongoing business and should have paid CHF 3,500,000 in 2020 and CHF 4,500,000 in 2024 on receipt of the Olympic revenue.

The year 2020 started as a normal financial year with the preparation of budgets for the year's income and expenses based on the activity plans. These were worked through at our meeting in the fall 2019 and also included estimates for the years 2021-2023 in accordance with the normal procedure.

During March 2020, the world realised what a huge impact the corona pandemic would have on everyone's daily lives and on planned activities.

Virtually all activities in World Archery were shut down and there was a need to completely rethink our economy for 2021. Fortunately, we benefited from the aid packages that were introduced, but regardless of this, we would be missing most of our income, including especially the Olympic revenue, due to the postponement of the Olympic Games. With this background, loans and deferred payments were negotiated with banks as well as loans from the International Olympic Committee (IOC) to partially cover the planned revenue in 2020 from the Olympics.

It would make no sense to compare the accounts for 2020 with a budget. During March and April 2020, an emergency budget was drawn up, which was continuously adjusted as the year went on, so that the financial situation was kept under control on an ongoing basis. There is no doubt that the management of World Archery throughout the whole process has done a demanding and very good job of managing the organisation through the crisis and the ever-changing conditions.

It appears from the present accounts that World Archery has cash and cash equivalents holdings at the end of the year 2020 of CHF 3,109,547 after the loss for 2020 amounts to CHF 1,507,495. This cash is calculated as follows:

Cash start 2020	1,287,244
Loss for 2020	-1,507,495
Decrease in assets	<u>119,780</u>
 Total	 -100,471
 Short loan established in 2020	 600,000
Increase in debt	34,158
long term loan established in 2020	<u>2,575,860</u>
 Cash end 2020	 <u>3,109,548</u>

Comments on the statement of income and expenditure for the year 2020

The result of the year

Total income in 2020 is CHF 1,290,517 and total expenses are CHF 2,798,012, so the loss for 2020 is CHF 1,507,495.

Income

The income for the year is CHF 1,290,517 compared with 2019 CHF 3,662,535.

We have received CHF 260,000 in associate members fees, which is CHF 124,000 less than the previous year. This is mainly because of COVID-19 and rephasing of payments over future years.

The commercial revenue has gone down from CHF 2,732,000 in 2019 to CHF 652,000 in 2020. The largest part of the decline is due to cancelled events in 2020. Some agreements have been moved to 2021 and will be reactivated at upcoming events.

The cancelled events also mean a large decrease in expenses so the decline in sponsorship income will not have a full effect on the result for 2020.

Expenses

Administration expenses

The administration expenses in 2020 were CHF 1,593,000 against CHF 1,920,000 in 2019. The saving is mainly on salaries and social charges (CHF 1,173,000 in 2020 against CHF 1,515,000 in 2019). We have received compensation for the salary of staff who were sent home during the lockdown. There has also been the departure of one member of staff, non-recruitment of a development Manager, and a reduction in salary taken by the secretary general.

Operating expenses

The operating expenses for 2020 are CHF 1,179,000 against CHF 4,866,000 which is a decrease on CHF 3,687,000.

When you go through the accounts, you can see that the decrease in expenses mainly refers to the significant decline in events in 2020:

	2020	2019	Delta
Communications/Marketing/Sponsorship	122,598	307,261	184,663
Audiovisual Production	151,592	608,612	457,020
Test Event	0	73,104	73,104
Paralympic Games	9,023	278,083	269,060
World Championships Costs	9,067	828,726	819,659
World Cups	288,900	1,479,549	1,190,649
Total	581,181	3,575,335	2,994,154

The contribution to the World Archery Excellence Centre has been reduced by CHF 500,000 because of the pandemic, as the Centre also has gone through a lockdown period.

The future

For 2021, we have secured the cash flow until after the Olympic Games, with the help of loans from the IOC. We do not yet know what amount we will receive from the Olympics in Tokyo, which is why it is difficult to budget for 2021, and for the years thereafter.

In connection with the loan processing at the IOC, it has been noted that we have relatively modest equity and a small liquidity reserve. With this background we need to consolidate World Archery in both areas if possible.

At the same time, the pandemic has shown us how quickly and how unexpected changes that significantly affect our daily lives can occur. It is still impossible to predict how the last one and a half year will affect our future.

What will future Olympic Games look like and what will the future sponsor situation be? To address these and other uncertainties and to provide a basis for consolidation, the Finance and Audit Board will propose that work be started to prepare the organisation for a new reality.

In phase one, it is proposed that all expenditure items be reviewed carefully with the aim of implementing savings that do not significantly impact the organisation's work. (Is the expenditure need to have or nice to have?)

In phase two, it is proposed to work on the assumption that World Archery's normal revenue will drop by 25% from the year 2022. With this assumption, the task will be to define which activities can be carried out, and at what price, without creating a loss.

During this work it also should be considered whether additional revenue can be raised for the organisation or if a new approach to sponsors can create new income.

This phase is not easy to carry out, as not only must the activities be defined, but also the way they are carried out must be rethought. The phase must therefore be well planned in more detailed phases, with well-defined areas and targets.

It will require a great deal of effort from the senior executives to be the creative factor in achieving a useful result.

Should circumstances show that we do not experience the decline in revenue that forms the basis for the project, the problem of consolidation has been solved instead, so no matter what, we propose that the project be implemented.

We hope this report 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,

Rolf Lind
Chairman, Finance & Audit Board