

2019 FINANCIAL REPORT

- Report of the statutory auditor on the financial statements for the year 2019
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- ISU Annual report 2019



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To the Congress of the

International Skating Union

Lausanne

Report of the statutory auditor on the financial statements for the year 2019

(for the year ended December 31, 2019)

May 11, 2020
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JGE/GWE/mbe

REPORT OF THE STATUTORY AUDITOR

To the Congress of the

International Skating Union, Lausanne

Report of the Statutory Auditor on the Financial Statements

As statutory auditor, we have audited the accompanying financial statements of the International Skating Union, which comprise the balance sheet as at December 31, 2019, and the income statement, cash flow statement and notes for the year then ended.

Council's Responsibility

The Council is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the Association's Constitution and General Regulations. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Council is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements for the year ended December 31, 2019 comply with Swiss law and the Association's Constitution and General Regulations.

Report on Other Legal Requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of financial statements according to the instructions of the Council.

We recommend that the financial statements submitted to you be approved.

Lausanne, May 11, 2020

BDO Ltd

Jürg Gehring
Licensed Audit Expert
Auditor in Charge

Grégoire Weber
Licensed Audit Expert

Enclosure
Financial statements

INTERNATIONAL SKATING UNION, LAUSANNE**BALANCE SHEET AS OF DECEMBER 31, 2019**

	2019	2018
	Swiss Francs	Swiss Francs
<u>ASSETS</u>		
<u>Current Assets</u>		
Cash	2 491	1 866
Post / Bank - current accounts	10 015 812	18 295 713
Short Term Deposit	46 481	124 211
Other Debtors	37 403	33 180
Current Accounts ISU Members & Officers	1 970 678	1 794 897
Prepaid expenses/rights fees to be cashed/accrued interest	4 924 839	19 576 466
Total Current Assets	16 997 703	39 826 334
<u>Non-Current Assets</u>		
Financial Assets		
Financial Assets Portfolio - Credit Suisse/Banque Cantonale Vaudoise/UBS	299 279 799	279 428 971
Total Financial Assets	299 279 799	279 428 971
Property and Equipment		
ISU Offices House Schöneck, Davos	1	1
ISU Library	1	1
ISU Villa Olivier, Lausanne	4 925 000	5 025 000
Total Property and Equipment	4 925 002	5 025 002
Total Non-Current Assets	304 204 801	284 453 973
TOTAL ASSETS	321 202 504	324 280 307
<u>LIABILITIES & EQUITY</u>		
<u>Short Term Liabilities</u>		
Accounts payables	1 067 352	1 235 315
Accrued expense	5 243 518	4 844 752
Deferred income	22 116 270	32 566 336
Other short term liabilities	1 652 522	2 549 452
ISU C-Contributions Accrued Liabilities	3 566 375	3 541 861
Total Short Term Liabilities	33 646 037	44 737 716
<u>Long Term Liabilities</u>		
Provisions and reserves		
Legal provision	7 000 000	7 000 000
Reserve for currency exchange loss on bonds	9 000 000	8 000 000
Reserve for currency exchange loss on other financial positions	1 000 000	1 000 000
Reserve for Crisis Situations	5 000 000	-
Total Long Term Liabilities	22 000 000	16 000 000
<u>Equity</u>		
Voluntary retained earnings	263 542 591	263 775 305
Net income / (-loss) for the year	2 013 876	-232 714
Total Equity	265 556 467	263 542 591
TOTAL LIABILITIES & EQUITY	321 202 504	324 280 307

INTERNATIONAL SKATING UNION, LAUSANNE**INCOME STATEMENT JANUARY 1 - DECEMBER 31, 2019**

	2019	2018
	Swiss Francs	Swiss Francs
A. OPERATING INCOMES		
Televions ISU Events (net)	21 423 975	17 044 403
Advertising ISU Events (net)	6 226 192	6 855 883
Various Incomes	934 417	653 797
Total Incomes/Revenues (except OWG)	28 584 584	24 554 082
Olympic Winter Games (OWG) Revenue cashed	16 289 534	44 232 539
Adjustment OWG revenues to Olympic Cycle from deferred income	-5 231 399	-33 174 404
OWG Revenue allocation for the year	11 058 135	11 058 135
TOTAL OPERATING INCOMES	39 642 719	35 612 217
B. OPERATING EXPENSES		
1. Contribution for ISU Events & various other events including Prize Money		
Contributions to ISU Championships	12 096 715	11 024 239
Contributions to other ISU and various Events	3 743 283	2 905 692
Total ISU Contributions	15 839 998	13 929 931
Prize Money ISU Championships	2 378 268	1 822 487
Prize Money other ISU & Various Events	2 488 459	2 578 390
Total Prize Money (Championships & other ISU & Various Events)	4 866 727	4 400 877
Total Contributions incl. Prize Money	20 706 725	18 330 808
2. ISU Development Program		
a) Development Program Projects	1 915 627	1 258 576
Administration / Development Commission Office Expenses / Audit	198 604	235 380
Total Development Program Projects	2 114 231	1 493 956
b) Council projects	3 431 972	3 284 872
c) C-Contributions to ISU Members 2019	3 024 958	3 018 915
Release expired C-Contributions 2014/suspended Members	18 969	-102 843
Total C-Contributions to ISU Members	3 043 927	2 916 072
Total ISU Development Program	8 590 129	7 694 900
Total Contributions to ISU Events & Development Program	29 296 855	26 025 709
3. Other Operating Expenses		
Conference/Congress expenses	45 130	820 420
Committee meetings	440 887	424 080
Council and other meetings	390 633	236 812
Office Holders Remuneration/secretariale allowances	891 017	803 605
Event Coordinators and external Consultants remuneration	149 514	325 739
Office Holders Travel/Meeting/OWG/Various Expenses	904 167	2 463 890
Printed Matters	15 798	50 989
General Doping Control (expenses at events not included until season 2018/19)	462 564	512 062
Legal Services	219 002	1 102 584
Insurance Services	544 645	542 105
Production videos, Books, CDs / Digitization Video Archives	682	33 644
Video Replay System & ISU Judging System maintenance	88 522	143 458
Courses/Seminars/Examinations	487 770	710 839
Media/PR/Statistics/Website	1 462 283	1 283 654
Other expenses	56 805	71 241
Total ISU Other Operating Expenses	6 159 418	9 525 122

INTERNATIONAL SKATING UNION, LAUSANNE**INCOME STATEMENT JANUARY 1 - DECEMBER 31, 2019**

	2019	2018
	<u>Swiss Francs</u>	<u>Swiss Francs</u>
ISU Office building Lausanne		
Office transformation and improvements	-	418
Depreciation	100 000	100 000
Condominium Expenses	55 937	120 397
Allocation to the condominium Renovation Fund	100 000	79 445
Total ISU Office building Lausanne	<u>255 937</u>	<u>300 259</u>
ISU Secretariat Expenses		
Salaries & Benefits	3 094 142	3 091 427
General Costs (Electricity, cleaning, recruitment, subscriptions, various)	175 696	147 499
Office Material & furniture	17 201	17 368
IT equipment / services	90 462	71 404
Postage, Fax, Telephone	20 491	12 137
Office Insurance	2 657	2 523
Storage Rent Lausanne	3 000	2 750
Total ISU Secretariat Expenses	<u>3 403 649</u>	<u>3 345 108</u>
TOTAL OPERATING EXPENSES	<u>39 115 859</u>	<u>39 196 198</u>
<u>C. OPERATING RESULT</u>	526 860	-3 583 982
<u>D. FINANCIAL INCOMES AND EXPENSES</u>		
Investment interest incomes	6 204 449	5 901 399
Financial expenses (bank expenses and bonds sales/purchases costs)	-1 184 788	-1 170 510
Realized capital gains on bonds	1 499 034	356 546
Realized capital losses on bonds	-699 998	-2 426 766
Realized currency exchange gains	3 424 249	2 355 371
Realized currency exchange losses	-412 069	-531 627
Unrealized losses on Bonds	-3 264 383	-4 990 945
Unrealized gains on Bonds	1 873 321	3 822 918
TOTAL FINANCIAL INCOMES AND EXPENSES	<u>7 439 815</u>	<u>3 316 387</u>
<u>E. OTHER ITEMS</u>		
Allocation to currency exchange loss on bonds reserve	-1 000 000	-
Allocation to reserve for crisis situation	-5 000 000	-
Extraordinary results	68 794	50 535
Taxes/provision for taxes	-21 593	-15 655
TOTAL OTHER ITEMS	<u>-5 952 799</u>	<u>34 880</u>
<u>F. PROFIT/LOSS FOR THE YEAR</u>	2 013 876	-232 714

INTERNATIONAL SKATING UNION, LAUSANNE**CASH FLOW STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2019**

	2019	2018
	<u>Swiss Francs</u>	<u>Swiss Francs</u>
Profit for the year :	2 013 876	-232 714
Depreciation on tangible fixed assets	100 000	100 000
Allocation to currency exchange loss on bonds reserve	1 000 000	-
Allocation to reserve for crisis situations	5 000 000	-
 Current assets - decrease / (increase) :		
Short term deposit	77 730	-75 682
Other debtors	-4 222	-8 954
Current account ISU Members & Officers	-175 781	-126 097
Prepaid expenses	14 651 627	-14 029 066
 Short term liabilities - increase / (decrease)		
Accounts payables	-167 963	-390 519
Accrued expenses	398 766	452 155
Deferred income	-10 450 066	32 566 336
Other short-term liabilities	-896 930	2 174 430
ISU C-Contributions	24 514	-311 346
Cash flow from operating activities	<u>11 571 552</u>	<u>20 118 543</u>
 Investments in Financial assets	<u>-19 850 828</u>	<u>-19 691 921</u>
Cash flow from investment activities	<u>-19 850 828</u>	<u>-19 691 921</u>
 NET CASH FLOW IN CASH AND CASH EQUIVALENT	<u>-8 279 276</u>	<u>426 623</u>
 Cash and cash equivalents on January 1st	18 297 579	17 870 957
Cash and cash equivalents on December 31st	10 018 303	18 297 579
 NET CASH FLOW IN CASH AND CASH EQUIVALENT	<u>-8 279 276</u>	<u>426 622</u>

INTERNATIONAL SKATING UNION, Lausanne

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

GENERAL

The International Skating Union (herein called the "ISU"), founded in 1892, is the exclusive international sport federation (IF) recognized by the International Olympic Committee (IOC) administering Figure Skating and Speed Skating Sports throughout the world. The ISU is composed of the individual national associations (herein called "ISU Members") which administer these Sports at the national level, and which recognize that all international matters are under the sole jurisdiction and control of the ISU.

GENERAL ACCOUNTING PRINCIPLES

These financial statements were prepared according to the provisions of the Swiss Code of Obligations (CO 957-962). Where not prescribed by law, the significant accounting and valuation principles applied are described below.

Please note that all numbers are rounded. Therefore, some totals may show a difference of +/- 1.

ASSETS

The Assets are composed as follows:

	31.12.2019		31.12.2018	
	CHF	%	CHF	%
<u>Current Assets</u>				
Cash / Bank	10'018'303	3	18'297'579	6
Short Term Deposit	46'481	0	124'211	0
Current Accounts ISU Members & Officers	2'008'081	1	1'828'077	0.5
Other debtors/Prepaid expenses/Rights fees to be cashed/accrued interest	4'924'839	1.5	19'576'466	6
<u>Long Term Investments</u>				
Long Term financial assets	299'279'799	93	279'428'971	86
Properties	4'925'002	1.5	5'025'002	1.5
Total Assets	<u>321'202'504</u>	100	<u>324'280'307</u>	100

The balances of the bank current accounts in foreign currencies have been recorded at the closing rate issued by the Swiss tax authorities as of December 31, 2019.

The Current Accounts ISU Members & Officers are mostly related to payments of ISU Championships contributions to ISU Members for Championships to be held in 2020.

The "other debtors/prepaid expenses/rights fees to be cashed/accrued interest" amounting to CHF 4'924'839 (in comparison, in 2018 total CHF 19'576'466 incl. IOC-3rd payment of the 2018 OWG revenue distribution) are composed of the interest income on bonds at year-end CHF 1'538'242 (2018 CHF 1'444'103), IMG and CCTV income cashed in 2020 but related to 2019 (CHF 1'705'659), refundable legal fees (CHF 640'000) as well as various prepaid expenses (CHF 1'040'938).

The book value of the ISU office property in Lausanne amounts to CHF 4'925'000 after a fifth-year depreciation of CHF 100'000 (2018 CHF 100'000).

The former ISU offices in Davos (currently rented out) as well as the library are presented in the balance sheet at the same value as the previous year, i.e. at CHF 1 each.

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The **exchange rates** of the foreign currencies against the CHF (based on those of the tax authorities) were:

	31.12.2019	31.12.2018	variation %	Average exchange rates for 2019
USD	0.96837	0.9857	-1.76	0.99365
EUR	1.08700	1.1269	-3.54	1.11247
GBP	1.28282	1.2555	2.18	1.26829

The average interest rates, and the rates of the bonds showed the following average changes during 2018:

	Average Interest rates		2019	
	2019	2018	variations points	variation %
USD	2.57%	2.42%	USD 0.151	6.2
EUR	1.40%	1.40%	EUR 0.000	0.2
GBP	2.50%	2.50%	GBP 0.003	0.0
CHF	0.61%	0.74%	CHF -0.136	-18.4

FINANCIAL ASSETS PORTFOLIO

The market value of the Financial Assets Portfolio (bonds and short-term fiduciary deposits) has increased by CHF 19'773'097 during the year 2019. The breakdown by currency, at market value, is as follows:

	31.12.2019		31.12.2018	
	CHF	%	CHF	%
USD	247'007'785	83	232'529'491	83
GBP	3'925'343	1	326'486	0
EUR	30'075'168	10	28'595'682	10
CHF	18'317'983	6	18'101'525	7
Market value	299'326'280	100	279'553'183	100
Short Term deposit	46'481		124'211	
Long Term financial assets	299'279'799		279'428'971	
Book value	299'326'280		279'553'182	

The bonds and short-term deposits are accounted for and presented in the balance sheet at their market value. This is in line with Swiss Law and has been consistently applied since 2018. The long-term financial assets portfolio also includes CHF 34.4 million of short-term deposits with maturity dates within a year that are subject to re-investment.

Considering the substantial total amount of the Financial Asset Portfolio, the reserve for currency exchange loss on bonds has been increased by CHF 1 million to CHF 9'000'000 to represent 3.0% of the bonds portfolio. The reserve for currency exchange loss on other financial positions remained unchanged at CHF 1'000'000.

LIABILITIES

The accounts payables are formed by the current payable accounts with ISU Members & Officers, and other creditors which amount to CHF 1'067'352 as of December 31, 2019 (2018: CHF 1'235'315).

The accrued expenses as of December 31, 2019 amount to CHF 5'243'518 (2018: 4'844'752). This amount is composed of expenses for which the invoices have not been received at year-end.

In line with a long-standing practice, the Olympic Winter Games (OWG) revenue is equally allocated throughout the years of the Olympic cycle. Consequently, the income emanating from the PyeongChang

INTERNATIONAL SKATING UNION, Lausanne

2018 OWG will be equally allocated over the years 2018, 2019, 2020 and 2021. Other short-term liabilities concern pending VAT payments.

The ISU Development Program C-Contributions provision as of December 31, 2019 payable to ISU Members amounts to CHF 3'566'375. CHF 3'024'958 concerns contributions allocated during the year 2019 paid retroactively, mostly during the first quarter of 2020. The balance refers to allocated contributions during the years 2015-2018 which have not been claimed by the concerned ISU Members and/or for which the concerned ISU Members have not yet provided the required reports. After 5 years, the ISU Members' right to claim pending contributions will expire.

SPECIAL PROVISIONS / RESERVES

The provision for expenses related to legal cases as of December 31, 2019 amounts to CHF 7'000'000. This amount was deemed sufficient and remained unchanged compared to 2018.

As also mentioned under the Financial Assets Portfolio section, considering the substantial total amount of the Financial Asset Portfolio, the reserve for currency exchange loss on bonds has been increased by CHF 1 million to CHF 9'000'000 to represent 3.0% of the bonds portfolio. The reserve for currency exchange loss on other financial positions remained unchanged at CHF 1'000'000.

An additional provision of a total of CHF 5'000'000 was created to sustain any risks of loss in response to crisis situations (such as the Coronavirus crisis).

INCOME STATEMENT ANALYSIS

The Profit for the year 2019 amounts to CHF 2'013'876 which, compared to the year 2018 (loss of CHF 232'714), represents an increased profit of CHF 2'246'590. This variance to 2018 is the result of:

- Higher operating incomes in 2019 compared to 2018 of CHF 4.0 million mainly due to the ISU World Team Trophy held in 2019, the increased media rights income thanks to the new Infront agreement and various additional commercial rights incomes in 2019.
- Higher financial income in 2019 than in 2018 of CHF 4.1 million given a net realized gain on bonds and currency exchange rates.
- Increase of the reserve for currency exchange loss on bonds of CHF 1 million to secure 3% of the valued financial assets portfolio, and creation of a contingency reserve of CHF 5 million to meet unforeseen crisis situations.

Total Operating expenses and Other items remained balanced in 2019, the Contributions to ISU Events and Development Program (CHF +3'27 million) compensating the decrease of ISU Other Operating Expenses (CHF -3.36 million) related to the Olympic Winter Games and the Congress held in 2018.

In comparison to the 2019 budgeted loss of CHF 191'000, the 2019 profit represents a positive variance of CHF 2'204'876. The better than expected 2019 profit compared to the Budget can be summarized by the following basic developments:

- Higher than budgeted Operating Incomes of CHF 3.27 million, in particular an increased contribution received from the International Olympic Committee (IOC) related to the 2018 OWG
- ISU contributions to ISU Championships and other ISU Events were lower than budgeted by CHF 2.28 million. It must be noted that the budget for the years 2018 through 2020 accepted by the 2018 ISU Congress included a substantial amount of targeted contributions and/or budget amounts to be used at the discretion of the Council. For the year 2019, the allocation of such targeted contributions and discretionary amounts was limited, mainly due to the fact that for most ISU Events held in 2019, the basic conditions had previously already been agreed upon with the organizing ISU Members with little need for additional ISU assistance.
- The investments for the Development Program were in line with the budget (CHF -0.06 million)
- Lower than budgeted "Other Operating Expenses" and "ISU Secretariat Expenses" by CHF 0.37 million.
- The not budgeted "Other items" income amounting to CHF 5.93 million after reevaluation of the reserve for currency exchange loss on bonds to 3% of the financial assets portfolio (+CHF 1 million) and creation of a reserve to account for unanticipated crisis situations (+CHF 5 million).

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- The financial income was higher than budgeted by CHF 2.16 million thanks to favorable market conditions in the bond and currency market which could not be budgeted.

Development Program

	<u>2019</u>
Payments made and promised for Development Projects:	CHF 1'915'627
Administration / Development Commission Office Expenses / Audit:	CHF 198'604
Total Development Projects	CHF 2'114'231
Council Projects including Junior Grand Prix of Figure Skating, Junior World Cup Speed Skating, Short Track Junior Challenge, Danubia and Star Class Short Track Series & Worldwide Figure Skating Seminars eLearning, Centers of Excellence	
Total Council Projects	CHF 3'431'972
ISU C-Contributions:	
Release of expired contributions 2014/suspended ISU Members	CHF - 32'870
Currency exchange rates loss on 2014-2018 contributions' provision	CHF 51'839
Contributions attributed in 2019	CHF 3'024'958
Total ISU Contributions	CHF 3'043'927
Total amount expended for the Development Program during 2019	CHF 8'590'129

Compared to the 2019 Development Program budget, this represents an unused budget amount of CHF 64'871. ISU Members fully adopted the revised procedures in place for ISU Development Projects (ISU Communication 2052) resulting in a significant number of applications for new projects. The development of the eLearning platform as well as the Centers of Excellence (Council Projects) remain at the launch stage but foreseen to progress with higher expenditures during 2020.

To be noted that since October 2016 a Development Program Administrator monitors the financial aspect of the Development Program which is also reviewed by the Internal Controller. Furthermore, if necessary, the Council mandates external audits of Development Program Projects.

FINANCIAL INCOMES AND EXPENSES

In accordance with the latest Swiss accounting standards, financial incomes and expenses must be reported separately from the operating incomes and expenses.

The interest income during 2019 slightly recovered (+CHF 303'050) after 5 years of decline due to the continued low interest rate market conditions.

As permitted by Swiss law and as done since 2018, the bonds and short-term deposits are accounted for and presented in the balance sheet at their market value. This also means that unrealized gains and losses on bonds are considered. For the year 2019 this results in a book loss on unrealized gains and losses on bonds of CHF -1'391'062 compensated by a realized gain on capital and exchanges rates of CHF 3'811'217.

OTHER ITEMS

The tax authorities have granted the ISU a tax exemption regarding its income and capital taxes on a cantonal, communal and federal level. The only taxes applicable to the ISU relate to its real estate properties in Davos.

At December 31, 2019, the ISU has additionally cashed a total amount of CHF 68'794 concerning incomes relating to previous years that could not have been previously anticipated.

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OTHER INFORMATION

ISU Secretariat Staffing

During 2019, the ISU Secretariat employed an average of 14 full-time employees, and 7 part-time employees (full-time equivalent of 18.7, vs 18.8 in 2018). The "Salaries & Benefits" amount included in the Income Statement includes a provision for accrued overtime and holidays amounting to CHF 312'787.

ISU Event Coordinators and Consultants

During the 2018/19 season, the ISU contracted two Figure Skating Event Coordinators, one Short Track Speed Skating Event Coordinator (also acting as Sports Director Speed Skating) and one Event Coordinator Speed Skating. During the 2019/20 season only one Figure Skating Event Coordinator but in addition two Assistant Figure Skating Event Coordinators were contracted. Also, during the season 2019/20, the function of the Event Coordinator Speed Skating was performed by an increased presence at ISU Events of Speed Skating Technical Committee members. The ISU also has a consultancy agreement with two Figure Skating specialists who work on specific tasks assigned to them on a case-by-case basis. The Event Coordinators and Consultants are remunerated based on a daily rate.

ISU Indemnity Policy

In line with the ISU Indemnity Policy (ISU Circular Letter No 619) ISU Office Holders receive Office Expenses paid in an annual lumpsum. A limited number of Office Holders, depending on their function and subject to their ISU workload exceeding a reasonable level that can be expected from an elected or appointed volunteer Office Holder, receive Secretarial allowances, or a fixed remuneration. During 2019 this applied to 18 Office Holders.

External Audit

The ISU accrued CHF 20'000 for the fees of BDO SA related to the audit of the financial statements 2019. Other audit services and audit-related fees were charged during 2019 by BDO SA, as well as other non-audit services for a total of CHF 63'500.

Significant events after the balance sheet date

On January 30, 2020, the World Health Organization (WHO) declared an international health emergency due to the outbreak of coronavirus. Since March 11, the WHO has characterized the spread of the coronavirus as a pandemic in recognition of its rapid spread across the globe, with over 150 countries now affected.

According to the OECD (Organisation for Economic Co-operation and Development), the Coronavirus presents the global economy with its greatest danger since the financial crisis of 2008. Currently, there is a significant increase in economic uncertainty, evidenced by more volatile asset prices and currency exchange rates, and a significant decline in long-term interest rates in developed economies.

For the reporting date 31 December 2019, the coronavirus outbreak and the related measures are non-adjusting events. Consequently, there is no impact on recognition and measurement of assets and liabilities. However, due to the necessary containment measures and in particular the cancellation of three 2020 ISU Championships, the ISU expects a negative impact on its activities for the financial reporting period 2020.

The risks are translated to a significant number of event and competition cancellations arising from health and travel restrictions with direct impact and losses in contracted TV-, advertising- and other incomes or exposures arising from counterparties asserting force-majeure and lack of liquidity.

In addition, based on the volatility observable in the financial markets, the ISU anticipates big changes in equity or debt securities prices, foreign exchange rates, interest rates or other market prices after the reporting date that will significantly impact the measurement of assets and liabilities in future periods. The impact on the fair value measurement of investment properties cannot be reasonably estimated to date.

The current assessments are based on the information currently available. Due to the rapid developments, the actual impacts on the financial reporting period 2020 may differ significantly from ISU expectations. Also, considering the above-mentioned circumstances surrounding the coronavirus, the ISU has created a reserve amounting to CHF 5 million "for crisis situations" as stated above under "Special Provisions / Reserves".

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ISU Workforce

During 2019 the ISU Secretariat employed an average of 14 full-time employees and 7 part-time employees (between 40% and 90% - full-time equivalent of 18.7 employees vs 18.8 in 2018). In addition, the ISU contracted freelance personnel in the areas of event coordination, sports technical monitoring and media coverage as follows:

- 1 Sports Director Figure Skating
- 1 Event Coordinator Figure Skating (full-time during all of 2019)
- 1 Event Coordinator Figure Skating (part-time during the first half of 2019 only)
- 2 Assistant Event Coordinators (part-time during the second half of 2019)
- 1 Event Coordinator Short Track acting also as Sports Director Speed Skating
- 1 Consultant with Figure Skating expertise (part-time)
- 1 Freelancer for media services at ISU Figure Skating Events (part-time)
- 1 Freelancer for media services at ISU Speed Skating Events (part-time)
- 1 Freelancer for media services at ISU Short Track Events (part-time)
- 1 Photographer at every ISU Event (part-time)

The ISU furthermore relies on volunteer-based elected and/or appointed ISU Office Holders serving on the ISU Council (13), ISU Technical Committees (31), ISU Disciplinary Commission (5), ISU Legal Advisors (2), ISU Treasurer (1), ISU Medical Commission (7), ISU Development Commission (3), and ISU Athletes Commission (5).

Commercial/economic situation and prospects

As an Olympic Winter Sport Federation, the ISU continues to benefit from world-wide media coverage of ISU Events and the related revenues in the form of TV rights agreements and sponsorship agreements. In the area of TV rights agreements, the 2019 revenues and concluded commercial agreements confirmed a stable situation. The COVID-19 crisis of early 2020, however, is expected to have lasting detrimental consequences on the ISU incomes in the short and medium term. The cancellation of three ISU Championships in March/April 2020 involving substantial rights fee reductions and the looming world-wide recession and related slowdown of sports-related commercial activities, constitute the main challenges in the coming years. In addition, the marketing possibilities for niche sports in a constantly changing and innovative digital driven and increasingly competitive marketplace will call for new expertise and new solutions. While the incomes for the Figure Skating Branch could be slightly expanded, the situation for the Speed Skating Branch remains critical, although advertising agreements have been maintained at previous levels. Specifically, the ISU has for the time being been unable to put in place a Speed Skating Title Sponsor with a similarly lucrative agreement as in the past. Also, due to different reasons beyond the ISU's control, the ISU was unable to maintain sponsorship agreements in the key markets for Short Track Speed Skating, namely China and the Republic of Korea.

Thanks to its long-standing conservative investment policy, the ISU has managed to secure substantial reserves in the form of high rated bonds (see the Balance Sheet) that ensure a substantial annual interest income independent from commercial partners' interests. While the ISU bond portfolio contains only good quality investment grade bonds, it is not excluded that the expected world-wide recession might also have a negative impact on the bond market. The market evolution and the solvency and credit rating of the entities that issued the bonds must therefore be closely monitored.

Thanks to the ISU sport disciplines being an important factor for the success of the 2018 Olympic Winter Games, the ISU can also continue to count on significant revenues emanating from the IOC.

Risk Evaluation

The main short to medium-term risks arising from the COVID-19 crisis and looming world-wide recession are outlined above in the comments under the commercial prospects section.

In addition, the ISU continues to face the challenge of continuously finding new ways to attract a larger, wider and possibly younger global audience and continues to step up its efforts and budget in this area as well as its cooperation with its media and marketing partners and the ISU Members organizing ISU Events. In the critical area of Public Relations and Marketing, attention is given to:

- Reviewing ISU Event formats in order to ensure compact and attractive ISU Events while at the same time allowing the broadest possible participation among ISU Members. Specific progress has been made for the ISU World Speed Skating Championships format. Also, the ISU continues to study, and if promising to pursue, the development of new disciplines in order to attract a younger and broader audience.
- Expanding digital engagement and content (social media, ISU website, App development, ISU Skating Awards on-line voting, expanded eLearning tools).
- Improving event presentation, event promotion and fan engagement.
- Exploring new promotion possibilities, including in new markets and by also taking advantage of the proximity of Figure Skating to the show-business/music industry through the ISU Skating Awards initiative.

The challenges and risks in the area of Event organization and management continue to increase due to higher demands from the public, media and related commercial partners. The training of a broader base of skilled individuals is increasingly important to maintain high quality ISU Events. Failing to do so might have detrimental consequences, especially related to the incomes to be secured through commercial agreements. Consequently, the ISU is continuously striving to broaden and strengthen its Event management and marketing teams.

Mindful of the importance of good governance to protect its good reputation, credibility and integrity, the ISU continues to pursue its reforms in favor of good governance principles including transparency, sustainability, internal controls and data protection. The ISU is participating in a regular Good Governance survey together with the other Olympic International Winter Sports Federations.

Furthermore, the ISU maintains a long-standing, high-profile Anti-Doping program thanks to an experienced Medical Commission supported by highly qualified and experienced Anti-Doping managers at the ISU Secretariat. Considering the increasing call for Anti-Doping monitoring by independent entities, the ISU is exploring possible collaborations with independent bodies but on the condition that the quality and cost efficiency of the services will not be compromised.

Research and Development Activities

The ISU continues to run its high-profile Development Program through its Development Commission, dedicated Project Groups for eLearning and Centers of Excellence, and with increased capacity and efforts at the Secretariat. The ISU will continue to monitor closely the program's effectiveness and apply adjustments, if and when appropriate, with the focus on the following priorities:

- Expanding the ISU eLearning management system
- Consolidating ISU Centers of Excellence
- Creating an ISU international education program for Skating Coaches and providing eLearning tools to support this program
- Improving the quality of ISU Officials by increasingly using eLearning tools
- Increasing the number of participating ISU Members, sharing development project results and evaluating the impact of the program.
- Launching an annual world-wide "Skating Day".

In the area of safety for Skaters and in particular rink board padding systems for Short Track Speed Skating but also Speed Skating, the ISU is reviewing its standards and procedures in cooperation with the University of Lausanne's International Academy of Sport Science and Technology (AISTS) and related testing centre in order to ensure the best possible safety for Skaters.

Exceptional events

The detrimental consequences of the coronavirus crisis and two pending legal proceedings must be considered as exceptional events:

- The cancellation of three ISU Championships in March and April 2020 due to the COVID-19 pandemic, which will result in a substantial commercial income reduction.
- The Pechstein doping case in which the Pechstein party appeal is pending at the German Constitutional Court.
- The European Union Commission December 8, 2017 decision relating to the ISU eligibility rules. In summary, after a long procedure, the EU Commission concluded that the ISU indeed violated the EU competition rules but the EU Commission did not impose any penalty and offered remedy procedures to adjust the ISU Rules to become compliant with EU competition rules. While the ISU appeal against the EU Commission remains pending with a hearing and decision expected during 2020, a remedy settlement was achieved in due time for the 2018 ISU Congress and formalized in the updated eligibility Rules (Rule 102) as well as ISU Communication No. 2171 'Open International Competitions' which also relates to competitions organized by third-party organizers (not ISU Member federations). It is worthwhile to note that the International Federation (IF) pre-authorization principle for international competitions organized by third-party organizers prevails. Also, the IF role in the development of the sport was recognized by the EU Commission and in the case of the ISU, a solidarity contribution can be claimed from third-party organizers (ISU Communication No. 2171, Para B.).

The ISU Legal Advisors, in cooperation with outside legal counsel and the Director General, are monitoring these issues very closely. For the EU Commission investigation, the ISU is also consulting with the IOC and other International Federations. In addition, the above-mentioned circumstances result in a substantial workload for the concerned ISU Office Holders and divert precious energy from positive projects.

Outlook

For the year 2020, the above-mentioned loss of commercial income due to the cancellation of three ISU Championships in early 2020 will result in reduced incomes that will be only partly compensated by savings from the cancelled Championships. For the next two to three years, the many commercial contracts in place are expected to ensure a reasonably stable situation. In the medium and long term however, the world-wide recession triggered by COVID-19 clearly points towards complicated income perspectives which will call for an intensified effort to secure income at previous levels and to spend the available funds in an efficient and prudent manner in the event there is a situation where reductions for certain activities will become necessary.

Lausanne, May 11, 2020

ISU Council