



INTERNATIONAL SKATING UNION

2017 FINANCIAL REPORT

- Report of the statutory auditor on the financial statements for the year 2017
- ISU Annual report 2017



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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 2017

(for year ended December 31, 2017)

May 17, 2018
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RMB/NLE/pvr

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 International Skating Union, which comprise the balance sheet as at December 31, 2017, 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, 2017 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 17, 2018

BDO Ltd



René-Marc Blaser
Licensed Audit Expert



Nigel Le Masurier
Licensed Audit Expert
Auditor in Charge

Enclosures

Financial statements for the year ended December 31, 2017 (balance sheet, income statement, cash flow statement and notes)

INTERNATIONAL SKATING UNION, LAUSANNE**BALANCE SHEET AS OF DECEMBER 31, 2017**

	2017	2016
<u>ASSETS</u>	<u>Swiss Francs</u>	<u>Swiss Francs</u>
<u>Current Assets</u>		
Cash	2 254.69	17 858.38
Post / Bank - current accounts	17 868 702.31	14 317 658.11
Short Term Deposit	48 528.70	8 129 208.50
Other debtors	24 226.07	23 803.51
Current Accounts ISU Members & Officers	1 668 800.00	1 141 850.00
Prepaid expenses/rights fees to be cashed/accrued interest	5 547 400.31	3 262 195.12
Total Current Assets	25 159 912.08	26 892 573.62
<u>Non-Current Assets</u>		
<u>Financial Assets</u>		
Bonds Credit Suisse/Banque Cantonale Vaudoise/UBS	259 737 050.50	261 760 935.73
Total Financial Assets	259 737 050.50	261 760 935.73
<u>Property and Equipment</u>		
ISU Offices House Schöneck, Davos	1.00	1.00
ISU library	1.00	1.00
ISU Villa Olivier, Lausanne	5 125 000.00	5 225 000.00
Total Property and Equipment	5 125 002.00	5 225 002.00
Total Non-Current Assets	264 862 052.50	266 985 937.73
TOTAL ASSETS	290 021 964.58	293 878 511.35
<u>LIABILITIES & EQUITY</u>		
<u>Short Term Liabilities</u>		
Accounts payables	1 625 833.51	1 395 836.03
Accrued expenses	4 392 597.47	3 735 972.68
Deferred income	0.00	9 038 259.00
Other short term liabilities	375 022.08	298 935.70
ISU C-Contributions 2013-2017	3 853 206.61	5 073 617.49
Total Short Term Liabilities	10 246 659.67	19 542 620.90
<u>Long Term Liabilities</u>		
<u>Provisions and reserves</u>		
Legal provision	7 000 000.00	7 000 000.00
Reserve for currency exchange loss on bonds	8 000 000.00	8 000 000.00
Reserve for currency exchange loss on other financial positions	1 000 000.00	1 000 000.00
Total Long Term Liabilities	16 000 000.00	16 000 000.00
<u>Equity</u>		
Voluntary retained earnings	258 335 890.45	254 994 246.31
Profit for the year	5 439 414.46	3 341 644.14
Total Equity	263 775 304.91	258 335 890.45
TOTAL LIABILITIES & EQUITY	290 021 964.58	293 878 511.35

INTERNATIONAL SKATING UNION, LAUSANNE
INCOME STATEMENT JANUARY 1 - DECEMBER 31, 2017

	2017	2016
	<u>Swiss Francs</u>	<u>Swiss Francs</u>
<u>OPERATING INCOMES</u>		
TV Incomes ISU Events (net)	19 814 844.39	16 965 415.14
Advertising Incomes ISU Events (net)	7 560 080.94	7 340 360.82
Various Incomes	530 875.87	370 410.39
Youth Olympic Games (YOG) Revenue	0.00	337 947.76
Total Incomes/Revenues (except OWG)	27 905 801.20	25 014 134.11
Olympic Winter Games (OWG) Revenue cashed	0.00	0.00
Adjustment OWG revenues to Olympic Cycle from deferred income	9 038 259.00	9 038 259.00
OWG Revenue allocation for the year	9 038 259.00	9 038 259.00
TOTAL OPERATING INCOMES	36 944 060.20	34 052 393.11
<u>OPERATING EXPENSES</u>		
<u>ISU Events - direct & indirect contributions to ISU Event organizers & participants</u>		
Contributions to ISU Championships	10 700 003.53	11 128 017.41
Contributions to other ISU Events	3 512 815.42	3 694 886.22
Prize Money ISU Championships	1 995 249.32	2 169 542.82
Prize Money other ISU Events	2 573 684.56	2 601 962.67
Total ISU Events	18 781 752.84	19 594 409.13
<u>ISU Development Program</u>		
Development Program Projects	1 398 314.04	1 644 231.12
Administration / Development Commission Office Expenses / Audit	200 954.54	143 692.00
Council projects	3 241 508.66	3 227 716.97
C-Contributions to ISU Members 2017	3 100 000.00	3 077 500.00
Release expired C-Contributions 2013/suspended Members	-290 202.28	-401 935.91
Total ISU Development Program	7 650 574.96	7 691 204.18
<u>ISU Other Operating Expenses</u>		
Conferences expenses	25 048.74	553 196.79
Committee meetings	377 748.43	320 073.16
Council and other meetings	342 861.74	253 602.44
125th anniversary celebrations	484 882.68	0.00
Office Holders / Event Coord. / Ext. Consulting remuneration/Secr.Allow.	1 075 102.10	829 668.79
Office Holders Travel/Meeting/Various Expenses	1 093 178.05	1 364 780.35
Printed Matters	37 978.22	33 691.94
General Doping Control (expenses at events not included)	493 215.88	353 227.77
Special Services (Legal)	494 253.33	508 697.28
Special Services (Insurance)	502 909.53	472 898.65
Production videos, Books, CDs / Digitization Video Archives	290 669.06	88 941.38
Video Replay System & ISU Judging System maintenance	160 954.69	62 332.85
Courses/Seminars/Examinations	517 899.97	477 875.19
Media/PR/Statistics/Website	901 731.08	731 472.17
Other expenses	58 530.10	143 901.22
Total ISU Other Operating Expenses	6 856 963.60	6 194 359.98

INTERNATIONAL SKATING UNION, LAUSANNE
INCOME STATEMENT JANUARY 1 - DECEMBER 31, 2017

	2017	2016
	<u>Swiss Francs</u>	<u>Swiss Francs</u>
<u>ISU new office, Av. Juste-Olivier 17</u>		
Office transformation and improvements	13 431.76	12 423.34
Depreciation	100 000.00	100 000.00
Condominium Expenses	133 588.75	118 563.70
Allocation to the condominium Renovation Fund	0.00	0.00
Total ISU new office, Av. Juste-Olivier 17	247 020.51	230 987.04
<u>ISU Secretariat Expenses</u>		
Salaries & Benefits	2 655 423.53	2 298 795.86
General Costs (Electricity, cleaning, recruitment, subscriptions, various)	169 623.63	144 393.82
Office Material & furniture	47 968.76	20 989.80
IT equipment	89 237.24	80 428.31
Postage, Fax, Telephone	16 951.84	18 490.50
Office Insurance	2 566.90	2 656.05
Office Rent Lausanne	3 250.00	3 000.00
Total ISU Secretariat Expenses	2 985 021.90	2 568 754.34
TOTAL OPERATING EXPENSES	36 521 333.81	36 279 714.67
OPERATING RESULT	422 726.39	-2 227 321.56
FINANCIAL INCOMES AND EXPENSES		
Investment interest incomes	6 020 206.30	6 597 982.52
Financial expenses (bank expenses and bonds sales/purchases costs)	-1 058 178.57	-1 116 643.44
Realized capital gains on bonds	369 606.04	478 311.85
Realized capital losses on bonds	-1 706 030.36	-1 615 309.79
Realized currency exchange gains	1 753 899.66	1 964 395.19
Realized currency exchange losses	-542 498.22	-556 753.17
Total Financial Incomes and Expenses	4 837 004.85	5 751 983.16
OTHER ITEMS		
Extraordinary incomes	222 041.17	39 400.06
Extraordinary charges	-24 460.95	-198 201.52
Total Other items	197 580.22	-158 801.46
TAXES/PROVISION FOR TAXES	-17 897.00	-24 216.00
PROFIT FOR THE YEAR	5 439 414.46	3 341 644.14

INTERNATIONAL SKATING UNION, LAUSANNE

CASH FLOW STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>2017</u>	<u>2016</u>
	<u>Swiss Francs</u>	<u>Swiss Francs</u>
Profit for the year :	5 439 414.46	3 341 644.14
Depreciation on tangible fixed assets	100 000.00	100 000.00
Non monetary adjustment on Juste-Olivier previous year investment	-	-
Current assets - decrease / (increase) :		
Short term deposit	8 080 679.80	-5 532 480.50
Other debtors	-422.56	412 562.47
Current account ISU Members & Officers	-526 950.00	187 600.00
Prepaid expenses	-2 285 205.19	1 414 019.82
Short term liabilities - increase / (decrease)		
Accounts payables	229 997.48	522 787.62
Accrued expenses	656 624.79	-120 407.46
Deferred income	-9 038 259.00	-9 038 259.00
Other short-term liabilities	76 086.38	-1 057 089.25
ISU C-Contributions	-1 220 410.88	1 214 270.68
Cash flow from operating activities	1 511 555.28	-8 555 351.48
Investments in Financial assets	2 023 885.23	9 771 040.85
Other cash flows from investing activities	-	-
Cash flow from investment activities	2 023 885.23	9 771 040.85
NET CASH FLOW IN CASH AND CASH EQUIVALENT	3 535 440.51	1 215 689.37
Cash and cash equivalents on January 1st	14 335 516.49	13 119 827.12
Cash and cash equivalents on December 31st	17 870 957.00	14 335 516.49
NET CASH FLOW IN CASH AND CASH EQUIVALENT	3 535 440.51	1 215 689.37

INTERNATIONAL SKATING UNION, Lausanne

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

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. Some additions might have a difference for +/- 1.

ASSETS

The Assets are composed as follows:

	31.12.2017		31.12.2016	
	CHF	%	CHF	%
<u>Current Assets</u>				
Cash / bank	17'870'957	6	14'335'516	5
Short Term Deposit	48'529	0	8'129'209	3
Current Accounts ISU Members & Officers	1'668'800	1	1'141'850	0
Other debtors/Prepaid expenses/Rights fees to be cashed/accrued interest	5'571'626	2	3'285'999	1
<u>Long Term Investments</u>				
Bonds	259'737'051	90	261'760'936	89
Properties	5'125'002	2	5'225'002	2
Total Assets	<u>290'021'965</u>	<u>100</u>	<u>293'878'511</u>	<u>100</u>

The balances of the bank current accounts in foreign currencies have been recorded at the exchange rates applied by the banks as of December 31, 2017.

The Current Account ISU Members & Officers are mostly related to payments of ISU Championships contributions to ISU Members for Championships to be held in 2018.

The "other debtors/prepaid expenses/rights fees to be cashed/accrued interest" is composed of other debtors/prepaid expenses for 2017 (CHF 3'998'453). In addition, at year-end 2017 accrued interest income on bonds of CHF 1'573'173 (2016 CHF 1'808'078) is included therein.

The book value of the new ISU office property in Lausanne is amounting to CHF 5'125'000 after a third year depreciation of CHF 100'000 (2016 CHF 100'000).

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

INTERNATIONAL SKATING UNION, Lausanne

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

	31.12.2017	31.12.2016	variation %	Average exchange rates for 2017
USD	1.0039	1.0016	0.23	0.984613
EUR	1.1744	1.0880	7.94	1.111569
GBP	1.3238	1.2393	6.82	1.268071

The average interest rates, and the rates of the bonds showed the following average changes during 2017:

	Average Interest rates		2017	
	2017	2016	variation points	variation %
USD	2.55%	2.64%	USD -0.090	-3.4
EUR	1.56%	1.71%	EUR -0.154	-9.03
GBP	2.50%	1.92%	GBP 0.583	30.43
CHF	0.98%	1.14%	CHF -0.166	-14.55

Financial Assets Portfolio:

The market value of the Financial Assets Portfolio (bonds and short term fiduciary deposits) has decreased by CHF 15'874'023 during the year 2017. The breakdown by currency, at market value, is as follows:

	31.12.2017		31.12.2016	
	CHF	%	CHF	%
USD	204'283'069	78	212'716'252	77
GBP	350'590	0	2'368'539	1
EUR	37'985'663	15	43'890'304	16
CHF	18'257'255	7	17'775'505	6
Market value	260'876'577	100	276'750'600	100
Difference with book value	-1'090'997		-6'860'456	
Bonds/short term investment - book value balance sheet	259'785'580		269'890'144	
Short Term deposit	48'529		8'129'209	
Long Term bonds	259'737'051		261'760'936	
	259'785'580		269'890'144	

The bonds and short term deposits are accounted for and presented in the balance sheet at their acquisition value.

Taking into account this market value of the Financial Asset Portfolio compared to the lower book value, the reserve for currency exchange loss on bonds was left unchanged at CHF 8'000'000 representing about 3 % of the bond 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 and Officers, and others creditors which amount to CHF 1'625'834 as of December 31, 2017.

The accrued expenses as of December 31, 2017 amount to CHF 4'392'597. This amount is composed of expenses for which the invoices have not been received at year-end.

INTERNATIONAL SKATING UNION, Lausanne

In line with a long standing practice, the OWG revenue is equally allocated throughout the years of the Olympic cycle. Consequently, the income emanating from the Sochi 2014 OWG was equally allocated over the years 2014, 2015, 2016 and 2017.

Other Short term liabilities concern pending VAT payment.

ISU C-Contributions: the provision as of December 31, 2017 for the contributions payable to ISU Members amounts to CHF 3'853'207. CHF 3'100'000 concerns contributions allocated to ISU Members during the year 2017 which are expected to be paid mostly in 2018. The balance refers to allocated contributions during the years 2011-2016 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.

SPECIALS PROVISIONS / RESERVES

Legal Provision:

The provision for expenses related to legal cases as of December 31, 2017 amounts to CHF 7'000'000. This amount was deemed sufficient and remained unchanged compared to 2016.

Reserve for currency exchange loss on bonds & reserve for currency exchange loss on other financial positions:
Please refer to the above section Financial Assets Portfolio.

INCOME STATEMENT ANALYSIS

The Profit for the year 2017 amounts to CHF 5'439'414 which compared to the year 2016 (CHF 3'341'644) represents an increase of the profit of CHF 2'097'770. In comparison to the 2017 Budget of CHF 733'000, the profit represents a positive variance of CHF 4'706'714. Nevertheless, the operating result before financial incomes and expenses, taxes and other items increased from a loss of CHF 2'227'322 in 2016 to a gain of CHF 422'726 in 2017.

The main incomes (Television, Advertising and Olympic Winter Games) as well as certain expenditures (Contributions, Prize Money) are recorded at the currency exchange rates included in the budget which allows a systematic reconciliation between the respective actual incomes/expenditures with the budget. The resulting currency exchange adjustments are reported as separate line items.

The detailed **variances between the 2017 and 2016 Income Statements** are as follows (in Swiss Francs):

	<u>2017</u>	<u>2016</u>	<u>Difference</u>	<u>Comments/Explanations of differences between 2017 vs 2016</u>
<u>A. Operating Incomes</u>				
Television ISU Events (net)	18'122'439	15'323'223	2'799'216	In 2017 the ISU World Team Trophy (WTT) accounted for an income of CHF 2'250'000. In 2016 no WTT was held. In addition the income from several right holders could be increased (TV Asahi +CHF 140'000 – Ice Network +CHF 45'000 – Tencent China +CHF 376'500 – Archive Sales & Various +CHF 33'218. On the negative side, a discount of CHF 45'502 had to be granted to Telesport Russia for the partly cancellation of the Trophee de France in 2015 due to the terrorist attacks.
Advertising ISU Events (net)	6'914'367	6'629'840	284'527	Overall Basically in line with 2016
Adjustment currency exchange rates budget vs actual	2'338'119	2'352'713	-14'594	Stronger USD vs CHF in 2016 than 2017 but overall higher incomes in 2017
Olympic Winter Games	9'038'259	9'038'259	0	
Various Incomes	530'876	708'358	-177'482	Main difference being IOC Income related to YOG in 2016 CHF 337'948 and a donation from SBS Korea for CHF 225'000 in 2017
Total Operating Incomes	36'944'060	34'052'393	2'891'667	

INTERNATIONAL SKATING UNION, Lausanne

	<u>2017</u>	<u>2016</u>	<u>Difference</u>	<u>Comments/Explanations of differences between 2017 vs 2016</u>
<u>B. Expenditures</u>				
Contributions to ISU Ch'ships	11'011'046	10'464'849	546'197	Travel contributions to ISU Members increased in 2017 newly including all World Championships
Contributions to other ISU Events	3'614'931	3'474'691	140'240	Difference basically due to Olympic Qualifying Competition Figure Skating in 2017
Prize Money to ISU Events	4'701'750	4'487'150	214'600	Basically in line with 2016
Adjustment currency exchange rates budget vs actual	-545'974	1'167'719	-1'713'693	Stronger USD vs CHF in 2016 than 2017
<i>Total Contributions to ISU Events</i>	<i>18'781'753</i>	<i>19'594'409</i>	<i>-812'656</i>	
Development projects	1'599'269	1'787'923	-188'654	Slow start in 2017 due to reorganization of Development Program Principles in late 2016
Council projects	3'241'509	3'227'717	13'792	Basically in line with 2016
Contribution to ISU Members	2'809'798	2'675'564	134'234	In 2017 more ISU Members claiming the annual contribution
<i>Total Development Program</i>	<i>7'650'575</i>	<i>7'691'204</i>	<i>-40'629</i>	Basically in line with 2016
Operating Expenses incl.new Office	7'103'984	6'425'347	678'637	The main reasons for higher expenses in 2017 are: - Video Archive digitization cost in 2017 of CHF 239'934. - Doping control increase of CHF 139'988 due to IOC Task Force Recommendations for 2018 OWG and McLaren Report follow-up. - Media/PR increase of CHF 164'191 due to various new initiatives in 2017 - Different limited variations in different cost items as per Income Statement.
ISU Secretariat	2'985'022	2'568'754	416'268	Increased number of staff in 2017
<i>Total Operating Expenses</i>	<i>36'521'334</i>	<i>36'279'715</i>	<i>241'620</i>	
<i>Operating Result</i>	<i>422'726</i>	<i>-2'227'322</i>	<i>2'650'047</i>	
<i>Financial Incomes/Expenses</i>				
Investment interest incomes	6'020'206	6'597'983	-577'776	Lower interest income due to lower interest rates
Financial expenses	-1'058'179	-1'116'643	58'465	
Realised capital gains on bonds	369'606	478'312	-108'706	
Realised capital losses on bonds	-1'706'030	-1'615'310	-90'721	
Realised currency exchange gain	1'753'900	1'964'395	-210'496	
Realised currency exchange loss	-542'498	-556'753	14'255	
<i>Total Financial Incomes/Expenses</i>	<i>4'837'005</i>	<i>5'751'983</i>	<i>-914'978</i>	
<i>Other Items</i>				
Taxes/Provision Taxes	-17'897	-24'216	6'319	
Previous year extraordinary incomes	222'041	39'400	182'641	
Previous years, extraordinary charges	-24'461	-198'202	173'741	
<i>Total Other Items</i>	<i>179'683</i>	<i>-183'017</i>	<i>362'701</i>	
<i>C. Profit for the year</i>	<i>5'439'414</i>	<i>3'341'644</i>	<i>2'097'770</i>	

INTERNATIONAL SKATING UNION, Lausanne

The detailed variances between the 2017 actual figures and Budget are as follows (in Swiss Francs):

	<u>2017</u> <u>Final</u>	<u>2017</u> <u>Budget</u>	<u>Difference</u> <u>Budget vs</u> <u>2017</u>	<u>Comments/Explanations</u> <u>of differences</u> <u>compared with Budget</u>
<u>A. Operating Incomes</u>				
Television ISU Events (net)	18'122'439	17'350'000	772'439	Higher than budgeted income for China/Tencent +CHF 387'000 - contingency provision for Russia not used +CHF 270'000 as well as various limited variations between budget and actuals.
Advertising ISU Events (net)	6'914'367	6'310'000	604'367	Overall basically in line with budget The breakdown by discipline is as follows: Figure Skating/IMG: CHF 4'477'842 (-CHF 22'158 compared to budget) Speed Skating/Infront: CHF 1'102'500 (-CHF 525'000 compared to budget) Short Track/Audi & Various: CHF 1'334'025 (+CHF 1'151'525 compared to budget)
Adjustment currency exchange rates budget vs actual	2'338'119	0	2'338'119	Impossible to accurately budget due to currency exchange fluctuations
Olympic Winter Games	9'038'259	9'038'000	259	In line with budget
Various Incomes	530'876	100'000	430'876	Several not budgeted incomes such as AIOWF Development contribution CHF 43'200 IOC Development contribution CHF 63'000 Advertising income video/photo CHF 57'620 Sanctioning fee Open Intl Comp CHF 45'046 SBS Korea Donation CHF 225'000
Total Operating Incomes	36'944'060	32'798'000	4'146'060	
<u>B. Expenditures</u>				
Contributions to ISU Ch'ships	11'011'046	10'900'000	111'046	Basically in line with budget – slight budget overdraft due to increase of travel contributions for ISU Championships
Contributions to other ISU Events	3'614'931	4'655'000	-1'040'069	Below budget due to World Cup Speed Skating, World Cup Short Track and Grand Prix Figure Skating over-budgeted (CHF 828'396) Council discretion CHF 300'000 not used. Various limited variances related to Adult/Masters, Shanghai Trophy, Olympic Qualification Competition and Various Competitions resulting in an overdraft of CHF 88'327.
Prize Money to ISU Events	4'701'750	4'520'000	181'750	Basically in line with budget
Adjustment currency exchange rates budget vs actual	-545'974	0	-545'974	Impossible to accurately budget due to currency exchange fluctuations
Total Contributions to ISU Events	18'781'753	20'075'000	-1'293'247	
Development projects	1'599'269	2'000'000	-400'731	Over-Budgeted – slow start in 2017 since new Development concept introduced only late 2016
Council projects	3'241'509	3'000'000	241'509	Under-Budgeted
Contribution to ISU Members	2'809'798	3'000'000	-190'202	Lower than budgeted due to not claimed contributions that expired after 5 years
Total Development Program	7'650'575	8'000'000	-349'425	

INTERNATIONAL SKATING UNION, Lausanne

	<u>2017</u> <u>Final</u>	<u>2017</u> <u>Budget</u>	<u>Difference</u> <u>Budget vs</u> <u>2017</u>	<u>Comments/Explanations</u> <u>of differences</u> <u>compared with Budget</u>
General Operating Expenditures	7'103'984	6'150'000	953'984	The main increase of the 2017 Operating expenses compared to the Budget is due to: - Legal expenses CHF 194'254 over budget mainly due to EU Commission case. - Anti-Doping expenses CHF 93'216 over budget due to IOC Task Force recommendations for the 2018 OWG and McLaren Report follow-up. - Not budgeted Video Archive digitization expenses of CHF 239'934. - Office Holders/Event Coordinators /Consulting remuneration/Secretarial Allowances CHF 175'102 over budget. - Office Holders travel & meeting expenses CHF 93'178 over budget. - Media/PR expenses CHF 101'731 over budget - Balance of difference of about CHF 57'000 resulting from various small budget deviations.
ISU Secretariat	2'985'022	2'900'000	85'022	Under-budgeted since more than anticipated staff increase
Total Operating Expenses	36'521'334	37'125'000	-603'666	
<i>Operating Result</i>	<i>422'726</i>	<i>-4'327'000</i>	<i>4'749'726</i>	
<i>Financial Incomes/Expenses</i>				
Investment interest incomes	6'020'206	6'075'000	-54'794	Basically in line with budget
Financial expenses	-1'058'179	-1'000'000	-58'179	Slightly over budgeted
Realised capital gains on bonds	369'606	0	369'606	Not budgeted
Realised capital losses on bonds	-1'706'030	0	-1'706'030	Not budgeted
Realised currency exchange gain	1'753'900	0	1'753'900	Not budgeted
Realised currency exchange loss	-542'498	0	-542'498	Not budgeted
Total Financial Incomes/Expenses	4'837'005	5'075'000	-237'995	
Other Items :				
Taxes/Provision Taxes	-17'897	-15'000	-2'897	Davos Taxes under-budgeted
Extraordinary Incomes	222'041	0	222'041	Extraordinary incomes concerning previous years - Not budgeted
Extraordinary Charges	-24'461	0	-24'461	Extraordinary charges concerning previous years - Not budgeted
Total Other Items	179'683	-15'000	194'683	
C. Profit for the year	5'439'414	733'000	4'706'414	

INTERNATIONAL SKATING UNION, Lausanne

Development Program

2017

Payments made and promised for Development Projects:	CHF	1'398'314
Administration / Development Commission Office Expenses / Audit:	CHF	<u>200'955</u>
Total Development Projects	CHF	1'599'269

Council Projects including Junior Grand Prix of Figure Skating, Junior World Cup Speed Skating, Danubia and Star Class Short Track Series & Worldwide Figure Skating Seminars	CHF	3'241'509
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ISU C-Contributions:		
Release of expired Contributions 2012/suspended ISU Members	CHF	- 290'202
Contributions attributed in 2017	CHF	<u>3'100'000</u>
Total ISU Contributions	CHF	2'809'798

Total amount expended for the Development Program during 2017 CHF **7'650'575**

To be noted that since October 2016 a Development Administrator/Internal Controller monitors the financial aspect of the Development Program. Also, 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 income and expenses.

The interest income during 2017 declined due to the continued low interest rate market conditions.

The realized capital loss on bonds mainly driven by unfavorable market conditions is mostly offset by realized currency exchange gains on bonds in 2017.

OTHER ITEMS

The tax authorities have granted the Union 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, 2017, the ISU has cashed a total amount of CHF 222'041. Those amounts concern incomes regarding previous years 2015/16 that could not have been anticipated before.

OTHER INFORMATION

ISU Office Employees

During 2017, the ISU Secretariat employed an average of 13 full time employees and 6 part-time employees (Full-time equivalent of 16.7).

External Audit

ISU accrued CHF 36'583 for the fees of BDO SA related to the audit of the financial statements 2017. Other audit services and audit related fees were charged during the year 2017 by BDO SA, as well as other non-audit services for a total of CHF 32'389.

Significant events after the balance sheet date

There are no significant events after the balance sheet date which could impact the book value of the assets or liabilities at year-end 2017 or which should be disclosed here.

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ISU Workforce

During 2017 the ISU Secretariat employed an average of 13 full time employees and 6 part-time employees (between 40% and 80% - full-time equivalent of 16.7 employees). In addition, the ISU contracted freelance personnel in the area of Event Coordination, sports technical monitoring and media coverage as follows:

2 persons as Sports Directors Figure Skating (1 full-time – 1 part-time)

2 persons as Event Coordinators Figure Skating (part-time)

1 person as Event Coordinator Short Track and Sports Director Speed Skating (part-time)

1 person as Event Coordinator Speed Skating (part-time)

2 Consultants with Figure Skating expertise (part-time)

1 person for media services at ISU Figure Skating Events (part-time).

The ISU furthermore relies on volunteer based elected and/or appointed Office Holders serving on the ISU Council (13), ISU Technical Committees (30), ISU Disciplinary Commission (5), Legal Advisors (2), Treasurer (1), Medical Commission (8), Development Commission (3), and 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 revenues and concluded commercial agreements confirmed a stable situation that is expected to continue for the coming 2-3 years. The conclusion of sponsorship agreements, on the other hand, is becoming more difficult with an increasingly competitive market place being the main reason. In this context, the ISU has for the time being been unable to replace the Speed Skating Title Sponsor with a similarly lucrative agreement.

On a positive note, in Short Track Speed Skating, the ISU signed a Title Sponsorship agreement with Audi (Chinese Branch) for the World Cup season 2017/18. At the time of drafting of this report negotiations were ongoing to continue this partnership over several seasons.

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' interest.

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

Risk Evaluation

The main risk factors the ISU is facing can be summarized as follows:

In the commercial domain, the ISU is stepping up its efforts in the area of marketing and public relations through a variety of channels, with a focus on digital media opportunities and Asian markets. Nevertheless, the competitive and complex market situation, especially in Europe, constitutes a risk for decreasing incomes in the coming years.

In relation to Event management, which is crucial to conduct high quality ISU Events and to protect the ISU commercial agreements, the ISU has successfully managed the transition from a long-standing and experienced Figure Skating Event Coordination team to a new, young crew. The Event management for Speed Skating and Short Track Speed Skating remained well monitored thanks to the experienced Event Coordinators. In general, however, the challenges in the area of Event organization continue to increase due to higher demands from the public, media and related commercial partners. The training of a broader base of skilled individuals will become 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.

Mindful of the importance of good governance to avoid the risk of losing its good reputation and credibility, the ISU consistently pursues its reforms in favor of good governance principles, in particular, transparency, sustainability, internal controls and data protection.

Research and Development Activities

The ISU has made changes to the running of its Development Program, including implementation of a new three-person Development Commission, and by recruiting an employee dedicated to the development of Centers of Excellence. The ISU will continue to monitor closely the program's effectiveness by applying adjustments if and when appropriate.

In the area of the development of its sports, the Mass Start race format in Speed Skating was developed successfully in preparation of its introduction at the Olympic Winter Games in Korea. The ISU continues to pursue the development of new disciplines in order to attract a younger and broader audience.

Taking into account the continued increase in ISU Membership and the number of high level Skaters, the ISU is evaluating alternative formats, especially in the area of ISU Figure Skating Championships.

The ISU website has been improved and updated and the ISU has also increased its efforts and budget in the critical area of Public Relations and Marketing, with a focus on digital markets and social media.

Exceptional events

The ISU continues to face two ongoing, complex and costly litigations, namely the Pechstein doping case (Pechstein party appeal pending at the German Constitutional Court) and the European Union Commission investigation and December 8, 2017 decision related to the ISU eligibility rules. At the time of writing this report the follow-up "remedy" discussions with the EU Commission were ongoing in order to find a solution. In parallel, the ISU has filed an appeal against the EU Commission decision which is pending at the EU General Court.

While for the financial risk there is a basic insurance coverage through the ISU's liability insurance, negative outcomes in both cases would negatively impact the governance of International Sports Federations with detrimental financial consequences.

The ISU Legal Advisors, in cooperation with outside legal counsel and the Director General, are monitoring both cases very closely. For the EU Commission investigation, the ISU is also consulting with the IOC and other International Federations.

In addition, both cases result in a substantial workload for the concerned ISU Office Holders and divert precious energy from positive projects.

Outlook

In the short term, until the 2020 Congress, the better than expected income situation for the years 2016 and 2017 allows and justifies the budgeting of losses for the budget years 2018 through 2020 in order to satisfy the ever-increasing needs of funding ISU activities. In the longer term there are many unknown factors in the economic and sports governance areas but after 2020 however, increased revenues will be needed in order to maintain the current level of expenditures without using the ISU reserves.