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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 2014

(for year ended 31.12.2014)

8 June 2015
8529/15'202'100/2150'0200/115+1-3
RMB/HK/pvr

Report of the statutory auditor
to the Congress of the

International Skating Union, Lausanne

As statutory auditor, we have audited the accompanying financial statements of International Skating Union, which comprise the balance sheet, income statement and notes for the year ended 31 December 2014.

Council's Responsibility

The Council is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the company's articles of incorporation. 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 31 December 2014 comply with Swiss law and the Constitution and the General Regulations of the Association.

Report on Other Legal Requirements

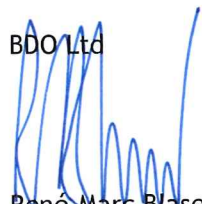
We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO) and that there are no circumstances incompatible with our independence.

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, 8 June 2015

BDO Ltd



René-Marc Blaser

Licensed Audit Expert



Didier Bridy

Licensed Audit Expert
Auditor in Charge

Enclosures

Financial statements

INTERNATIONAL SKATING UNION

BALANCE SHEET AS OF DECEMBER 31, 2014

	31.12.2014	31.12.2013
<u>ASSETS</u>	<u>Swiss Francs</u>	<u>Swiss Francs</u>
<u>Current Assets</u>		
Cash	16'103.63	12'314.01
Post / Bank - current accounts	10'564'635.23	7'535'282.16
Short Term investments	3'279'250.00	3'034'500.00
Various	33'116.15	41'466.85
Current Accounts ISU Members & Officers (including advance payments for ISU Championships)	1'467'900.00	1'911'250.00
Transitory Assets	13'103'438.14	2'136'851.53
Total Current Assets	28'464'443.15	14'671'664.55
<u>Long Term investments</u>		
Bonds Credit Suisse/Banque Cantonale Vaudoise/UBS	263'030'241.19	254'571'588.00
Total Long Term Investments	263'030'241.19	254'571'588.00
<u>Fixed Assets</u>		
ISU Offices House Schöneck, Davos	1.00	1.00
ISU library	1.00	1.00
ISU Villa Olivier	5'577'503.80	0.00
Total Fixed Assets	5'577'505.80	2.00
TOTAL ASSETS	297'072'190.14	269'243'254.55
<u>LIABILITIES & EQUITY</u>		
<u>Current Liabilities</u>		
Transitory Liabilities	4'162'236.76	2'457'198.75
Incomes received in advance	29'364'777.00	9'266'400.00
Current Accounts ISU Members & Officers	100'000.00	100'000.00
Various	1'903'362.92	863'756.38
Total Current Liabilities	35'530'376.68	12'687'355.13
<u>Non current Liabilities</u>		
Legal provision	7'000'000.00	7'000'000.00
Provision for unrealized loss on bonds	8'000'000.00	14'000'000.00
Provision for unrealized loss on exchange	1'000'000.00	1'000'000.00
ISU C Contributions 2009-2013	3'940'529.19	3'739'076.93
Total Non Current Liabilities	19'940'529.19	25'739'076.93
<u>Equity</u>		
Equity beginning year	230'816'822.49	220'635'139.70
Retained Earnings 31.12.2014 (2013)	10'784'461.78	10'181'682.79
Total Equity	241'601'284.27	230'816'822.49
TOTAL LIABILITIES & EQUITY	297'072'190.14	269'243'254.55
Check	0.00	0.00

April 29th, 2015

INTERNATIONAL SKATING UNION
INCOME STATEMENT JANUARY 1 - DECEMBER 31, 2014

	2014	2013
	<u>Swiss Francs</u>	<u>Swiss Francs</u>
<u>INCOMES/REVENUES</u>		
TV Incomes ISU Events (net)	17'109'645.40	18'522'135.00
Advertising Incomes ISU Events (net)	9'652'867.20	13'802'794.62
Interests	7'156'648.82	7'019'766.32
Other financial Incomes/Expenses (-)	1'244'229.73	-47'012.66
Olympic Winter Games	9'038'259.00	10'430'400.00
Various Incomes	239'684.47	233'809.20
(YOG/Sanction fees, sales videos/CDs/Printed Mat./Various, Members subscriptions)		
Total Incomes/Revenues	44'441'334.62	49'961'892.48
 <u>EXPENDITURES</u>		
<u>ISU Events - direct & indirect payments to ISU Event organizers & participants to ISU Event organizers & participants</u>		
Contributions to ISU Championships	10'236'739.76	9'054'301.45
Contributions to other ISU Events	3'239'341.21	3'299'681.54
(Grand Prix of Figure Skating, Speed Skating/Short Track Speed Skating World Cup)		
Prize Money ISU Championships	1'945'600.00	2'078'600.00
Prize Money other ISU Events	2'097'100.00	2'425'200.00
Total ISU Events	17'518'780.97	16'857'782.99
 <u>ISU Development Program</u>		
Development Program Projects	2'463'993.57	2'523'159.12
Administration / Development Coordinator Expenses	143'000.00	143'000.00
Contributions to ISU Members (including provision 2010-2013)	-181'699.07	2'704'145.42
Contributions to ISU Members 2014	1'990'143.63	2'007'116.14
Council projects (incl. : JrGP/JrWCSS/SS Academy/DV Trophy)	2'448'611.66	2'249'545.36
Total ISU Development Program	6'864'049.79	9'626'966.04
 <u>General Operating Expenses</u>		
Congress Expenses	910'865.91	2'223.50
Committee Meetings	278'568.75	289'273.73
Council and other meetings	126'326.49	248'865.16
Office Holders / Event Coord. remuneration/secr.allowances	942'847.73	1'058'239.69
Office Holders Travel/Meeting/Various Expenses	1'118'141.00	855'605.51
Printed Matters	27'658.01	8'074.49
General Doping Control (expenses at events not included)	477'320.40	291'861.67
Special Services (Legal and Insurance)	999'675.88	838'918.87
Production videos, Books, CDs	34'553.29	42'079.09
Video Replay System & ISU Judging System maintenance	6'869.48	7'739.56
Courses/Seminars/Examinations	597'643.96	385'623.32
Media/PR/Statistics/Website	461'993.32	714'214.40
Various (SportAccord/Bank expenses/Various)	1'315'261.97	1'089'914.49
 ISU new office expenses	 188'500.86	 0.00
ISU new office-PPE Expenses	21'978.00	0.00
Depreciation New Office 2014	25'000.00	0.00
Total General Operating Expenses	7'533'205.05	5'832'633.48

INTERNATIONAL SKATING UNION
INCOME STATEMENT JANUARY 1 - DECEMBER 31, 2014

	2014	2013
	<u>Swiss Francs</u>	<u>Swiss Francs</u>
<u>ISU Secretariat Expenses</u>		
Salaries & Benefits	2'125'217.05	2'109'629.14
General Cost (Electricity, cleaning, recruitment, subscriptions, various)	69'538.04	62'041.89
Office Material & furnitures	13'779.21	9'329.77
PC equipment	33'675.49	105'986.41
Postage, Fax, Telephone	34'620.38	20'062.49
Office Insurance	3'356.15	641.35
Office Rent Lausanne	96'552.00	96'126.00
Total ISU Secretariat Expenses	2'376'738.32	2'403'817.05
TOTAL EXPENDITURES	34'292'774.13	34'721'199.56
Retained Earnings before Taxes and Extraordinary Items	10'148'560.49	15'240'692.92
<u>Extraordinary items</u>		
Dissolution of Provision ISU Judging System Equipment	0.00	888'029.31
Special Allocation to Development Program Fund	0.00	0.00
Dissolution/creation of Provision for loss on bonds	6'000'000.00	-3'000'000.00
Exchange Gain/Loss (-)	-5'352'722.71	-2'926'303.94
Total Extraordinary items	647'277.29	-5'038'274.63
Taxes/Provision for Taxes	11'376.00	20'735.50
NET RETAINED EARNINGS	10'784'461.78	10'181'682.79
Check with computer printout	10'784'461.78	10'181'682.79
Diff	<i>0.00</i>	<i>0.00</i>

April 29th, 2015

INTERNATIONAL SKATING UNION, Lausanne

NOTES TO THE FINANCIAL STATEMENTS

ASSETS

The Assets are composed as follows:

	31.12.2014		31.12.2013	
	CHF	%	CHF	%
<u>Current Assets</u>				
Cash / bank	10'580'739	4	7'547'596	3
Short Term Investments	3'279'250	1	3'034'500	1
Transitory Assets / claims	13'136'554	4	2'178'318	1
Advance payments ISU Championships	1'467'900	0	1'911'250	1
<u>Long Term Investments</u>				
Bonds	263'030'241	89	254'571'588	95
Fixed Assets (real estate)	5'577'506	2	2	0
Total Assets	<u>297'072'190</u>	<u>100</u>	<u>269'243'254</u>	<u>100</u>

The credit balances of the bank current accounts in foreign currencies have been recorded at the exchange rates applied by the tax authorities as of December 31th, 2014.

The transitory assets and claims (CHF 13'103'438) are mainly composed of prepaid expenses for 2015 and television right fees to be cashed.

In 2014 the ISU paid CHF 5'577'504 for the purchase of the new office.

The real estate (former ISU offices in Davos) as well as the library are valued, in the balance sheet, at the same value as the previous year, i.e. at CHF 1 each.

The exchange rates of the foreign currencies against the CHF were:

	31.12.2014	31.12.2013	variation %
USD	0.993650	0.889350	11.73
EUR	1.202366	1.225478	-1.89
GBP	1.549349	1.472957	5.19

The interest rates of the bonds showed the following average changes during 2014:

	variation points	variation %
USD	-0.198	-6.50
EUR	-0.824	-27.30
GBP	-0.945	-22.19
CHF	-0.604	-25.44

INTERNATIONAL SKATING UNION, Lausanne

Financial Assets Portfolio:

The market value of the Financial Assets Portfolio (bonds and short term fiduciary deposits) has increased by CHF 35'033'354. The breakdown by currency, at market value, is as follows:

	31.12.2014		31.12.2013	
	CHF	%	CHF	%
USD	193'306'177	69	152'058'354	62
GBP	8'014'218	3	9'446'305	4
EUR	64'614'547	23	73'332'179	30
CHF	<u>13'740'550</u>	5	<u>9'805'300</u>	4
Market value	279'675'492	100	244'642'138	100
Market value correction	<u>-13'366'000</u>		<u>12'963'950</u>	
Bonds/short term inv. - book value balance sheet	<u><u>266'309'492</u></u>		<u><u>257'606'088</u></u>	

The bonds and short term investments are booked at purchase value.

Taking into account the market value of the bond portfolio compared to the lower book value, the provision for an unrealized loss on bonds was reduced by CHF 6'000'000 down to CHF 8'000'000 representing about 3 % of the bond portfolio. The provision for an unrealized loss on currency exchange rates remained unchanged at CHF 1'000'000. Please refer to "Extraordinary Items" below for details.

LIABILITIES

The current liabilities are formed by the current accounts with ISU Members and Officers, which amount to CHF 100'000 as of December 31th, 2014.

The transitory liabilities as of December 31th, 2014 amount to CHF 4'162'237. This amount is composed by invoices not yet received.

The incomes received in advance have increased from CHF 9'266'400 in 2013 to CHF 29'364'777 as of December 31th, 2014. This item is corresponding to TV income received in advance relating to ISU Events of 2014 to 2015.

SPECIALS PROVISIONS

Legal Provision:

The provision for expenses related to legal cases as of December 31th, 2014 amounts to CHF 7'000'000. This amount was deemed sufficient and remained unchanged compared to 2013.

Provision for loss on bonds & Provision for not realized loss on currency exchange rates:

Please refer to the above section Financial Assets Portfolio and the below section Extraordinary Items.

INTERNATIONAL SKATING UNION, Lausanne

INCOME STATEMENT ANALYSIS

The Retained Earnings (Profit) for the year 2014 amount to CHF 10'784'461 which compared to the year 2013 (Profit of CHF 10'181'683) represents a slight increase of the Profit by CHF 602'778 and compared to the 2014 Budget (CHF 4'425'000) represents a positive variance of CHF 6'359'461.

The detailed variances between the 2014 and 2013 Income Statements are as follows:

A. Incomes	2014	2013	Difference 2014 vs 2013	Comments/Explanations 2014 vs 2013
Television ISU Events (net)	17'109'645	18'522'135	-1'412'490	No income from ISU World Team Trophy in 2014
Advertising ISU Events (net)	9'652'867	13'802'795	-4'149'927	No Title Sponsor in Speed Skating & Short Track season 2014/15
Interest	7'156'649	7'019'766	136'882	No major variance
Olympic Winter Games	9'038'259	10'430'400	-1'392'141	Lower IOC income for Sochi 2014 than Vancouver 2010
Other Income	1'483'914	186'797	1'297'118	Better performance in 2014 in financial asset management
Total Income	44'441'335	49'961'892	-5'520'558	
B. Expenditures				
Contributions to ISU Championships	10'236'740	9'054'301	1'182'438	Lower ISU contribution to 2013 World Figure Skating Championships than in 2014 (+) No Single Distances Speed Skating Championships 2014 (-) Various higher contributions in 2013 than 2014 (-)
Contributions to other ISU Events	3'239'341	3'299'682	-60'340	No major variance
Prize Money to ISU Events	4'042'700	4'503'800	-461'100	No Single Distances Speed Skating Championships in 2014 Prize Money World Cup Short Track 2013/14 booked in 2013
Total Contributions to ISU Events	17'518'781	16'857'783	660'998	
Development Projects	2'606'994	2'666'159	-59'166	No major variance
Contributions to ISU Members & Council Projects	4'257'056	6'960'807	-2'703'751	In 2013 provision for pending contributions payments
Total Development Program	6'864'050	9'626'966	-2'762'916	
General Operating Expenditures	7'533'205	5'823'633	1'700'572	Congress expenses in 2014
ISU Secretariat	2'376'738	2'403'817	-27'079	No major variance – the provision for unused vacation/overtime increased by CHF 45'821 to CHF 343'202
Total Operating Expenses	9'909'943	8'236'451	1'673'493	
Total Expenditures	34'292'774	34'721'200	-428'425	
Retained Earnings before Extraordinary Items	10'148'560	15'240'693	-5'092'132	
Funds/Provisions	6'000'000	-2'111'971	8'111'971	In 2013 creation of a provisions In 2014 dissolution of provisions
Taxes	-11'376	-20'736	9'360	No major variance
Extraordinary Incomes/Losses	-5'352'723	-2'926'304	-2'426'419	consequence of different currency exchange rate evolutions
Total Extraordinary Items	635'901	-5'059'010	5'694'911	
C. Retained Earnings (Profit)	10'784'461	10'181'683	602'778	

INTERNATIONAL SKATING UNION, Lausanne

The detailed variances between the 2014 actual figures and the 2014 Budget are as follows

A. Incomes	Budget	2014	Difference Budget vs 2014	Comments/Explanations Budget vs 2014
Television ISU Events (net)	17'080'000	17'109'645	29'645	In line with Budget
Advertising ISU Events (net)	8'460'000	9'652'867	1'192'867	Advertising Income Figure Skating above Budget (+CHF 1'700'000) Speed Skating Branch below Budget (-CHF 500'000) due to no title sponsors
Interest	6'300'000	7'156'649	856'649	Above conservative Budget
Olympic Winter Games	8'200'000	9'038'259	838'259	Above conservative Budget
Other Income	70'000	1'483'914	1'413'914	Above Budget thanks to profit on sales of bonds
Total Income	40'110'000	44'441'335	4'331'335	
B. Expenditures				
Contributions to ISU Championships	10'520'000	10'236'740	-283'260	Below Budget mainly since budgeted Council discretion not used
Contributions to other ISU Events	4'050'000	3'239'341	-810'659	Below Budget due to different Items over-budgeted & Council discretion not used
Prize Money to ISU Events	4'530'000	4'042'700	-487'300	Below Budget due to different Items over-budgeted & Council Discretion not used
Total Contributions to ISU Events	19'100'000	17'518'781	-1'581'219	
Development Projects	2'200'000	2'606'994	406'994	Above Budget to be compensated in 2015
Contributions to ISU Members	4'500'000	4'257'056	-242'944	Annual Contributions below Budget (-CHF 190'000) due to 2009 Contributions not claimed and Overdue and credited to Income Council Projects slightly below Budget (- CHF 50'000)
Total Development Program	6'700'000	6'864'050	164'050	
General Operating Expenditures	7'475'000	7'533'205	58'205	Variances among certain cost items but overall in line with Budget
ISU Secretariat	2'400'000	2'376'738	-23'262	In line with Budget
Total Operating Expenses	9'875'000	9'909'943	34'943	
Total Expenditures	35'675'000	34'292'774	-1'382'226	
Retained Earnings before Extraordinary Items	4'435'000	10'148'560	5'713'560	
Extraordinary Items: Funds/Provisions		6'000'000	6'000'000	impossible to budget
Taxes	- 10'000	-11'376	-1'376	In line with Budget
Extraordinary Incomes/Losses		-5'352'723	-5'352'723	
Total Extraordinary Items	-10'000	635'901	645'901	
C. Retained Earnings (Profit)	4'425'000	10'784'461	6'359'461	

INTERNATIONAL SKATING UNION, Lausanne

Development Program

Payments made and promised for Development Projects:	CHF 2'463'994
Administration including Development Coordinator expenses:	<u>CHF 143'000</u>
Total Development Projects	CHF 2'606'994
ISU Contributions:	
Contributions attributed during 2010-2013 (net of payments made and credit for 2009 contributions not claimed)	CHF - 181'699
Provision pending payments of Contributions attributed in 2014	<u>CHF 1'990'143</u>
Total ISU Contributions	CHF 1'808'444
Council Projects including Junior Grand Prix of Figure Skating, Junior World Cup Speed Skating, Inzell Speed Skating Academy & Development Trophy	CHF 2'448'611
Total amount expended for the Development Program during 2014	CHF 6'864'049

To be noted that the Council mandates regular audits of Development Program Projects to be performed by external auditors.

EXTRAORDINARY ITEMS

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

During the year 2014 the US Dollar significantly appreciated compared to the Swiss Franc. On December 31th, 2013 one Dollar was worth 0.889350 CHF while on December 31th, 2014 on Dollar was worth 0.99365 CHF, i.e. plus 11.73 %. The Euro slightly weakened against the CHF by 1.89% (1.225478 vs 1.202379).

This constellation resulted in an exchange rate book profit and increase of the ISU Equity in CHF as of December 31th, 2014. As a matter of fact, while the realized transactions of the bond-portfolio (Loss CHF 6'579'668) combined with the exchange rate adjustments "actuals" versus budget (Profit CHF 1'226'945) resulted in an accounted loss of CHF 5'352'723 the not realized exchange gains on the bond portfolio (difference between book value and market value) amounted to CHF 13.3 million. Besides this not yet realized profit, there also remain the Provisions for an unrealized loss on bonds (CHF 8 million) and an unrealized loss on exchange rates (CHF 1 million). On the date of December 31th, 2014 the ISU Balance Sheet would therefore include reserves of over CHF 22 million.

It was agreed that the Provision for the unrealized loss bonds is to be reduced but that a provision of about 3% of the bonds portfolio shall be maintained, meaning a dissolution of CHF 6 million and a remaining provision of CHF 8 million.

This conservative approach is justified by the unpredictable financial markets. As a matter of fact, on January 15th, 2015, the Swiss National Bank decided to abandon its support towards the Euro which immediately resulted in a drop of the Euro of over 20 %. (i.e. from CHF 1.20 for one Euro to CHF 0.97 for one Euro). These developments resulted in the fact that the market value of the ISU bond portfolio dropped down below the book value, hence the not realized profit on December 31th, 2014 evaporated and resulted in a not realized loss which justifies to maintain the above-mentioned provisions.

As repeatedly pointed the above-mentioned currency exchange rate fluctuations resulting in *accounting losses or profits* have no substantial impact on the ISU's activity that remains (for incomes, expenditures and equity/fortune) mainly in US Dollars.

In addition, it is important to remember that the ISU has not suffered from any actual loss like for example owing bonds or short term financial investments that would have lost all or part of their value due to the bad financial situation of entities having issued such bonds or short term investments.