

To the General Meeting of
International Judo Federation, Lausanne

Lausanne, 16 December 2020

Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the accompanying financial statements of International Judo Federation, which comprise the balance sheet, income statement, cash-flow statement and notes, for the year ended 31 December 2019.



Executive Committee's responsibility

The Executive Committee 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 Executive Committee 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 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 2019 comply with Swiss law and the company's articles of association.

Without qualifying our audit opinion, we draw attention to the fact that, at the balance sheet date, the liabilities of the association exceed its assets.



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.

During our audit performed in accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we noted that an internal control system for the preparation of financial statements, designed in accordance with the instructions of the Executive Committee, has not been documented in all material respects.

In our opinion, the internal control system is not in accordance with Swiss law and accordingly we are unable to confirm the existence of the internal control system for the preparation of the financial statements.

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

Ernst & Young Ltd

Licensed audit expert
(Auditor in charge)

Licensed audit expert

Enclosure

- ▶ Financial statements (balance sheet, income statement, cash-flow statement and notes)

INTERNATIONAL JUDO FEDERATION, ASSOCIATION, LAUSANNE

BALANCE SHEET AS OF 31 DECEMBER 2019

| | | 31.12.2019 | 31.12.2018 |
|--|------|--------------------------|--------------------------|
| | Note | <u>CHF</u> | <u>CHF</u> |
| ASSETS | | | |
| Current assets | | | |
| Cash and cash equivalents and current assets with a stock exchange price | | 2'612'040 | 2'999'229 |
| Short-term deposit | | - | 15'279'652 |
| Trade receivables | 3 | 15'735'357 | 12'634'190 |
| Other current receivables | | - | 62'393 |
| Accrued income and prepaid expenses | 4 | 2'534'317 | 832'091 |
| Total current assets | | <u>20'881'714</u> | <u>31'807'555</u> |
| Non-current assets | | | |
| Long term deposits | | 1'097 | 1'156 |
| Tangible fixed assets | | | |
| Real estate | 5 | 3'914'976 | 4'079'013 |
| Total non-current assets | | <u>3'916'073</u> | <u>4'080'169</u> |
| TOTAL ASSETS | | <u>24'797'787</u> | <u>35'887'724</u> |

INTERNATIONAL JUDO FEDERATION, ASSOCIATION, LAUSANNE

BALANCE SHEET AS OF 31 DECEMBER 2019

| | 31.12.2019 | 31.12.2018 |
|--------------------------------------|--------------------------|--------------------------|
| | <u>CHF</u> | <u>CHF</u> |
| EQUITY AND LIABILITIES | | |
| Current liabilities | | |
| Trade payables | | |
| to third parties | 1'657'086 | 1'916'300 |
| to participants & bodies | 973'856 | 3'057'930 |
| Other current liabilities | | |
| to third parties | - | 8'848 |
| Deferred income and accrued expenses | 6 22'711'254 | 26'089'785 |
| Total current liabilities | <u>25'342'196</u> | <u>31'072'863</u> |
| Non-current liabilities | | |
| Unrealised translation gain | 239'704 | 187'015 |
| Total non-current liabilities | <u>239'704</u> | <u>187'015</u> |
| Total liabilities | <u>25'581'900</u> | <u>31'259'878</u> |
| Equity | | |
| Opening balance | 4'627'846 | 4'334'100 |
| Net income for the year | -5'411'959 | 293'746 |
| Retained earnings | <u>-784'113</u> | <u>4'627'846</u> |
| Total equity | <u>-784'113</u> | <u>4'627'846</u> |
| TOTAL EQUITY AND LIABILITIES | <u>24'797'787</u> | <u>35'887'724</u> |

INTERNATIONAL JUDO FEDERATION, ASSOCIATION, LAUSANNE

INCOME STATEMENT AS OF 31 DECEMBER 2019

| | 31.12.2019 | 31.12.2018 |
|--|--------------------|--------------------|
| | CHF | CHF |
| Income statement | | |
| Contribution from Olympiad | 1'363'998 | 1'642'920 |
| Sponsorship income | 3'647'026 | 4'382'818 |
| Licensing fees | 9'403'771 | 9'340'494 |
| Donations | 6'510 | 978 |
| Suppliers fees | 4'676'415 | 4'171'083 |
| Broadcasting rights | 6'617'601 | 8'520'414 |
| Others | 1'555'964 | 1'858'345 |
| Total revenue | 27'271'285 | 29'917'053 |
| Travelling expenses | -10'321'361 | -9'868'983 |
| Office expenses | -2'727'797 | -2'792'950 |
| Donations | -5'956'485 | -5'211'167 |
| Professional fees | -1'473'500 | -761'535 |
| Competition expenses | -3'660'969 | -3'140'002 |
| Personnel expenses | -2'494'073 | -2'530'682 |
| Other operating expenses | -5'740'627 | -6'545'046 |
| Total operating expenses | -32'374'812 | -30'850'365 |
| <i>Earnings before interest, tax, depreciation and amortization (EBITDA)</i> | <i>-5'103'527</i> | <i>-933'312</i> |
| Depreciation and impairment of tangible fixed assets | -94'397 | -92'914 |
| Provision for major events | - | 1'956'088 |
| <i>Earnings before interest and tax (EBIT)</i> | <i>-5'197'924</i> | <i>929'861</i> |
| Financial cost | -239'318 | -640'153 |
| Financial income | 224'014 | 4'037 |
| Income & capital Tax | -198'731 | - |
| Net income for the year | -5'411'959 | 293'746 |

INTERNATIONAL JUDO FEDERATION, ASSOCIATION, LAUSANNE

CASH-FLOW STATEMENT AS OF 31 DECEMBER 2019

| | 31.12.2019 | 31.12.2018 |
|--|--------------------|--------------------|
| | <u>CHF</u> | <u>CHF</u> |
| Net Income | -5'411'959 | 293'746 |
| + Depreciation on Property | 94'397 | 92'914 |
| - Increase Receivables | -5'646'273 | -12'053'385 |
| + Increase Bad Debt Allowance | 2'545'106 | 1'524'010 |
| + Decrease Other receivables | 62'393 | -62'393 |
| - Increase accrued Income | -105'794 | 279'442 |
| - Increase deferred Expenses | -1'596'402 | 492'102 |
| + Decrease long term Assets | 59 | -1'156 |
| - Decrease Trade Payables | -2'343'288 | 3'293'369 |
| - Decrease Other Payables | -8'848 | -145'205 |
| + Increase accrued Expenses | 221'773 | -253'760 |
| - Decrease deferred Income | -3'595'250 | -1'354'670 |
| - Decrease prov. Major Events | - | -1'956'088 |
| - Decrease long term Liabilities | - | -2'290'016 |
| Operating Cash Drain | <u>-15'784'086</u> | <u>-12'141'089</u> |
| Investments | | |
| - Reduction Loans | - | -1'530'042 |
| | <u>-</u> | <u>-1'530'042</u> |
| + Currency revaluation | 117'244 | 7'032 |
| Cash drain | -15'666'842 | -13'664'099 |
| Cash and short-term deposit 31.12.2018 | 18'278'881 | |
| Cash and short-term deposit 31.12.2019 | <u>2'612'039</u> | |
| Cash drain | -15'666'842 | |

INTERNATIONAL JUDO FEDERATION, ASSOCIATION, LAUSANNE

NOTES TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2019

1. Activities

International Judo Federation is a non for profit association under Swiss law with seat in Lausanne Switzerland. It started its operations in Switzerland as of 1 January 2010. The Federation is composed of National Judo Federations acting as members, officially affiliated through one of the five Continental Judo Unions of Africa, Europe, Oceania, Asia and Pan America. The Federation is engaged in the organization and development of the sport and practice of Judo.

2.1 Basis preparation

These financial statements have been prepared in accordance with the provisions on commercial accounting laid down in articles 957 – 963b Swiss Code of Obligations (CO) (effective 1 January 2013).

2.2 Principles applied in these financial statements (where these are not specified by law):

Accounting records are maintained in US Dollars (USD), which is the functional currency of the Federation. Financial statements are translated from USD into Swiss Franc (CHF) for statutory purposes. Items of the balance sheet are translated at closing rate and income statements items are translated at average rate. Members' fund are recorded at historical rate. Net translation differences resulting in a loss are taken to income statement. Conversion gains are deferred to balance sheet.

2.3 Significant accounting policies

Revenue recognition

Revenue from sponsorship income and membership is recognized when the outcome of the transaction can be estimated reliably and when the competition occurs. The difference between invoicing and the recognized income is deferred in the balance sheet.

Donation income is recognized on receipt.

Property

Property is stated at cost less accumulated depreciation and any impairment in value.

Account receivables

Account receivables are stated at amount agreed with sponsors less a provision for uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable or when the debt is overdue for more than 90 days as at closing date. Bad debts are written off as incurred.

Account payables and accruals

Liabilities are recognised for amounts to be paid in the future for services received, whether billed by the supplier or not.

INTERNATIONAL JUDO FEDERATION, ASSOCIATION, LAUSANNE
NOTES TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2019

Provision

Provisions are recognised when the Federation has an obligation (legal or constructive) arising from a past event, and the costs to settle the obligation are both probable and able to be reliably measured.

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the reporting date. All differences are taken to the income statement.

The financial statements are presented in CHF but the accounting is in USD because this is the main currency used by the organization.

The assets and liabilities are translated into CHF at the rate of exchange prevailing at the reporting date and the income statement is translated at the yearly average rate.

In 2018, at the end of the year, the exchange rate is 1 \$ = 0.98578 CHF and the average rate is 1 \$ = 0.97803 CHF.

In 2019, at the end of the year, the exchange rate is 1 \$ = 0.96837 CHF and the average rate is 1 \$ = 0.99366 CHF.

3. Account receivables

| | December 31, 2019 | December 31, 2018 |
|---|----------------------|----------------------|
| Accounts receivable third parties | 10'010'318 | 8'333'248 |
| Accounts receivable participants and bodies | 12 031 674 | 8 062 470 |
| Accounts receivable | <u>22 041 992</u> | <u>16 395 719</u> |
| Bad debt allowance* | <u>(6 306 635)</u> | <u>(3 761 529)</u> |
| Accounts receivable, net | <u>15 735 357</u> | <u>12 634 190</u> |

* Bad debt allowance has been adjusted accordingly to the account principle under 2.3

4. Accrued income and prepaid expenses

| | December 31, 2019 | December 31, 2018 |
|------------------|----------------------|----------------------|
| Accrued income | 637 467 | 531 673 |
| Prepaid expenses | <u>1 896 850</u> | <u>300 418</u> |
| | <u>2 534 317</u> | <u>832 091</u> |

5. Real estate

| | December 31, 2019 | December 31, 2018 |
|--------------------|----------------------|----------------------|
| Ouchy residence | 2'523'805 | 2'628'327 |
| Budapest office | 324'023 | 339'706 |
| Budapest residence | <u>1'067'148</u> | <u>1'110'979</u> |
| Real estate, net | <u>3'914'976</u> | <u>4'079'012</u> |

INTERNATIONAL JUDO FEDERATION, ASSOCIATION, LAUSANNE
NOTES TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2019

6. Accrued expenses and deferred income

| | December 31, 2019 | December 31, 2018 |
|------------------|----------------------|----------------------|
| Accrued expenses | -252'379 | -35'659 |
| Deferred revenue | -22'458'875 | -26'054'125 |
| | <u>-22'711'254</u> | <u>-26'089'785</u> |

7. Other information required by law

In 2018 and 2019, the number of full time equivalent employees is less than 50.

8. Subsequent events - COVID-19 pandemic

Subsequent to end of the financial year, the COVID-19 outbreak was declared a pandemic by the World Health Organization in March 2020. On 16 March 2020, the Federal Council declared that as of 17 March 2020 an 'extraordinary situation' in terms of the Epidemics Act exists in Switzerland .

We have seen a significant impact on our operation to date. The outbreak and the response of Governments in dealing with the pandemic led to the delay and cancellation of competitions and events in 2020 and 2021. The scale and duration of these developments remain uncertain as at the date of this report, however they are having an impact on our earnings, cash flow and financial condition.

It is not possible to estimate the impact of the outbreak's near-term and longer effects. This being the case, we do not consider it practicable to provide a quantitative or qualitative estimate of the potential impact of this outbreak on the International Judo Federation at this time.

The financial statements have been prepared based upon conditions existing at 31 December 2019 and considering those events occurring subsequent to that date, that provide evidence of conditions that existed at the end of the reporting period. As the outbreak of COVID-19 occurred after 31 December 2019, its impact is considered an event that is indicative of conditions that arose after the reporting period and accordingly, no adjustments have been made to financial statements as at 31 December 2019 for the impacts of COVID-19.

The Management has prepared a Plan-Cash Flow statement and budgeting assuming delays and cancellation for judo competitions and events. Based on this, the Management is of the opinion that the International Judo Federation can financially cope with the closure and has therefore prepared the financial statements on a going concern basis.