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# ***Fédération Internationale de Natation***

***Lausanne***

## ***Report of the statutory auditor to the Bureau on the financial statements 2016***





# ***Report of the statutory auditor to the Bureau of Fédération Internationale de Natation***

***Lausanne***

## ***Report of the statutory auditor on the financial statements***

As statutory auditor, we have audited the accompanying financial statements of Fédération Internationale de Natation, which comprise the balance sheet, income statement, cash flow statement and notes, for the year ended 31 December 2016.

### ***Honorary Treasurer's responsibility***

The Honorary Treasurer is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the requirements of the Constitution. 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 Honorary Treasurer 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 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 2016 comply with Swiss law and the requirements of the Constitution.



## ***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 69b paragraph 3 CC in connection with article 728 CO) and that there are no circumstances incompatible with our independence.

In accordance with article 69b paragraph 3 CC in connection 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 Honorary Treasurer.

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

PricewaterhouseCoopers SA

Guillaume Nayet

Mathieu Roth

Audit expert  
Auditor in charge

Genève, 23 May 2017

Enclosure:

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

**Balance sheet at December 31**  
**(in Swiss Francs)**

	Notes	2016	2015
<b>Assets</b>			
<b>Current assets</b>			
Cash at bank and in hand		61 209 627	35 833 784
Short term deposits and derivatives		19 565 857	20 291 854
Marketable securities	3	46 617 664	41 344 032
Accounts receivable, net	4	11 049 824	7 439 450
Prepaid expenses and other current assets	5	1 590 605	3 395 014
<b>Total current assets</b>		<b>140 033 577</b>	<b>108 304 134</b>
<b>Non current assets</b>			
Leasing and other non current assets		0	22 288
Real Estate - FINA Headquarters	6	17 640 978	11 558 479
<b>Total non current assets</b>		<b>17 640 978</b>	<b>11 580 767</b>
<b>Total assets</b>		<b>157 674 555</b>	<b>119 884 901</b>
<b>Liabilities, deferred income and funds</b>			
<b>Current liabilities</b>			
Accounts payable and other short term payables	7	4 239 316	4 288 919
Accrued liabilities		6 292 235	3 737 372
Provisions		1 947 536	2 179 560
Unrealised exchange gains		635 199	0
<b>Total current liabilities</b>		<b>13 114 286</b>	<b>10 205 851</b>
<b>Debt bearing interest</b>	3, 6	<b>0</b>	<b>2 399 000</b>
<b>Deferred income</b>	8	<b>45 192 946</b>	<b>35 287 448</b>
<b>Events restricted funds and guarantees for events</b>	9	<b>6 927 148</b>	<b>7 245 795</b>
<b>Total liabilities</b>		<b>65 234 380</b>	<b>55 138 094</b>
<b>Equity</b>			
Restricted operating funds and reserves, prior allocation of current result	26,27	56 000 000	38 000 000
Unrestricted operating funds as per statement attached		36 440 175	26 746 807
<b>Total restricted and unrestricted operating funds as per statement attached</b>		<b>92 440 175</b>	<b>64 746 807</b>
<b>Total liabilities and equity</b>		<b>157 674 555</b>	<b>119 884 901</b>

**Statement of income and expenditure for the year ended  
December 31  
(in Swiss Francs)**

	Notes	2016	2015
<b>Income</b>			
IOC Contributions and OG related income	10	30 485 838	1 937 271
FINA Events Income	11	26 226 153	58 773 765
Communication programmes		7 453	25 324
Penalty fees and other fees	12	2 596 877	5 463 092
Other Income		139 226	193 336
		<b>59 455 547</b>	<b>66 392 788</b>
<b>Expenditure</b>			
Olympic Games		3 670 525	100 910
FINA Events expenses	13	19 337 884	36 397 563
Development activities		1 557 128	1 000 547
Out of competition doping control		2 276 605	802 663
Communication and promotion expenses		983 718	990 680
Rules and regulations control activities		30 694	214 641
Administration expenses	14	7 256 191	6 505 865
Movements in provision for doubtful debtors and bad debt expenses		( 857 229)	5 689 753
		<b>34 255 516</b>	<b>51 702 622</b>
<b>Excess of income gain (loss) before financial results</b>		<b>25 200 031</b>	<b>14 690 166</b>
Financial activities - Gain (Loss)	15	2 493 337	7 141
<b>Excess of income - Gain (Loss) for the year</b>		<b>27 693 368</b>	<b>14 697 307</b>
Unrestricted operating funds at beginning of year		8 746 807	12 049 500
<b>Unrestricted operating funds at end of year</b>		<b>36 440 175</b>	<b>26 746 807</b>
<b>Proposition of unrestricted operating funds allocation:</b>			
<b>Allocation to restricted operating funds and reserves</b>	26,27		
Event cancellation reserve		0	10 000 000
FINA Headquarters fund		0	4 000 000
Development programmes reserves and funds		15 000 000	4 000 000
FINA Anti-doping Foundation		15 000 000	0
		<b>30 000 000</b>	<b>18 000 000</b>
<b>Unrestricted operating funds at end of year, after allocation to reserves</b>		<b>6 440 175</b>	<b>8 746 807</b>

**Cash flow statement for the financial year  
ended 31 December  
(in Swiss francs)**

	2016	2015
Profit/loss for the year	27 693 368	14 697 307
Net increase/decrease in short and long-term provisions	( 232 024)	152 429
Net increase/decrease in current receivables	(3 610 374)	2 794 364
Net increase/decrease in accrued income and prepaid expenses	1 804 409	(1 251 992)
Net increase/decrease in short-term liabilities (excluding financial liabilities and property related costs)	594 198	1 116 211
Net increase/decrease in accrued expenses and deferred income	12 141 714	(3 701 346)
Other non-cash income and expenses	635 199	(4 028 397)
<b>Cash flow from operating activities</b>	<b>39 026 490</b>	<b>9 778 576</b>
Purchases of property, plant and equipment	(6 082 499)	(4 334 286)
Net increase/decrease in short-term liabilities property related costs	( 643 801)	562 295
Proceeds from property, plant and equipment	22 288	19 104
<b>Cash flow from investing activities</b>	<b>(6 704 012)</b>	<b>(3 752 887)</b>
Net increase/decrease in short-term financial liabilities	(2 399 000)	(4 991 000)
<b>Cash flow from financing activities</b>	<b>(2 399 000)</b>	<b>(4 991 000)</b>
<b>Net increase/decrease in cash and cash equivalents and short-term investments with a quoted market price</b>	<b>29 923 478</b>	<b>1 034 689</b>
<b>Statement of net increase/decrease in cash at bank and in hand and short-term investments</b>		
As at January 1	97 469 670	96 434 981
As at December 31	127 393 148	97 469 670
<b>Net increase/decrease in cash at bank and in hand and short-term investments</b>	<b>29 923 478</b>	<b>1 034 689</b>

**Notes to the financial statements 2016**

**1. Activity**

The Fédération Internationale de Natation (FINA), with legal status as an association in accordance with article 60 ff of the Swiss Civil Code, is the world governing body for the sport of Aquatics; its headquarters are located in Lausanne, Switzerland.

The main objectives of FINA are to promote and encourage the development of Aquatics in all possible manifestations throughout the world, to provide fair and drug free sport, to promote and encourage the development of international relations, to encourage participation in Aquatic disciplines at all levels throughout the world regardless of age, gender or race, to organise World Championships and other FINA competitions, to adopt necessary uniform rules and regulations and to hold competitions in Swimming, Open Water Swimming, Diving, High Diving, Water Polo, Synchronised Swimming and Masters, to encourage the increase of facilities for Aquatic's disciplines throughout the world with the support of other interested parties and to carry out such other activities as may be desirable to promote the sport.

**2. Summary of significant accounting policies**

**2.1 Basis of accounting**

These financial statements have been prepared in accordance with the provisions of commercial accounting as set out in the Swiss Code of Obligations (Art. 957 to 963b CO, effective since 1 January 2013). Significant balance sheet items are accounted for as follows:

**2.2 Short term deposits and derivatives**

Term deposits are deposits held in currencies other than Swiss Francs and valued at exchange rates ruling at year-end.

Structured products are short term deposits including derivative financial instruments to hedge exposure against currency fluctuations. At year end these deposits are valued at fair value, being the market value on balance sheet date of the quoted structured product.

**2.3 Marketable securities**

Marketable securities are valued on an item by item basis at the lower of costs and market values.

**2.4 Deferred income, prepaid expenses and other current assets**

Any funds received for events to be held in the future or invoiced on a contractual basis, where reimbursement of these funds would be necessary in the case of event cancellation, are deferred in the balance sheet and not recognized as income until the event for which the funds were received has taken place. Costs incurred for future events are capitalized within "Prepaid expenses and other current assets" and are amortized in line with the recognition of the related revenue. Deferred income is recorded applying the exchange rate prevailing on the date of invoicing. Provision has been recorded where FINA's liability has increased due to exchange rate fluctuation.

**Notes to the financial statements 2016**

**2.5 Accounting for foreign currencies**

Assets and liabilities denominated in currencies other than Swiss francs are recorded based on exchange rates ruling at the year-end. Transactions denominated in other than Swiss francs are recorded at average rates for the year. All exchange losses and realized exchange gains are recognized in the statement of income and expenditure. Unrealized exchange gains are deferred and recognized under current liabilities.

**2.6 Provision for doubtful accounts**

Provision is made for accounts whose collection is considered by management to be uncertain; this is described as provision for doubtful accounts in the financial statements.

	<b>December 31, 2016 CHF</b>	<b>December 31, 2015 CHF</b>
<b>3. Marketable securities</b>		
Marketable securities at cost value	47 019 658	41 991 829
Provision on marketable securities as per note 2.3	( 401 994)	( 647 797)
	<u>46 617 664</u>	<u>41 344 032</u>
Market value of marketable securities	49 310 197	44 140 509

Guarantees covering the lombard loan :

Cash at bank and securities held at one of the banks are pledged to cover the value of the bearing interest debt (lombard loan) denominated in Swiss Francs.

	<b>December 31, 2016 CHF</b>	<b>December 31, 2015 CHF</b>
<b>4. Accounts receivable, net</b>		
Accounts receivable		
Federations	2 592 870	3 118 045
Host cities - World Championships organisers and LOCOG	5 805 669	10 684 854
Broadcasters and sponsors	4 991 855	1 699 663
Other debtors	115 993	168 780
	<u>13 506 387</u>	<u>15 671 342</u>
Provision for doubtful accounts	(2 456 563)	(8 231 892)
	<u>11 049 824</u>	<u>7 439 450</u>



Notes to the financial statements 2016

	December 31, 2016 CHF	December 31, 2015 CHF
<b>5. Prepaid expenses and other current assets</b>		
Accrued income on short term deposits and marketable securities	320 294	323 510
Prepaid expenses for events	1 088 275	1 865 167
Swiss VAT and Withholding tax to claim	21 020	306 074
Blocked bank account-ISL liquidation	0	261 074
Rent and other third parties guarantee deposits	70 145	53 330
Other	90 871	585 859
	<u>1 590 605</u>	<u>3 395 014</u>

**6. Real Estate acquisition for FINA Headquarters**

In June 2013, FINA acquired a real estate to build the FINA Headquarter. To finance this acquisition, FINA raised a lombard loan bearing interest. This loan is renewed on a monthly basis and guaranteed by pledged cash at bank and marketable securities. As at December 31, 2016, the value of the loan was nil. FINA moved to its new Headquarters on October 1, 2016.

Headquarter building costs	11 302 085	5 169 586
Property purchase costs	6 338 893	6 388 893
	<u>17 640 978</u>	<u>11 558 479</u>

**7. Accounts payable and other short term payables**

General suppliers		
Federations	790 729	546 435
Other suppliers	1 465 881	3 025 601
Real estate construction - suppliers	73 082	716 883
Swiss VAT	1 909 624	0
	<u>4 239 316</u>	<u>4 288 919</u>

**8. Deferred income**

Affiliation fees	13 400	15 985
Bid and registration fees	134 845	310 860
Host Cities (WCH) partnership rights and fees	33 135 365	26 677 225
Host Cities (WCH) HB and TV budgeted costs	3 582 424	4 256 584
Broadcasters and sponsors	5 337 456	563 360
Olympic Games related and other income	4 485	1 196 949
Exchange rate fluctuation impact	2 984 971	2 266 485
	<u>45 192 946</u>	<u>35 287 448</u>

Notes to the financial statements 2016

	December 31, 2016 CHF	December 31, 2015 CHF
<b>9. Events restricted funds and guarantees for events</b>		
Swimming World Cup restricted fund for World Records	37 284	37 284
Guarantees and deposits for events		
World Championships	5 860 435	5 566 500
World Swimming Championships	199 130	144 530
Other Events	467 678	669 041
	<u>6 527 243</u>	<u>6 380 071</u>
Development Restricted funds		
Target Rio 2016	0	225 318
	<u>0</u>	<u>225 318</u>
Exchange rate impact on restricted funds and guarantees	362 621	603 122
	<u>6 927 148</u>	<u>7 245 795</u>
<b>10. IOC Contributions and other OG related income</b>		
IF Development programmes	1 767 354	1 911 581
Other Olympic Games related income	28 718 484	25 690
	<u>30 485 838</u>	<u>1 937 271</u>
<b>11. Events income</b>		
Bid and registration fees		
World Championships	2 954	9 178
Other Events	1 637 606	1 132 037
Host Cities World Championships partnership rights and fees	0	14 338 950
Broadcast and sponsorship income		
World Championships	6 848 304	19 404 507
World Swimming Championships	7 251 189	1 175 940
Other Events	5 248 793	5 058 166
Value in kind		
World Championships	0	14 285 338
World Swimming Championships	2 443 855	0
Other Events	1 760 364	2 086 910
Other Income		
World Championships	1 058	349 836
World Swimming Championships	106 654	0
Other Events	925 376	932 903
	<u>26 226 153</u>	<u>58 773 765</u>

Notes to the financial statements 2016

	December 31, 2016 CHF	December 31, 2015 CHF
<b>12. Penalty fees and other fees</b>		
Affiliation fees	41 570	41 600
Penalty fees and fines	2 308 985	5 026 082
Coaches seminar certificates	846	2 739
Aquatics apparel submission fees	245 476	392 671
	<u>2 596 877</u>	<u>5 463 092</u>
<b>13. FINA Events expenses</b>		
<b>FINA Family Expenses</b> (Bureau, Committees, Commissions and others)		
Hotel, travel and per diem		
World Championships	31 698	2 431 243
World Swimming Championships	1 098 422	28 288
Other events	3 546 157	2 244 405
Members medical insurance	158 405	208 809
Professional and liability insurance	49 430	49 430
Protocol awards	277 255	501 854
Other expenses	125 024	162 102
	<u>5 286 391</u>	<u>5 626 131</u>
<b>Third parties services</b>		
Marketing agent		
World Championships	494 021	3 377 314
Championships	1 568 905	196 042
Other Events	611 652	822 440
Value in kind		
World Championships	( 5 544)	9 290 000
Championships	1 404 971	0
Other events	1 838 222	2 214 795
Legal services	154 059	339 436
Other third parties services	400 064	654 439
	<u>6 466 350</u>	<u>16 894 466</u>
<b>Federations support</b>		
Travel support and other contributions		
World Championships	0	2 742 163
World Swimming Championships	826 080	0
Other FINA Events travel support and contributions	2 319 365	1 561 366
	<u>3 145 445</u>	<u>4 303 529</u>
<b>Athletes support</b>		
Prize monies		
World Championships	( 1 182)	5 735 630
World Swimming Championships	1 206 928	0
Other FINA Events	3 233 952	3 837 807
	<u>4 439 698</u>	<u>9 573 437</u>
	<u>19 337 884</u>	<u>36 397 563</u>

Notes to the financial statements 2016

	December 31, 2016 CHF	December 31, 2015 CHF
<b>14. Administration Expenses</b>		
Payroll	5 482 112	5 242 031
Communications	139 463	116 537
Premises and insurance	364 896	381 470
Moving Costs	72 033	0
Office equipment Headquarters	405 181	0
General administration costs	792 506	765 827
	<u>7 256 191</u>	<u>6 505 865</u>

**15. Financial activities**

**Income**

Interest on bonds	940 798	860 397
Interest on money market and derivatives	92 765	20 551
Gain on bonds sold prior redemption	365 332	605 062
Release marketable securities provision	586 455	20 387
Exchange difference realized and long term capital	1 658 830	1 071 360
	<u>3 644 180</u>	<u>2 577 757</u>

**Expenditure**

Custody fee, commissions and bank charges	292 615	265 533
Interest charges on loan for FINA Headquarters	15 693	31 126
Fluctuations on marketable securities reimbursed value	130 029	134 364
Provision on marketable securities	0	647 798
Foreign exchange difference	712 506	1 491 795
	<u>1 150 843</u>	<u>2 570 616</u>
Net result on financial activities - Gain (Loss)	<u>2 493 337</u>	<u>7 141</u>

**16. Full-time positions**

	2016	2015
Full-time positions at the end of the period	30.05	28.17

The number of full time equivalents did not exceed 50 on an average basis.

**17. Assets used to secure own liabilities and assets under reservation of ownership**

Description	December 31, 2016 CHF	December 31, 2015 CHF
Cash at bank and marketable securities - pledged assets to cover lombard loan	0	2 399 000
Pledged assets to cover premises guarantee - contingent liability	0	90 000

**Notes to the financial statements 2016**

**18. Lease liabilities**

At the end of the period, there was no lease liability (2015 : CHF 22'288).

	<b>December 31, 2016 CHF</b>	<b>December 31, 2015 CHF</b>
<b>19. Fees paid to the auditors</b>		
Audit services	<u>31 154</u>	<u>30 888</u>

**20. Foreign currencies**

Monetary and non-monetary items in foreign currency are translated into Swiss francs at the following exchange rates:

<i>Foreign currency</i>		<b>Balance sheet as at December 31, 2016</b>	<b>Balance sheet as at December 31, 2015</b>
US dollars	1 USD	1.016354	1.001012
EURO	1 EUR	1.072000	1.087400
Japanese Yen	100 Yen	0.008713	0.832100
British Pound	1£	1.255857	1.475340
Russian Roubles	100 Rub	0.016649	1.370500

The exchange rates used for balance sheet items are the rates prevailing on December 31; the exchange rates used for transactions conducted during the course of the year and for items in the profit and loss statement are the monthly AFC published exchange rates.

**21. Pension Liabilities**

FINA Employees are covered for pension by a pension insurance in agreement with the Federal law on occupational benefit plans (LOB), which covers the entire risk. The federation's responsibility is limited to the annual contributions. As at December 31, there were no liabilities towards the pension fund.

**22. Contingent liabilities**

The Federation is involved in claims and legal disputes. Wherever a loss is possible and determinable, management has set up adequate provision.

**Notes to the financial statements 2016**

**23. Total amount resulting from the dissolution of replacement reserves and the material dissolution of excess hidden reserves**

Hidden reserves of CHF 357'569 were released in the year under review (2015 : CHF 0).

**24. Significant events occurring after the balance sheet date**

None

**25. Deviations from the going concern principle, the principle of consistency in presentation and valuation and from the prohibition to offset**

Where necessary, comparative 2015 figures have been revised to conform with the current year 2016 presentation.

**26. Reserves**

The purpose of the reserves is to protect FINA against risks and unforeseen events, in particular in relation to the organisation of the FINA's World Championships. Management's objective is to cover also other FINA activities such as Development Programmes. The aim of the reserves is to secure the "going concern" for a full period where income might be limited.

▪ Events cancellation reserve: Reserve to secure the organisation of FINA events, in particular the FINA World Championships against unforeseen events;

▪ FINA Headquarters fund: Fund to cover commitments in relation with FINA's future Headquarters;

▪ Development programmes reserves : Reserve to secure the Development activities. The use of the reserves is restricted to FINA's objectives such as described in the FINA Constitution C5.

	<b>December 31, 2016 CHF</b>	<b>December 31, 2015 CHF</b>
Event cancellation reserve	30 000 000	20 000 000
FINA Headquarters funds	18 000 000	14 000 000
Development programme reserves and funds	8 000 000	4 000 000
	<u>56 000 000</u>	<u>38 000 000</u>

**27. Allocation of result**

In line with past years practices, FINA Executives propose to allocate the excess of Income over expenses to the operating funds.

In view of the creation of an Anti-Doping Foundation and a Development Fund, managements proposition is to allocate each a total of CHF 15'000'000.- out of current year's result.