

**Report of the independent auditor**

with financial statements as of 31 December 2014 of

**International Table Tennis Federation, Renens**

To the Board of Directors of

**International Table Tennis Federation, Renens**

Lausanne, 13 April 2015  
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## **Report of the independent auditor on the financial statements**

As independent auditor and in accordance with your instructions, we have audited the accompanying financial statements of International Table Tennis Federation which comprise the balance sheet, income statement and notes for the year ended 31 December 2014.

### **Board of Directors' responsibility**

The Board of Directors, represented by the Executive Committee, is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the federation's articles of association. 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 Board of Directors, represented by 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 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 2014 comply with Swiss law and the federation's articles of association.

Ernst & Young Ltd



Serge Clément  
Licensed audit expert  
(Auditor in charge)



Michael Ackermann  
Licensed audit expert

**Enclosure**

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

**International Table Tennis Federation, Renens / Lausanne**

**Balance sheet at December 31, 2014**

(in CHF)

	Notes	December 31, 2014	December 31, 2013
<b>Assets</b>			
<b>Current assets</b>			
Cash at bank and in hand		5 899 652	5 920 563
Financial assets	<b>7</b>	4 657 934	4 728 966
Accounts receivable, net	<b>5</b>	881 505	493 854
Prepaid expenses		63 205	258 419
<b>Total current assets</b>		<u>11 502 296</u>	<u>11 401 803</u>
<b>Fixed assets</b>			
Tangible fixed assets	<b>6</b>	3 586 233	3 798 048
<b>Total fixed assets</b>		<u>3 586 233</u>	<u>3 798 048</u>
		15 088 529	15 199 851
<b>Total assets</b>		<u><u>15 088 529</u></u>	<u><u>15 199 851</u></u>
<b>Liabilities and funds</b>			
<b>Current liabilities</b>			
Accounts payable, advance and accrued liabilities		1 800 920	1 323 701
Deferred revenues - Olympic funding	<b>8</b>	4 000 000	6 000 000
Deferred revenues - other	<b>9</b>	429 451	741 611
<b>Total current liabilities</b>		<u>6 230 371</u>	<u>8 065 312</u>
<b>Funds</b>			
Unrestricted funds	<b>10</b>	9 009 987	7 314 159
Currency translation adjustment	<b>2.5</b>	( 151 829)	( 179 621)
<b>Total funds</b>		<u>8 858 158</u>	<u>7 134 538</u>
<b>Total liabilities and funds</b>		<u><u>15 088 529</u></u>	<u><u>15 199 851</u></u>

**International Table Tennis Federation, Renens / Lausanne**

**Statement of income and expenditure for the year ended  
December 31, 2014  
(in CHF)**

	Notes	2014	2013
<b>Income</b>			
Marketing income	<b>11</b>	5'716'069	4'891'146
Olympic solidarity		116'332	197'960
Other Olympic Income		506'742	-
International Umpires/Referees		41'628	10'568
Equipment approval fees		1'066'060	964'101
Subscriptions and membership		113'740	16'200
Investment income/loss		3'345	4'509
Sales and advertising		29'197	35'635
Paralympic TT division		208'757	223'672
Miscellaneous		175'177	376'405
Revenues ITTF Museum Shanghai	<b>12</b>	360'000	-
Butterfly Solidarity Fund Junior		61'935	58'519
Government Grant		4'240	86'417
Currency exchange gain	<b>3</b>	1'456'972	89'534
Income before release from deferred revenues		9'860'195	6'954'666
Release from deferred revenues regarding Olympic fund	<b>8</b>	2 000 000	2 762 294
		<i>11'860'195</i>	<i>9'716'960</i>
<b>Expenditure</b>			
Salaries and clerical assistance		730'595	795'004
Depreciation and Bad debts	<b>19</b>	210'376	248'746
Administration	<b>13</b>	584'970	548'830
Publications	<b>14</b>	99'818	75'499
Meetings and travel	<b>15</b>	684'433	765'987
Competitions	<b>16</b>	4'838'872	4'403'156
Development and Olympic Solidarity	<b>17</b>	1'978'158	1'830'659
Cost of Marketing - Singapore		12'118	205'932
Paralympic TT Division		117'668	144'620
Other expenses	<b>18</b>	820'798	390'233
Museum		79'898	40'594
Currency Exchange Loss		6 663	59 285
		<i>10'164'366</i>	<i>9'508'546</i>
<b>Profit for the year</b>		<b>1 695 828</b>	<b>208 414</b>

**Notes to the financial statements 2014**

**1. Activity**

International Table Tennis Federation (ITTF), Lausanne, is operating as a not-for-profit organization incorporated under article 60 of the Swiss Civil Code. The Federation's office in Canada is incorporated under Part II of the Canada Corporation Act with federal letters patent dated August 19, 1997. The International Table Tennis Federation (ITTF) Asia-Pacific office is on its side incorporated and domiciled in Singapore since 1 March 2011.

**The objectives of the Federation are:**

- a) to develop the spirit of friendship and mutual assistance among affiliated table tennis associations and players;
- b) to regulate relations between affiliated table tennis associations and between table tennis associations and other organizations;
- c) to seek continual improvement in the technical standard of table tennis and in the extent of participation in the sport throughout the world;
- d) to foster friendly sporting competition and to eliminate unfair and unsporting practices;
- e) to establish and maintain the Laws of Table Tennis and the Regulations for international Competitions;
- f) to publish the standard text of the Rules, consisting of the Constitution, the Laws and the Regulations;
- g) to encourage the publication of the Rules in other languages and to check the accuracy of such publications;
- h) to promote and to supervise World and Olympic title competitions; and
- i) to employ the funds of the ITTF as may be expedient in the interests of international table tennis.
- j) to endeavor to increase participation at all levels, to enhance the popularity of the sport, to develop new sources of revenue and to manage the sport through a systematic planning process.
- k) to encourage players, coaches and officials to present the sport positively in the best ways so as to enhance its image.
- l) to encourage and to support the promotion of women in sport at all levels and to ensure significant representation of women in ITTF Committees, Commissions and Working Groups.

**Notes to the financial statements 2014**

**2. Summary of significant accounting policies**

**2.1 Basis of accounting**

ITTF uses the accruals basis of accounting in preparing the financial statements.

**2.2 Tangible fixed assets**

Tangible fixed assets are stated at acquisition cost. When assets are retired or otherwise disposed of, the cost of the asset and the related accumulated depreciation are removed from the accounts. Any profit or loss on disposal of fixed assets is reflected in the statement of income for the period.

**2.3 Depreciation**

Depreciation is calculated on the basis of the cost of the assets and on their estimated useful lives and is provided as follows:

Furniture and equipment	33.3% straight-line basis
Computers	33.3% straight-line basis
Building	4% straight-line basis
Vehicles	30% straight-line basis
Museum Collection	not depreciated

**2.4 Deferred income**

Any funds received for events to be held in the future, 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.

**2.5 Foreign currencies**

The Federation's consolidated financial statements are presented in Swiss Francs, which is also the Lausanne office's functional currency. For each entity the Federation determines the functional currency and items included in the financial statements of each entity are measured using that functional currency.

i) Transactions and balances

Transactions in foreign currencies are initially recorded by the Federation's entities at their respective functional currency at a fixed exchange rate adjusted on a yearly basis.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Differences arising on settlement or translation of monetary items are recognised in income statement.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions.

ii) Translation

On consolidation, the assets and liabilities of foreign operations are translated into Swiss Francs at the rate of exchange prevailing at the reporting date and their income statement is translated at the yearly average rate.

**2.6 Revenue recognition - Olympic revenue**

The Federation's policy is that enough Olympic revenue be recognized in each year of the quadrennial in order to eliminate any deficiency of revenue over expenses for the year or at least stabilize the statement of income and expenditure

**Notes to the financial statements 2014**

**3. Financial instruments and currency exchange gains**

The Federation's financial instruments consist of cash, accounts receivable and accounts payable. The carrying values of these financial instruments approximate their fair value. Unless otherwise noted, it is management's opinion that the Federation is not exposed to significant interest, currency or credit risks arising from these financial instruments.

Most of the Federation's financial instruments (cash at bank and financial assets) are nominated in USD. As the USD strengthened sharply against the Swiss Franc during the year, exchange gains amounting to CHF 1'456'972 were recorded in 2014.

**4. Related parties**

TMS International

TMS International ("TMS") is an independent, non-profit Marketing Corporation that conducts marketing and commercial activities on behalf of the Federation and other entities.

Under an agreement between the Federation, as the principal client, and TMS, expired December 31, 2008 and extended for a six new year's period, TMS has the exclusive rights of selling Federation sponsorship, advertising, television and licensing rights over specified Federation events. Until 2013, TMS provided the Federation with yearly guaranteed revenue based on the greater of an annual budgeted amount approved at the Federation's Executive Committee:

The contract with TMS has been amended in September 2013 with regards to the financial year 2014. According to the new contract, there is no minimum amount committed by TMS but a profit sharing scheme is implemented (75% of the commercial income and TV rights for ITTF and 25% for TMS). A contract based on this model was also signed in July 2014 for the period 2015 to 2020. The amounts committed by TMS contractually and the amounts transferred each year by TMS and recorded by ITTF as marketing revenues are as follows:

Financial Year	Contractual minimum revenues (former contract)	Contractual minimum revenues (amended contract)	TMS actual contribution	TMS actual contribution
	in million USD	in million USD	in million USD	in million CHF
2013	5.0	n/a	5.3	4.8
2014	5.2	none	6.7	5.6

In addition, the Federation charges TMS for administrative expenses incurred in the Asia-Pacific office. During the year these charges amounted to CHF 124'102 (2013: CHF 228'161). On its side, TMS charges the federation for Information Technology services in lieu of the Federation hiring a full-time IT Manager. During the year, these charges amounted to CHF 8'255 (2013: CHF 41'714).

**5. Accounts receivable**

	December 31, 2014 CHF	December 31, 2013 CHF
Accounts receivable third parties	112 989	52 262
Accounts receivable related parties	780 516	465 593
Accounts receivable	893 505	517 854
Bad debt allowance	( 12 000)	( 24 000)
Accounts receivable, net	<u>881 505</u>	<u>493 854</u>

The changes in bad debt allowance and actual losses on receivables are recorded under the line depreciation and bad debts, refer to note 19.



**Notes to the financial statements 2014**

**6. Tangible Fixed Assets**

	<b>December 31, 2014 CHF</b>	<b>December 31, 2013 CHF</b>
Land and building (Renens)	3 059 183	3 275 486
Furniture and equipment	10 986	6 498
Museum Collection	516 064	516 064
	<u>3 586 233</u>	<u>3 798 048</u>

**7. Financial assets**

	<b>December 31, 2014 CHF</b>	<b>December 31, 2013 CHF</b>
Call accounts	4 477 077	4 550 966
Money market and notes	180 857	178 000
	<u>4 657 934</u>	<u>4 728 966</u>

The ITTF cash in excess resulting from the International Olympic Committee distribution after the 2008 Olympic Games was invested in short term money deposits and notes with first ranking banks. These financial assets are accounted for at market value.

**8. Deferred revenues - Olympic Fund**

	<b>December 31, 2014 CHF</b>	<b>December 31, 2013 CHF</b>
Olympic funding at the beginning of the year	6 000 000	8 880 000
Used in year	(2 000 000)	(2 762 294)
Difference (estimates and foreign exchange)	-	( 117 706)
Olympic funding at the end of the year	<u>4 000 000</u>	<u>6 000 000</u>

**9. Deferred revenues - other**

	<b>December 31, 2014 CHF</b>	<b>December 31, 2013 CHF</b>
Sponsorship	-	375'545
Equipment approval	429 451	366 066
	<u>429 451</u>	<u>741 611</u>

**Notes to the financial statements 2014**

**10. Unrestricted funds**

	<b>December 31, 2014 CHF</b>	<b>December 31, 2013 CHF</b>
Unrestricted funds at the beginning of the year	7'314'159	7'044'296
Profit for the year	1'695'828	208'414
Singapore unrestricted funds at first consolidation date	-	61'449
Unrestricted funds at the end of the year	<u>9 009 987</u>	<u>7 314 159</u>

**11. Marketing income**

	<b>December 31, 2014 CHF</b>	<b>December 31, 2013 CHF</b>
Transfer from TMS International (note 4)	5 568 095	4 816 589
Sponsorship Marketing	271 548	175 740
Marketing direct cost	<u>( 123 575)</u>	<u>( 101 183)</u>
	<u>5 716 069</u>	<u>4 891 146</u>

**12. Revenues ITTF Museum Shanghai**

A cooperation agreement was signed in August 2014 with the Shanghai Municipal Education Commission and the Chinese Table Tennis Association. According to this agreement, a new ITTF Museum will be open in Shanghai and run by the local authorities. ITTF will relocate its collection to this new Museum and will receive a financial compensation amounting to USD 2 million split over a 5 year period (from 2014 to 2018). The amount received in 2014 is of USD 400'000 or CHF 360'000.

**13. Administration**

	<b>December 31, 2014 CHF</b>	<b>December 31, 2013 CHF</b>
Accountancy and bank charges	19 290	17 131
Office equipment and furniture	90 647	38 641
Office expenses and rent (Renens, Ottawa, Singapore, Vienna)	75 482	97 809
Telephone, fax, internet and postage	107 148	134 005
Taxes, VAT (Renens)	5 659	7 718
Insurances	45 764	39 524
Professional fees	44 205	72 766
Repairs & Maintenance	137 198	117 542
Miscellaneous	<u>59 577</u>	<u>23 694</u>
	<u>584 970</u>	<u>548 830</u>

Notes to the financial statements 2014

14. Publications

	December 31, 2014 CHF	December 31, 2013 CHF
TT Fascination	35 115	40 089
Rules booklet and other handbooks	5 288	3 839
Bulletin, Digest, Directory, Coaching manuals	31 134	25 174
Other publications	28 282	6 396
	<u>99 818</u>	<u>75 499</u>

15. Meetings and travel

	December 31, 2014 CHF	December 31, 2013 CHF
Executive Committee	325 765	311 414
Board of Directors	8 313	9 574
AGM	13 916	19 380
Committee Chairmen	31 271	24 383
Committee Expenses	8 977	9 211
President's Honorarium	17 400	-
Professionnal staff	236 796	240 254
Tangible fixed assets	10 700	5 533
Other meetings	17 234	26 490
Sport Accord	7 820	5 990
Other Travel Expenses	6 241	113 757
	<u>684 433</u>	<u>765 987</u>

16. Competitions

	December 31, 2014 CHF	December 31, 2013 CHF
Continental Events	92 779	-
World Championships	1 417 120	1 897 990
World Cup Men & Women	345 210	229 226
Deferred income	30 894	-
World Team Cup	-	128 224
ITTF Pro Tour	2 653 679	1 875 090
China vs World	-	266
World Junior Championships	109 250	191 195
Other competitions	170 980	62 898
EC and staff – Olympic Games	2 060	-
Results & Statistics	16 901	18 268
	<u>4 838 872</u>	<u>4 403 156</u>

Notes to the financial statements 2014

17. Development and Olympic Solidarity

	December 31, 2014 CHF	December 31, 2013 CHF
Continental Olympic Grants	49 395	106 802
Special projects	( 4 820)	50 840
Equipment for Developing Associations	121 865	67 299
Coaching programs	4 387	18 936
Olympic Solidarity Courses	150 429	95 886
Referee and umpire scheme	32 135	18 485
Education & training program	186 969	161 449
Women development	14 819	10 333
Continental development projects	601 463	360 454
Global junior program	522 744	378 012
Development Program	235 699	431 085
Other expense	63 074	131 077
	<u>1 978 158</u>	<u>1 830 659</u>

18. Other expenses

	December 31, 2014 CHF	December 31, 2013 CHF
Continental Agreement	191 482	-
Equipment testing	212 500	112 055
Anti-doping testing	21 416	18 073
Promotional items, gifts & advertising	212 243	52 483
Computer software	2 272	691
Membership to sport bodies	6 569	4 795
Purchase of publications	4 271	2 997
Donations	4 366	540
Media service	58 900	63 918
Ranking	19 463	64 149
Miscellaneous	85 275	69 061
Interest charges	2 043	1 471
	<u>820 798</u>	<u>390 233</u>

Notes to the financial statements 2014

**19. Depreciation and Bad debts**

	<b>December 31, 2014 CHF</b>	<b>December 31, 2013 CHF</b>
Depreciation	222 376	224 746
Change in bad debt allowance	( 12 000)	24 000
	<u>210 376</u>	<u>248 746</u>

A bad debt allowance is recorded to adjust the accounts receivable to their net realizable value after performance of a specific analysis of accounts receivable overdue (note 5). The allowance corresponds to the overdue balances from various federations.

**20. Asia-Pacific office**

A marketing office was opened by TMS in Beijing in January 2008 and moved to Singapore in February 2011. Until 2013, ITTF management was considering that the office was fully sponsored and controlled by TMS and as a consequence, the office financial positions were not included in ITTF financial statements. Nevertheless, since 2013, it was determined that the office is controlled by ITTF and its financial positions are therefore now consolidated in ITTF financial statements. During 2014 the costs of the Asia-Pacific office were partially reimbursed by TMS to ITTF for a total amount of CHF 124'102 (2013: CHF 228'161). This amount is recorded under miscellaneous income.

**21. Commitments**

As of December 31, 2014 and 2013 there isn't any leasing commitment.

**22. Guarantee / Pledged assets**

As of December 31, 2014 and December 31, 2013, the land and buildings in Lausanne are pledged to the bank to the extent of CHF 2'000'000 in guarantee of the credit limit granted. As of December 31, 2014, the credit line is not used.

**23. Litigations / claims**

As per December 31, 2014 and December 31, 2013, ITTF is not involved in any legal case that could have a significant impact on the financial statements

**24. Performance of Risk Assessment**

A risk assessment in accordance with Swiss Code of Obligations requirements will be performed on 11 June 2015 by management and the Finance Committee members on behalf of the Board of Directors.