

FEDERATION AERONAUTIQUE INTERNATIONALE

REPORT BY ROBERT CLIPSHAM Executive Director Finance FAI 104th ANNUAL GENERAL CONFERENCE, 8th October 2010 held in Dublin, Ireland

Dear Delegates, Mr. President, Ladies and Gentlemen,

I am reporting on financial matters to the 104th Annual General Conference under FAI Statutes 4.2.3 and 6.2.1.4 as Executive Director Finance and for the Executive Board under Statute 4.2.2.4 and 4.2.2.5 which is jointly responsible to General Conference for all decisions made and financial and accountancy matters taken between General Conferences. This report covers the following four items appearing as Agenda item 6 FAI Finances:

- 6.1) The 2009 Balance Sheet and the Report by the Auditors, Annex A and the Financial results of the Commissions.
- 6.2) The Financial Situation at 31 August 2010
- 6.3) Scale of Subscriptions 2011, and the Budget for 2011 - Income and Expenditure, and the Commission Budgets 2010.
- 6.4) Approval of Auditors for 2011.

A summary of the significant accounting policies are laid down on page 5 in the FAI's Report of the Statutory Auditors 2009 prepared by PricewaterhouseCoopers as required by Statute 7.5.1.

6.1) 2009 BALANCE-SHEET AND AUDITORS REPORT

2009 Financial Statement

The report of the Statutory Auditors, dated 24th June 2010, including the Balance Sheet and the Statement of income and expenditure for the year ending 31 December 2009 are available in the Conference documents, Annex A. The FAI operations are denominated in CHF.

The income is CHF513,675 greater than budget considering realized income from sponsorship, the expenses are a small amount over budget by CHF10,778. We have an excess of income over expense of CHF502,896. The income and expenditures are shown on page 4 of the auditors report.

1.1. Income

1.1.1. **2009 Subscriptions**

Realized subscriptions for 2009 were CHF 1 002 925 (CHF 949, 014 in 2008).

1.1.2. **Financial net**

The financial net CHF 41,896, as set out in note 6, reflects interest and dividend income and an exchange gain of 12,152 CHF

1.1.3 The income from Sponsorship and for Safety Supervision of RBAR is a total of CHF 721 110.

The total income is CHF 1 999 975 including payments for Europe Air Sports

1.2. **Expenditure**

The expenses are grouped and provide a comparison to 2008.

1.2.1. **Salaries and charges**

The CHF 781 927 reflects the reduction of one staff member for part of the year (General projects Manager) and a provision of CHF 20 000 for future staff benefits.

The amount for professional fees includes the costs for the search for the secretary general and the analysis of the IT and communication systems.

1.2.2. With reference to Europe Airports, the FAI collects the payments of the Subscription Fees for Europe Airports Members. These funds are then directly paid into the Europe Airports account. The FAI bears no other financial responsibility towards Europe Airports

1.2.3. The Safety and Supervision for RBAR includes management and travel, is CHF 82 760

The total expenses are **CHF 1 497 078 in 2009 with an excess of income for the year of CHF 502 896**

The exchange rate gain in the Development and Innovation Fund (DIF) of CHF 1 028 remains in the DIF for 2009 as set out in note 4.

The Operating fund balance at the end of the year is CHF 702 508 an increase over 2008.

1.3. **FAI 2009 Reserves**

The Special Reserves to December 31 are shown on page 8 of the auditor's report and include: Air Sport Commissions, World Air Games, Olympic Movement Fund and World Grand Prix of Aviation.

1.3.1. **FAI Air Sport Commissions**

These funds are kept – and are available in – either Swiss Francs (Ballooning, Microlights, Rotorcraft, Amateur built & experimental aircraft and Environmental) or in US Dollars (Aerobatics), or in Euros (Aeromodelling, General Aviation, Hang Gliding & Paragliding, Gliding and Parachuting). For the US Dollar and Euro accounts, the relevant exchange rate differences are shown in CHF. Freedom is given to the commissions to hold their accounts in CHF, Euro or USD.

For the individual balances at January 1 and December 31 and the relevant movements during the year 2009, reference is made to page 8 of FAI's auditors report.

The balance of the Commission Reserves at 31 December 2009 is CHF 943 413, which is a decrease of CHF 73 798 over the January 1 2009 balance of CHF 1 017 221

In accordance with FAI accounting policy – gains or losses due to changes in foreign exchange rates are carried entirely by the operating funds of FAI.

1.3.2. **World Air Games**

The movements in the fund reflect the operation on the World Air Games in Torino, the balance in the WAG reserve is **CHF 256 112** at the end of 2009.

1.3.3. **Olympic Movement Fund**

The balance in the fund is **CHF 116 462** at the end of 2009, reflecting the USD 20'000 payment received from IOC and expenditures and payments regarding the IPC participation in the World Games 2009 in Kaohsiung.

1.3.4. **World Grand Prix of Aviation**

During 2009, no funds were received. The balance at the end of the year was **CHF 100 931**.

1.4 **FAI Airsport Commission – 2009 Financial Report**

The incomes are shown in the respective currencies and are grouped

The expenditures are shown in the currencies and are grouped

Operating Results in CHF

The incomes and expenditures have been converted into CHF. The expenses exceeded the incomes by CHF 73 808.

1.5 **Balance sheet**

The Balance sheet at December 31, 2009 is shown on page 3 of the FAI's Auditors report.

1.5.1 **Assets**

The Current cash assets of **CHF 3 256 736**, were held in Credit Swiss, in accounts suited for FAI's operations.

The accounts receivable recognize a provision of CHF 196 753 in respect of outstanding sanction fees and TV rights pertaining the World Air Games 2009.

Total current and fixed assets are CHF 3 541 240

1.5.2 **Liabilities and funds**

The current liabilities and funds including the Special Reserves, MSI acquisition, Development and Innovation Fund and the Operating funds are adequately provided for in the Assets. The Development and Innovation Fund is CHF 541 213, as set out in note 4.

Mr. President

In concluding my report on the 2009 Financial Statement, I note that the Financial Statements have been reviewed by the Executive Board, I ask you, Mr. President, to submit the Accounts of 2009 to the General Conference for approval, as set out in Statute 3.4.1.3.

Seconded:

Vote:

6.2 THE FINANCIAL SITUATION AT 31 August 2010

The Financial Situation at 31 August 2010 gives an indication of the expected result for the year ending December 31, 2010:

2.1. Income

At the end of August, 90% of the subscription are paid, including arrears. We are on budget however there is some risk in the payment of the some of the sponsorship monies.

2.2. Expenditure

The expenses to August 31 are comparable to the budget except for the salary budget which is under spent due to position vacancy.

2.3. Special reserves :

There are incomes and expenditures to be completed in the remaining months of 2009 and therefore the accounts at August 31 are not indicative of the expected results at December 31 2010

2.3.1 Air Sport Commission

2.3.2 World Air Games

2.3.3 Olympic Movement Fund

2.3.4 Development and Innovation Fund

2.3.5 FINANCIAL POLICY

The deposits and placements are held in two banks, Credit Suisse and Banque Cantonale Vaudoise.

The portion of assets held in USD was substantially reduced in previous years and the portion of assets held in Euros was substantially reduced during this year.

These measures were taken to reduce the FAI exposure to fluctuations in foreign exchange rates.

Despite the difficult economic times and considering the world financial situation, we are anticipating a surplus at the end of the year 31/12/10 similar to the 2010 budgeted amount.

During 2010 the Executive Board in conjunction with the FAI Auditors have reviewed the financial management of the FAI operations.

- *statute 7.2
- *statute 4.2.2.4
- *statute 4.2.1
- *statute 5.1, 7.2.4
- *statute 5.2.3.3.5

Mr, President, these are my comments on the current situation and the proposed EB actions on financial management.

6.3) BUDGET 2011

The budget was prepared in collaboration with the Secretary General and has been reviewed by the Executive Board, and is based on the consolidated anticipated operations for 2011. The draft budget was previously submitted to you on September 21, 2010.

3.1. Scale of Subscriptions

The 2011 Scale of Subscriptions and Votes has previously been circulated. The subscription amounts for each Member Classification are the same as in the 2010 Scale of Subscriptions. Adjustments for changes in FAI memberships are shown. The subscriptions total will be revised to include the decisions taken in this Conference.

The scale of subscriptions has not been increased from the 2003 levels approved at the General Conference held in Krakow in October 2003.

3.2. Income

Taking into consideration that global Members Subscriptions remain at their present level with some adjustments since the Draft Budget was prepared and submitted, a total income of Members Subscriptions of CHF 998'000 may be realized.

The CHF 100 0000 projected income from sponsorship is greatly reduced from the 2010 amount. As previously noted, the Red Bull flying schedule for 2010 has been suspended. This budgeted amount consists of CHF 15 000 from the flying Aces contract, CHF 50 000 which may be realized for continuing the relationship with Red Bull and CHF 50 000 from undetermined sources.

The income from Competition Revenues (sanction fees and others), is based on the average of the actual revenues from the Air Sport Commissions operations over the last 5 years is CHF 410 0000.

Operational Income of CHF 1 644 560 is budgeted.

The final budget will be prepared considering the approved subscription amounts and any other financial matters that may come before this Conference.

3.3. **Expenditures**

The expenditures proposed for 2010 have been set out considering the known and proposed activities and current staff levels.

During 2010 the office operations will be relocated from the current rental office space at 24 Mon Repos to the new FAI offices that have been purchased at MSI. Accordingly the budgeted amounts take into account the final rental payments in April and the service and maintenance charges at MSI. We have sublet a portion of the new office space which reduces the overall costs accordingly.

The operating expenses for the Air Sport Commissions are CHF 305'000 based on the average of the last 5 years operating expenses.

The total budgeted expenditures are CHF -1'701'900 giving an excess of expenditure over income of CHF -57'340.

Any additional matters approved by GC that have financial implications will be incorporated into the approved budget.

FAI Airsport Commission Budgets 2010

These budgets were set by the Commissions at their annual plenary meetings. The budgetary process is being revised in 2011 to include moving the budgeting pace ahead by one year.

The 2011 and 2012 budgets will be prepared at the next Airsport Commission meetings.

These combined budgets show income of CHF 377'216 and expenditure of CHF 417'942. The expense exceeds the income by CHF -40'942.

Office costs:

Av. Mon Repos annual rental and charges CHF 79'584

MSI costs (Av. De Rhodanie) annual total charges CHF 97'060, office rental CHF 39'840 and balance of charges CHF 57'220.

May I ask you, Mr. President, to submit the Budget for 2011 and the Scale of Subscriptions and Votes for 2011 to the General Conference, for approval, as set out in Statute 3.4.1.4.

Seconder:

Vote:

6.4 Appointment of Auditors for 2010

Mr. President I have a motion for the appointment of the Auditors for 2011 as required by Statute 7.5.1

That Price Waterhouse Coopers be appointed the auditors for 2011 and that the Executive Board is authorized to set the remuneration.

Secunder:

Vote:

Mr. President; I wish to give special thanks to the FAI office staff in their work on financial matters and in particular to Ms. Cosette Mast, who, under the direction of Max Bishop and Stephane Desprez, carried out the financial management.

Robert Clipsham
FAI Executive Director Finance