



9 – FINANCE AND AUDIT COMMITTEE REPORT

9.1 – 2019 Audited Financial Statements

Note by the Secretariat

1. STATUTORY AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS

Due to the Coronavirus pandemic and the associated containment measures implemented by the French Government as of March 17, 2020, the Organization has implemented remote/teleworking procedures for all staff and has implemented regulatory and financial measures to maintain the continuity of its activity and operations.

The Financial Statements which consist of the Balance Sheet, the Income Statement and the Annex, have been prepared by the Chartered Accountant KPMG. The audit of the annual accounts was conducted by the external auditor RSM Paris.

The detailed statutory report on the Financial Statements (including consolidated statements and explicatory notes on provisions, depreciations etc.) is available on the IALA website.

2. FINANCIAL REVIEW

The Financial Statements in annex 9.1.1 are presented in a consolidated form and shows a surplus of €K180 derived from IALA's activities (-K€80) and the World-Wide Academy's activities (+K€260).

- **IALA:**

The execution of the IALA budget was satisfactory in 2019. However, a change in accounting method concerning membership receivables has impacted negatively upon the final result.

Change in presentation method

The introduction of new French Financial Regulations ANC n°2018-06 in the 2019 accounts resulted in a more transparent accounting process whereby membership contributions are recognized as income only when they are collected.

Before 2019, the level of income was equivalent to all contributions invoiced and committed, but not necessarily paid. A provision for bad debt was then necessary to compensate for the possible non-payment of contributions. The change in presentation method will reflect actual incoming payments during the financial year (whether contributions are due for the present year or for previous years).

The move from an accruals accounting system to a cash-based accounting system has an impact on the presentation of the Balance sheet in 2019.



The impact on the opening Balance Sheet for the period 2019 and allocated to retained earnings, amounts -K€569:

- the receivables on membership contributions have been restated for -K€812;
- in return, the provision for bad debts, used until 2018 to cover the risk of non-payment of contributions has been settled in 2019 for a total amount of +K€243.

Execution of the 2019 budget

With respect to the execution of the budget in 2019, 91% of the budget of Income was received and 84% of the Expenditure budget was spent. The cashflow, which takes into consideration the variation of funds related to contributions received in advance, is positive and amounts to +K€381.

FINANCIAL REVIEW - IALA (€)	2019 Budget approved by C69	Amounts (Euros)	%
INCOME	2 723 938	2 466 863	91%
Membership contributions for 2019	2 169 438	1 994 939	92%
Contributions in arrear	400 000	349 429	87%
Sales of publications & advertising	16 500	11 978	73%
Seminars & workshops	55 000	29 075	0%
Miscellaneous	3 000	1 442	48%
World-Wide Academy	80 000	80 000	100%
EXPENSES	2 503 800	2 092 796	84%
Personnel costs (salaries, taxes...)	1 452 300	1 384 978	95%
Operating costs (maintenance, events...)	963 500	669 938	70%
Investment costs (IT equipment...)	88 000	37 880	43%
Contributions received in 2018 for 2019		- 456 891	
Contributions received for 2020		+ 463 490	
Cash-flow as at 31st dec 2019		+ 380 667	

• WORLD-WIDE ACADEMY:

The sponsorships received in 2019 from South Korea, Malaysia, Singapore and the Steve Nell's fund have been fully used. The other dedicated funds have not been fully spent (+K€261) and the remaining reserves from past years amounts to €K11.

The use of these funds and reserves (for a total of €K272) is postponed to 2020 for the execution of the Master Plan to be endorsed by the WWA Board.

3. IMC FINANCIAL ARRANGEMENTS

Administration of the IMC fund

In accordance with the recommendations of the Chartered Accountant and auditor, the following actions have been carried out in 2019:

- The IMC fund is now administered in accordance with the Terms of Reference proposed at the IMC meeting in Rio in May 2019;
- IMC bank accounts have been closed and transferred to the IALA current bank account;
- Regular annual expenses are made directly from the General IALA budget under the dedicated IMC budget line. This budget covers the cost agreed under the Steve Nell's scholarship (€10,000) in addition to any expenses agreed between the Secretary-General and IMC.

IMC provision

Due to the cyclical nature of IMC spending, the auditor recommends using a provision for charges, the purpose of which is to compensate the costs incurred every four years with respect to the IALA Conferences (generally the IMC exhibition and IMC evening).

The provision may be revised every year if necessary, based on a budget prepared by IMC.

The total estimated cost in 2022 in Brazil is €K200, it is therefore proposed to have a provision of €K65 in 2020, €K65 in 2021 and to adjust the amount in the 2022 budget.

4. THE COUNCIL IS INVITED TO

- Note the Financial Statements;
- Note the creation of an IMC provision in the accounts.