Audit Report

On January 17, 2019, from 10:00 a.m. to 5:00 p.m., the third audit was conducted on the premises of the Executive Office of TAFISA e.V. at Hostatostr. 2-4 in Frankfurt. The concluding discussion was held with Mr. Baumann and Ms. Martel on the same day.

The basis for the audit is Chapter 10 (i) of the current TAFISA Statutes, according to which so-called "public accountants" are elected a term of two years. The election of the "public accountants" for the years 2017 and 2018 was held during the TAFISA General Assembly in Korea on November 16, 2017.

Elected were:
Mr. Schneeloch (Germany); Mr. Kim (Korea); and Mr. Carvalho (Portugal, substitute candidate). Mr. Kim resigned in 2018. As a result, Mr. Herr Carvalho assumed the role of the second auditor. He has been informed about this development.

A specific job description for the "public accountants" or auditors, respectively was set forth in the new Statutes at the General Assembly held on November 16, 2017 in Korea. The audit of the year 2017 was therefore conducted on the basis of the regulations valid until then.

The following records and documents were presented, partly in the original and partly as copies, and copies thereof were given to the auditors. Furthermore, the auditors were allowed to inspect all relevant bookkeeping documents and records.

Current Regulations:
- Statutes
- Financial Rules and Regulations
- General Rules of Procedure
- Rules of Procedure for Membership
- Rules of Procedure for the Board of Directors and the Executive Office
- Good Governance Principles

Other documents:
- Annual Financial Statements for 2017
- Budget for 2017 with projected actual values
- All bank statements for the balance sheet and the income statement
- All individual expense receipts
- Current Tax Exemption Notice
- Current excerpt from the German Register of Associations
- Audit result of the EU Audit for the EWOS Toolbox Project
- Minutes of the General Assembly meeting in 2017
- Project Management Outline: Legacy 2021
- Brochure, TAFISA Mission 2030

Mr. Wolfgang Baumann, the Secretary General of TAFISA, and his assistant Ms. Martel were available all day, as well as in the days preceding and following the audit meeting to answer questions at any time and they have answered such questions to the complete satisfaction of the auditors.

In the kick-off discussion, this year's key audit issues were discussed and fixed. Mr. Baumann reported on the current key work issues and the projects of TAFISA. In this connection, he ascertained that TAFISA continued to be dependent on the reserves formed in previous years in order to finance the fixed costs of the operation. For this reason, the Secretary General proposed the implementation of a project of its own called "Legacy 20121" to the Board of Directors with the goal of acquiring new project funds and institutions subsidies. The Board of Directors consented to the implementation of this project at its
meeting in Suzhou, China, on November 22 and 24, 2018. An employee was assigned to provide support for this project under the supervision of a steering group.

The subject matter of the audit comprised:

1) **Review of the implementation of the recommendations arising from the audit meeting held on October 9, 2017**

   Most of the auditors' recommendations from the previous year were implemented. Merely the bookkeeping (including but not limited to filing) continues to be capable of optimization, see No. 2 of the key audit issues.

2) **Audit of the annual financial statements for 2017, including bank statements and audit of the receipts/supporting documents in the form of random samples.**

   - The auditors take note of the negative result for the year. The introduction of a new free reserve pursuant to Sec. 62 (1) No. 3 of the German Fiscal Code is positive.

   - The bookkeeping system, including the filing system, is currently still difficult to follow for outside third parties for various reasons. All suggestions for improvement were discussed in detail with the Secretary General and recorded in writing. In the following areas, the auditors request optimization by the next audit meeting. This should be coordinated with the tax consultant.
     - Accounting documentation (including but not limited to incoming invoices, numbering, and filing system)
     - Foreign-currency receipts
     - Processing of the receipts by the tax consultant (including but not limited to booking texts, accruals and deferrals for the year, and due care when posting entries)
     - Filing of lists of the entries into the accounting files.

3) **Audit of the Budget for 2017**

   The Board of Directors holds at least two meetings per year and decides on the budget for the following year at its last meeting. The Board decided on the budget for 2017 at its meeting in Jakarta in October 2016.

   When reviewing the resolution adopted regarding the budget, it was ascertained that the rules in the new Financial Rules and Regulations and in the Statutes are partly not plausible in this respect. According to Section 3 of the current Financial Rules and Regulations, the budget shall be decided annually by the bodies of TAFISA. The Board of Directors decides and submits this budget to the General Assembly. The General Assembly meets every two years. In the year in which there is no Annual Assembly, the Board of Directors cannot submit the budget to the General Assembly and have it approved by the General Assembly. The auditors recommend the incorporation of a rule for the Board of Directors as to how the budget can be adopted in such a year. For example, by authorizing the Board of Directors to do so with the subsequent approval of the General Assembly or alternatively, the submission of a two-year budget.

4) **Audit of Petty Cash**

   The auditors note positively that the recommendation of the preceding year was followed and a petty cash fund was introduced for the Executive Office. The cash on hand was counted and compared with the book balance. There were no complaints.
5) **Audit of the Content**

For reasons of time, there was no examination of the content. Due to regular audits by the grant providers for projects financed by third-party funds, the auditors assume that the expenditures and income were checked in detail by the grant providers. As an example, the report regarding the “EWOS-Toolbox” Project was submitted to the auditors. Furthermore, the European Union requires that an external certified public accountant\(^1\) be appointed in joint projects.

6) **Miscellaneous**

According to the Tax Exemption Notice, TAFISA maintains a taxable economic business. In the opinion of the auditors, there are no economic activities. Furthermore, TAFISA’s current address is not stated in the Tax Exemption Notice. The auditors recommend that this be clarified with the tax consultant.

There are no indications for calling proper management into question.

We confirm the accuracy of this report.

12, FEB, 2019

06-03-2019

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<tr>
<td><strong>Auditor</strong></td>
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<tr>
<td>Walter Schneidoch</td>
<td>Jorge de Cavalho</td>
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<td>President of the Landsport Federation</td>
<td>Director of Sport Department</td>
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<td>North Rhine-Westphalia</td>
<td>Portuguese Institute for Sport and Youth</td>
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\(^1\) Certified public accountant/chartered accountant = Wirtschaftsprüfer in German – Translator’s note