

Financial Statements

**Confederación Norte, Centroamericana y del
Caribe de Voleibol, Norceca**

*December 31, 2019 and 2018
(Together with the Independent Auditor's Report)*

**Confederación Norte, Centroamericana y del Caribe de Voleibol,
Norceca**

Financial Statements

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Independent Auditors' Report

To the Board of Directors of
Confederación Norte, Centroamericana y del Caribe del Voleibol (NORCECA)

Opinion

We have audited the financial statements of Confederación Norte, Centroamericana y del Caribe de Voleibol, Norceca (hereinafter "the Confederation"), which comprise the statement of financial position as of December 31, 2019, and statement of activities and cash flow statement for the year then ended, as well as the notes to the financial statements, including a summary of the main accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Confederación Norte, Centroamericana y del Caribe de Voleibol, Norceca as of December 31, 2019, its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards ("IFRS").

Basis for the opinion

We conducted our audit in accordance with the International Standards on Auditing ("ISAs"). Our responsibilities under these standards are further described in the *Auditor's responsibility section of the financial statements report*. We are independent of the Confederation in accordance with the Code of Ethics for Accounting Professionals of the International Ethics Standards Board for Accountants (IESBA), the Code of Ethics of the Institute of Certified Public Accountants of the Dominican Republic (ICPARD, for its acronym in Spanish), along with the ethics requirements that are relevant for our audit of the financial statements, and have fulfilled all other ethical responsibilities in accordance with these requirements and the Code of Ethics of IESBA and ICPARD. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management and those charged with Corporate Governance over the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, as well as for the internal control that the management determines relevant to allow the preparation of the financial statements to be free from material misstatement, whether due to fraud or error.

In the preparation of the financial statements, management is responsible for assessing the Confederation's capacity to continue as a going concern, disclosing, as applicable, matters related to the going concern and using the going concern basis of accounting unless management either intends to liquidate the Confederation or to cease operations, or has no realistic alternative but to do so.

The Confederation's Corporate Government are responsible for the oversight of the Confederation's financial information process.

Auditor's Responsibility regarding the Audit of Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the internal control relevant to the audit 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 Confederation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Confederation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future facts or conditions may cause the Confederation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those responsible for the Confederation's management regarding, among other matters, the planned scope and timing of the audit and significant audit findings including any significant deficiencies in the internal control that we identify during our audit.

September 29, 2020
Santo Domingo,
Dominican Republic



Confederación Norte, Centroamericana y del Caribe de Voleibol, Norceca

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STATEMENTS OF FINANCIAL POSITION

December 31, 2019 and 2018

(Amounts in Dominican pesos - RD\$)

	<u>Notes</u>	<u>2019</u>	<u>2018</u>
ASSETS			
Current assets:			
Cash on hand and at banks:	7	15,393,750	11,719,341
Accounts receivable from affiliates	8	17,291,678	12,059,981
Other accounts receivable	9	2,553,108	693,929
Prepaid expenses		70,800	3,862,093
Inventory of sports equipment	10	23,015,428	22,690,478
Total current assets		<u>58,324,764</u>	<u>51,025,822</u>
 Furniture and equipment	 11	 <u>1,218,305</u>	 <u>1,649,121</u>
Total assets		<u>59,543,069</u>	<u>52,674,943</u>
LIABILITIES			
Current liabilities:			
Loans payable	8 and 13	10,580,053	50
Accounts payable to suppliers and others	14	3,642,476	355,965
Accounts payables to affiliates and directors	8	12,270,607	9,267,382
Accruals and withholdings payable		6,429,907	4,005,581
Total liabilities		<u>32,923,043</u>	<u>13,628,978</u>
 Net assets:			
Without donor restrictions		<u>26,620,026</u>	<u>39,045,965</u>
Total net assets and liabilities		<u>59,543,069</u>	<u>52,674,943</u>

See accompanying notes to the financial statements.

Confederación Norte, Centroamericana y del Caribe de Voleibol, Norceca

Financial Statements

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

For the years ended December 31, 2019 and 2018

(Amounts in Dominican pesos - RD\$)

		<u>2019</u>	<u>2018</u>
	<u>Notes</u>		
Change in net assets without donor restrictions:			
Revenues:			
Economic contributions	8	2,037,780	21,233,700
Events and activities	8	66,135,151	42,855,384
Advertising exchange for sports equipments	12	21,805,363	23,749,754
Membership fees	8	840,845	778,868
Other income	8	15,590,709	4,393,089
Total unrestricted revenues		<u>106,409,848</u>	<u>93,010,795</u>
Expenses:			
Personnel expenses	15	(11,069,088)	(13,728,633)
Professional fees		(4,282,158)	(4,115,477)
Commission meetings	16	(3,663,091)	(2,637,479)
Events and championships	17	(4,127,273)	(4,627,465)
Telephone services		(1,339,295)	(1,307,544)
Depreciation	11	(554,788)	(543,427)
Donation of sports equipment	8	(27,688,562)	(24,435,581)
Economic contributions	8	(51,281,911)	(29,865,805)
Accommodation, travel expenses and meals		(3,202,415)	(3,022,610)
Regional Volleyball Development Centers	18	(2,888,866)	(3,675,761)
Airline tickets	8	(132,141)	(237,505)
Office supplies		(486,799)	(529,537)
Representation expenses	8	(1,599,171)	(1,087,508)
Repair and maintenance expenses		-	(50,977)
Loss in disposal of furniture and equipment		(7,576)	-
Interest expenses	13	(57,166)	-
Other expenses	19	(7,939,247)	(10,507,539)
Total expenses		<u>(120,319,547)</u>	<u>(100,372,848)</u>
Gain on foreign exchange, net		<u>1,483,760</u>	<u>695,769</u>
Changes in net assets during the year		(12,425,939)	(6,666,284)
Net assets without donor restrictions at the beginning of the year		<u>39,045,965</u>	<u>45,712,249</u>
Net assets without donor restrictions at year end		<u><u>26,620,026</u></u>	<u><u>39,045,965</u></u>

See accompanying notes to the financial statements.

Confederación Norte, Centroamericana y del Caribe de Voleibol, Norceca

Financial Statements

CASH FLOW STATEMENTS

For the years ended December 31, 2019 and 2018

(Amounts in Dominican pesos - RD\$)

	<u>Notes</u>	<u>2019</u>	<u>2018</u>
Operating activities:			
Changes in net assets		(12,425,939)	(6,666,284)
Depreciation expense	11	554,788	543,427
Estimated doubtful accounts loss	8	2,294,304	1,253,536
Effect of exchange rate variation of foreign currency in loans payable		-	2
Estimated loss due to inventory obsolescence	10	1,942,378	690,058
Inventory received as advertising exchange		(21,805,363)	(23,749,754)
Loss in disposal of furniture and equipment		7,576	-
Interest expenses	13	57,166	-
Changes in assets and liabilities:			
Decrease (increase) in assets:			
Accounts receivable from affiliates		(7,526,001)	(11,589,777)
Other accounts receivable		(1,859,179)	735,410
Prepaid expenses		3,791,293	(3,734,670)
Inventory of sports equipment		19,538,035	24,382,324
Increase (decrease) in liabilities:			
Accounts payable to suppliers and others		3,286,511	3,406,193
Accounts payables to affiliates and directors		3,003,225	(2,904,423)
Accruals and withholdings payable		2,424,326	2,404,636
Net cash used in operating activities		<u>(6,716,880)</u>	<u>(15,229,322)</u>
Investing activities:			
Acquisition of furniture and equipment	11	<u>(131,548)</u>	<u>(269,360)</u>
Net cash used in investing activities		<u>(131,548)</u>	<u>(269,360)</u>
Financing activities:			
Acquisition of loans payable	13	15,628,003	-
Payment of loans payable	13	(5,048,000)	-
Interest paid		(57,166)	-
Net cash providing by financing activities		<u>10,522,837</u>	<u>-</u>
Net increase (decrease) in cash on hand and in banks		3,674,409	(15,498,682)
Cash on hand and in banks at beginning of year		<u>11,719,341</u>	<u>27,218,023</u>
Cash on hand and in banks at year end		<u>15,393,750</u>	<u>11,719,341</u>

See accompanying notes to the financial statements.

Confederación Norte, Centroamericana y del Caribe de Voleibol, Norceca

Financial Statements

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2019 and 2018

(Amounts in Dominican pesos - RD\$)

1. Corporate Information

The North, Central America and Caribbean Volleyball Confederation (NORCECA) (hereinafter "Norceca" or the "Confederation") is a non-profit organization, which was organized and based in the city of Santo Domingo, Dominican Republic as of November 1, 2001. Norceca operates in the Dominican Republic under the figure of a non-profit organization since 2007, as an entity affiliated to the Fédération Internationale de Volleyball (FIVB). The objective of the Confederation is to manage, organize, represent, regulate, control and evaluate the activities of volleyball and beach volleyball in his region, as well as to support and facilitate the development of the affiliated federations and monitor respect for the rules of the FIVB.

The purpose of the FIVB is to manage the sport of volleyball and beach volleyball at a global level for which it currently has 222 affiliated federations in different countries and/or territories. The FIVB headquarters are located in the city of Luasanne, Switzerland.

The Fédération Internationale de Volleyball (FIVB) has geographically organized its affiliated federations in the following five confederations:

- The African Confederation
- The Asian Confederation
- The European Confederation
- The North, Central America and Caribbean Confederation (NORCECA)
- The South American Confederation

The economic resources of the Confederation come mainly from the annual contribution it receives from the FIVB, as well as the organization of competitions and events, marketing and advertising rights and membership fees from the federations under its management. As of December 31, 2019 and 2018, the Confederation has 41 affiliated national federations and regional members.

The Confederation offices are located in the facilities of the Volleyball Hall of the Juan Pablo Duarte Olympic Center in Santo Domingo, Dominican Republic.

The financial statements as of December 31, 2019 were approved for issue by the Confederation's Management on September 29, 2020.

2. Basis of preparation of financial statements

2.1 Basis of valuation and statement of compliance

The Confederation's financial statements as of December 31, 2019 and 2018 were prepared in accordance with the International Financial Reporting Standards (IFRS), adopted by the International Accounting Standards Board.

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NOTES TO THE FINANCIAL STATEMENTS

December 31, 2019 and 2018

(Amounts in Dominican pesos - RD\$)

2. Basis of preparation of financial statements (continued)

2.1 Basis of valuation and statement of compliance (continued)

The International Financial Reporting Standards have not issued specific standards applicable to non-profit entities in regard to the classification of the financial information structure and net asset classifications. Therefore, for such purposes the specific rules for non-profit entities issued by the Financial Accounting Standards Board (FASB) have been applied.

Under these standards the net assets, revenue and expenses, increases and decreases in net assets are classified as follows:

Net assets with donor restrictions

The portion of a non-profit entity's net assets that is subject to donor restrictions.

Net assets without donor restrictions

The portion of a non-profit entity's net assets that is not subject to donor restrictions.

The net assets of the Confederation are comprised only by net assets that is subject to donor restrictions.

2.2 Basis of valuation and presentation currency

The Confederation's financial statements as of December 31, 2019 and 2018 were prepared on a historical cost basis except for certain items that were measured under the valuation methods indicated in Note 4. The financial statements are stated in Dominican pesos (RD\$), which has been defined as the Confederation's functional and presentation currency.

3. Changes in accounting principles and disclosures

The accounting policies adopted by the Confederation for the preparation of its financial statements as of December 31, 2019 are consistent with those that were used for the preparation of its financial statements as of December 31, 2018, except for the application of IFRS 16 "Leases", as indicated below:

Confederación Norte, Centroamericana y del Caribe de Voleibol, Norceca

Financial Statements

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2019 and 2018

(Amounts in Dominican pesos - RD\$)

3. Changes in accounting principles and disclosures (continued)

The Confederation applied IFRS 16 for the first time from January 1, 2019 under the modified method, for which the adoption of IFRS 16 did not generate the restatement adjustments of the figures of the financial statements as of December 31, 2018. The adoption of this standard had no impact on the financial statements because they are classified as leases with terms of less than 12 months and of low value. Which continue to be accounted for in a straight line based on the term of the contracts.

The Confederation adopted other amendments and interpretations to the January 1, 2019, without significant impact on the figures recognized in previous, current or future periods.

4. Summary of applicable significant accounting policies

4.1 Balances and transactions in foreign currency

The accompanying financial statements have been prepared in Dominican pesos (RD\$), which has been defined as the Confederation's functional and presentation currency. Transactions in foreign currency are initially recorded at the exchange rate in effect on the date of the transaction. Monetary assets and liabilities denominated in foreign currency are translated again at the functional currency prevailing on the date of the statement of financial position. These differences are recognized in income or expenses in the accompanying statement of activities and changes in net assets as foreign exchange gain, net.

As of December 31, 2019, the exchange rate used to translate balances in foreign currency to Dominican pesos was RD\$52.90 (2018: RD\$50.20), against the US Dollar. Information related to balances in foreign currency are presented in Note 6 to the financial statements.

4.2 Current versus non-current classification

The Confederation presents assets and liabilities in the statement of financial position based on current and non-current classification. An asset is classified as current when the Confederation expects to realize the asset or has the intention to sell or consume it in the normal operating cycle; when it is held primarily for the purpose of trading; when it is expected to be realized within twelve months after the reporting period; and when the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

The Confederations classifies the rest of its assets as non-current.

A liability is classified as current when the Confederation expects to settle the liability in the normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within twelve months after the reporting period, or when there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Confederation classifies the rest of its liabilities as non-current.

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NOTES TO THE FINANCIAL STATEMENTS

December 31, 2019 and 2018

(Amounts in Dominican pesos - RD\$)

4. Summary of applicable significant accounting policies (continued)

4.3 Cash on hand and at banks

Cash in the statement of financial position is comprised of cash on hand and at banks. For purposes of the cash flow statement, cash is presented by the Confederation net of bank overdrafts, should there be any.

4.4 Financial Instruments

A financial instrument is any contract that gives rise to a financial asset in one entity and a financial liability or equity instrument in another entity.

The valuation of the Confederation's financial instruments is determined using the fair value or amortized cost, as defined below:

Fair value: The fair value of a financial instrument negotiated in an organized financial market is determined using as reference the prices quoted in that financial market for negotiations performed as of the date of the statement of financial position. For financial instruments for which there is no active financial market, the fair value is determined using valuation techniques. These techniques include recent market transactions between interested, fully informed parties who act independently; references to the fair value of another substantially similar financial instrument; and discounted cash flows or other valuation models.

Amortized cost: The amortized cost is calculated using the effective interest method less any allowance for impairment. The calculation takes into consideration any award or discount in the acquisition and includes the transaction costs and fees which are an integral part of the effective interest rate.

4.5 Financial assets

Initial recognition and measurement

The approach used by the Confederation to classify and measure financial assets reflects the business model in which financial assets and their cash flow characteristics are managed.

The Confederation initially recognizes all of its financial assets at fair value plus costs directly attributable to the transaction, except for financial assets valued at fair value through changes in profit or loss in which these costs are not considered.

The Confederation recognizes the purchase or sale of financial assets on the date of each transaction, which is the date on which the Confederation commits to buy or sell a financial asset.

The Confederation initially classifies the financial assets based on how they are measured after the amortized cost at fair value with changes in other comprehensive income or at fair value with changes in results.

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Financial Statements

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2019 and 2018

(Amounts in Dominican pesos - RD\$)

4. Summary of applicable significant accounting policies (continued)

4.5 Financial assets (continued)

Financial assets recorded at amortized cost

Financial assets are measured at amortized cost when the following conditions are met: (a) the financial asset is maintained within a business model whose objective is to obtain contractual cash flows; and (b) the contractual terms of the financial asset establish specific deadlines for cash flows derived only from payments to principal and interests of effective balance.

Financial assets at fair value through changes in other comprehensive income

Financial assets are measured at fair value with changes in other comprehensive income when the following conditions are met: (a) the financial asset is kept within a business model whose objective is to obtain contractual cash flows when selling the financial asset; and (b) the contractual terms of the financial asset establish specific deadlines for cash flows derived only from payments to capital and interests on effective balance.

Financial assets at fair value with changes in profit or loss

The remaining financial assets that do not classify into any of the categories previously mentioned are measured at fair value through profit or loss. In addition, on initial recognition of a financial asset and in certain circumstances, the Confederation can irrevocably designate a financial asset that meets the measurement requirements of the abovementioned categories to be measured at fair value through profit or loss, if doing so removes or significantly reduces an accounting mismatch that would otherwise rise.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as described below:

Accounts receivable

Accounts receivable are recognized for the amount of invoices of the membership fees of federations and the economic allocation fees of the FIVB. The recoverability is analyzed periodically, and an impairment allowance is recorded for those accounts classified as doubtful with the corresponding charge to the period results.

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NOTES TO THE FINANCIAL STATEMENTS

December 31, 2019 and 2018

(Amounts in Dominican pesos - RD\$)

4. Summary of applicable significant accounting policies (continued)

4.6 Derecognition of financial assets

Financial assets are derecognized by the Confederation when the rights to receive cash flows from the asset have expired, or when the financial asset is transferred along with its inherent risks and benefits and contractual rights to receive cash flows from the asset are surrendered, or when the Confederation retains the contractual rights to receive cash flows and assumes the obligation to pay them to one or more parties.

4.7 Impairment of financial assets

The Confederation recognizes an expected credit losses allowance on financial assets recorded at amortized cost or at fair value with changes in other comprehensive income and measures the value adjustment for expected credit losses during the lifetime of the asset if the credit risk of said financial instrument has been significantly increased since its initial recognition. Thereon, if as of the date of the statement of financial position, the credit risk of the financial instrument has not been significantly increased since its initial recognition, the Confederation measures the value adjustment for credit losses for said financial instrument at an amount equivalent to the expected credit losses in the following twelve months.

The Confederation uses a simplified method to calculate the expected credit losses in accounts receivable. Therefore, the Confederation does not follow up on the changes in credit risk but instead recognizes an adjustment based on the experience of expected credit losses as of the date of presenting its financial statements.

The Confederation considers a financial asset to be delinquent when the contractual payments are ninety days overdue. However, in some cases, the Confederation may also consider a financial asset to be delinquent when the internal or external information indicates that it is unlikely that the Confederation receives the total pending contractual amounts before considering the credit improvements kept by the Confederation. A financial asset is derecognized when there is not a reasonable expectation to recover the contractual cash flows.

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NOTES TO THE FINANCIAL STATEMENTS

December 31, 2019 and 2018

(Amounts in Dominican pesos - RD\$)

4. Summary of applicable significant accounting policies (continued)

4.8 Inventory of sports equipment

Inventory is valued at the lower of cost and net realizable value and are for internal use in the operations of the Confederation. Cost is determined using the first-in, first-out (FIFO) method.

Inventory consists of sports equipment received in exchange for advertising and direct purchases, which are recognized at fair value at the time of operation. Net realizable value is the selling price in the Confederation's ordinary course of business or business transfer value, less estimated costs necessary to make the sale. These inventories are in turn used to be distributed to the different federations that form the Confederation.

4.9 Furniture and equipment

Furniture and equipment are recorded at acquisition cost less accumulated depreciation and accumulated impairment losses, if any. Disbursements for repairs and maintenance that do not qualify for recognition as an asset and depreciation are recognized as expenses in the year they are incurred.

Depreciation is calculated on a straight-line basis based on the estimated useful life of each type of asset. The residual value of depreciable assets, estimated useful life and depreciation methods are reviewed annually by Management and are adjusted when considered pertinent, at the end of each financial year.

A component of furniture and equipment is derecognized when it is sold or when the Confederation does not expect future economic benefits from its use. Any loss or gain from the asset's disposal, calculated as the difference between the net carrying amount and the sales proceeds, is recognized in the activities of the year in which the transaction occurs.

A breakdown of estimated useful lives is shown below:

<u>Description</u>	<u>Estimated useful life</u>
Furniture, office equipment and others	4 years
Computer equipment	4 years
Emergency generator	<u>7 years</u>

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NOTES TO THE FINANCIAL STATEMENTS

December 31, 2019 and 2018

(Amounts in Dominican pesos - RD\$)

4. Summary of applicable significant accounting policies (continued)

4.10 Impairment of non-financial assets

The Confederation assesses the carrying amounts of its non-financial assets at each reporting date to determine reductions in value when events or circumstances indicate that recorded values may not be recovered. If any indication exists, and the carrying amount exceeds the recoverable amount, the Confederation measures the assets at their recoverable amounts, defined as the higher of fair value less costs to sell and its value in use. Resulting adjustments are recorded in the results of the year in which they are determined.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Confederation re-estimates the asset's recoverable amount and if necessary, reverses the loss increasing the asset until its new recoverable amount, which will not exceed the asset's net carrying amount prior to recognizing the original impairment loss, recognizing the credit in the statement of activities. During the years ended December 31, 2019 and 2018, no losses from impairment in the value of non-financial assets was recorded.

4.11 Leases

At the beginning of the contract, the Confederation determines whether the contract is or contains a lease, if the contract includes the right to control the use of an asset identified during a period in exchange of an economic consideration.

As lessee

The Confederation applies a unique recognition and measurement approach for all leases, except for short-term leases and leases for low-value assets. The Confederation recognized lease liabilities to pay for leases and assets from the right of use that represent the right to use underlying assets.

a) Assets from the right of use

The Confederation recognizes the assets from the right of use as of the date of start of the lease (i.e. the date when the underlying asset is available for use). Assets from the right of use are measured at cost less accumulated depreciation and impairment loss and are adjusted for any new measurement of lease liabilities.

If the ownership of the leased asset is transferred to the Confederation at the end of the lease term, and the cost shows a purchase option, the depreciation is calculated through the estimated useful life of the asset. Assets from the right of use are also subject to impairment.

Confederación Norte, Centroamericana y del Caribe de Voleibol, Norceca

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NOTES TO THE FINANCIAL STATEMENTS

December 31, 2019 and 2018

(Amounts in Dominican pesos - RD\$)

4. Summary of applicable significant accounting policies (continued)

4.11 Leases (continued)

b) Lease liabilities

As of the date of start of the lease, the Confederation recognizes lease liabilities measured at the present value of lease payments to be realized during the lease term.

When calculating the present value of lease payments, the Confederation uses its incremental interest rate on the lease start date because the interest rate implicit in the lease is not easily determinable. After the start date, the amount of the lease liabilities is increased to reflect the accumulation of interest and is reduced by the lease payments made. In addition, the carrying amount of lease liabilities is measured again if there is a modification, a change in the lease term.

c) Short-term leases and leases for low value assets.

The Confederation applies the exemption of recognition of leases for 12 months or less from the start date and that do not have purchase option. The low value asset recognition exemption also applies to leases that are considered low value. Lease payments in short-term leases and low value asset leases are recognized as expenses on a straight line during the lease term.

4.12 Financial liabilities

Initial recognition and measurement

Financial liabilities are classified as financial liabilities at fair value through profit or loss and loans payable and derivative financial instruments designated as hedging instruments in an effective hedge, as appropriate. The Confederation determines the classification of its financial liabilities at initial recognition. The Confederation recognizes all financial liabilities initially at fair value on the date of acceptance or contracting of the liability, plus directly attributable transaction costs.

The financial liabilities of the Confederation correspond to accounts payable to suppliers and others, accounts payable to affiliates and directors, and loans payable.

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NOTES TO THE FINANCIAL STATEMENTS

December 31, 2019 and 2018

(Amounts in Dominican pesos - RD\$)

4. Summary of applicable significant accounting policies (continued)

4.12 Financial liabilities (continued)

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as described below:

Accounts payable

Accounts payable are initially recognized at fair value on the respective contract dates, including costs directly attributable to the transaction. After initial recognition, short-term accounts payable that do not bear interest are measured at invoice value. The Confederation measures long term accounts payable that do not bear interest at amortized cost using the effective interest rate method. Gains or losses are recognized by the Confederation in the statement of activities when the financial liability is derecognized, as well as through the amortization process.

Loans payable

Loans payable are initially recognized at fair value on the respective contract dates, including costs directly attributable to the transaction. After initial recognition, these financial liabilities are measured at amortized cost using the effective interest method. Gains or losses are recognized by the Confederation in the statement of activities and change in net assets, when the financial liability is derecognized, as well as through the amortization process.

4.13 Derecognition of financial liabilities

Financial liabilities are derecognized by the Confederation when the obligation has been paid, cancelled or expires. When a financial liability is replaced by another financial liability for the same lender in substantially different conditions or the terms of the existing liability are modified substantially, this change is treated as a derecognition of the original liability and a new financial liability is recognized. The differences of the respective carrying values are recognized in the statement of activities and changes in net assets.

4.14 Revenue recognition

The income of the Confederation is recognized as such when the contribution can be measured reliably and it is probable to receive economic benefits from these economic contributions, events, activities and membership fees, which are recognized in the period in which the activity is performed and when the contributions of the Federation Internationale de Volleyball, as well as the membership fees of affiliated agencies are accrued.

In the event of donations of sporting goods received, they are recognized at the fair value of the contributions when received.

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4. Summary of applicable significant accounting policies (continued)

4.15 Cost and expense recognition

Expenses are recognized in statements of activities and changes in net assets when incurred.

4.16 Income tax

The Confederation is exempt from the payment of income tax due to its nature as it is a Non-Profit Organization; however, this condition does not relieve it from the payment of the withholding tax on wages and third parties. As such, it shall serve as a withholding agent for the income tax on salaries paid to employees, which are within the levels established by Act 11-92, as well those taxable services provided to the Confederation by third parties.

4.17 Employee benefits

Pension plan

From the entry into force of Law 87-01, which establishes the Dominican Social Security System (SDSS, *Sistema Dominicano de Seguridad Social*), the Confederation recognizes as an expense the monthly contributions made to the pension system to be deposited in the individual capitalization accounts of employees, as well as employee contributions, as an accumulation until they are deposited at the beginning of the month immediately following in financial entities authorized by the Superintendence of Pensions of the Dominican Republic, for subsequent transfer to the individual accounts in the pension fund administrators. In the year ended December 31, 2019, the Confederation made contributions for this item amounting to approximately RD\$568,400 (2018: RD\$470,000), which is included in personnel expenses in the accompanying statements of activities and change in net assets.

Severance indemnity

The Dominican Labor Code requires employers to pay severance to employees dismissed without justified cause. The value of this benefit is recognized in the statement of activities and changes in net assets at the time it is incurred or when it is effectively known that the employment relationship will terminate and there is no possibility of changing this decision. Since 2018, the Confederation made the decision to determine the severance indemnity for each employee and paid on annually basis. In the event of a termination contract with the employee, the amounts paid will be deducted from the compensation to be paid for the acquired rights. In the event of the resignation of an employee who has received such severance indemnity, the balances paid will not be charged to the employee.

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4. Summary of applicable significant accounting policies (continued)

4.17 Employee benefits (continued)

Other benefits

The Confederation provides benefits to its employees, such as vacation and Christmas bonus, according to the provisions of Dominican labor laws.

For these benefits the Confederation recognizes a liability taking as a parameter the amount earned by employees based on labor agreements. As of December 31, 2019 and 2018, for the vacations benefit there is a liability recognized in accruals and withholdings payable in the accompanying statements of financial position.

4.18 Significant accounting judgments, estimates and assumptions

Preparation of the financial statements requires Management to conduct judgments, estimates and assumptions affecting the reported figures of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities. However, uncertainty about such judgments, estimates and assumptions could lead to situations that require adjustments of relative importance in the recorded asset and liabilities amounts in future periods.

In the process of applying its accounting policies, the Confederation has considered the following significant judgments, estimates or assumptions:

Impairment in the value of non-financial assets

The Confederation evaluates, as of each reporting date, whether there is any indication that a non-financial asset may be impaired. Non-financial assets are assessed for impairment when there are indications that the carrying amount may not be recoverable. When these values are calculated, Management must estimate future cash flows expected for related assets or for the generating unit, and it must use a discounted rate to calculate the present value of these cash flows.

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5. Future changes in accounting policies

Standards, interpretations or amendments, that have been issued but have not become at December 31, 2019, are described below. The Confederation has the intention of adopting them when they become effective, if applicable

Standard	Description	Adoption date	Status and/or estimated effect
Disclosure Initiative - Definition of Material (Amendments to IAS 1 and IAS 8)	Amendment clarifies the definition of 'material' and provide guidance to help improve consistency in the concept application.	January 1, 2020	Under evaluation; no changes are expected.
Conceptual Framework for Financial Reporting 2018	Changes in the conceptual framework for financial reporting includes: <ul style="list-style-type: none"> • Improved definitions of an asset and a liability. • Chapter on measurement. • Guidance on reporting financial performance. • Clarifications in areas such as measurement uncertainty in financial reporting. 	January 1, 2020	Under evaluation; no changes are expected.

6. Balances in foreign currency

Below is a summary of financial assets and liabilities denominated in foreign currency, expressed in US dollars, included in the various items at their equivalent in Dominican pesos in the statement of financial statement:

		<u>2019</u>	<u>2018</u>
Assets:			
Cash on hand and at banks:	US\$	268,353	207,288
Accounts receivable from affiliates		228,389	240,239
Other accounts receivable		42,550	5,771
Total assets		<u>539,292</u>	<u>453,298</u>
Liabilities:			
Accounts payable to suppliers and others		(62,158)	(12,643)
Accounts payables to affiliates and directors		(228,380)	(167,657)
Accruals and withholdings payable		(21,634)	-
Loans payable		(200,001)	-
Total liabilities		<u>(512,173)</u>	<u>(180,300)</u>
Net position in dollars - assets	US\$	<u>27,119</u>	<u>272,998</u>

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7. Cash on hand and at banks

A breakdown of cash on hand and at banks is as follows:

	<u>2019</u>	<u>2018</u>
Petty cash	10,000	40,120
Deposits in banks (a)	15,383,750	11,679,221
	<u>15,393,750</u>	<u>11,719,341</u>

(a) As of December 31, 2019, this amount includes US\$268,353 (2018: US\$207,288) which correspond to bank deposits in bank accounts in the Dominican Republic. These accounts accrue annual interest rates between 0.35% and 5% (2018: 0.35% and 1%) of the available balance.

As of December 31, 2019 and 2018, there was no difference between the recorded values and fair values of these financial assets. As of the reporting date, there were no restrictions on the use of cash at bank balances.

8. Balances, transactions with affiliates and directors

The main transactions with affiliates and directors correspond to economic contributions, payments and collections of membership fees, payments and collections of registration fees in sporting events and expenses covered by managers on behalf of the Confederation.

Balances:

The breakdown of accounts receivable from affiliates as of December 31, is as follows:

	<u>2019</u>	<u>2018</u>
Fédération Internationale de Volleyball (FIVB) (a)	40,965,000	45,049,400
Affiliated federations (b):		
Federación Peruana de Voleibol	1,149,956	613,444
Jamaica Volleyball Association	189,625	587,821
Federación Puertorriqueña de Voleibol	7,154,502	251,000
Barbados Volleyball Federation	1,058	225,900
Federación Costarricense de Voleibol	53,253	50,535
Federación Nacional de Voleibol de Guatemala	1,781,484	3,263,000
ST. Lucia Amateur Volleyball Association	45,493	100,400
Montserrat Volleyball Association	21,160	10,040
Federación Mexicana de Voleibol	351,647	-
Surinaamse Volleybal Bond	1,333,600	-
Norceca Qualifying Championship Organizing Committee Women's Pre-Olympic Tokyo 2020	5,399,525	-
Federación Cubana de Voleibol	-	768,762
Subtotal	58,446,303	50,920,302
Estimated doubtful accounts loss (c)	(41,154,625)	(38,860,321)
Total accounts receivable from affiliates	<u>17,291,678</u>	<u>12,059,981</u>

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8. Balances, transactions with affiliates and directors (continued)

- (a) Accounts receivable from the FIVB is denominated in US dollars and corresponds mainly to the economic contribution that this institution annually contributes to the Confederation. During the year ended December 31, 2019, no contributions were received for this concept (2018: US\$404,994 equivalent to RD\$20,249,700).
- (b) Balances receivable from affiliated federations are derived from annual membership fees, rights for the grant of locations for the various championships held by the Confederation, team registration fees, advertising rights, fines for non-compliance with the sporting regulations of championships, among others. These accounts are denominated in US dollars and have no specific maturity and are equivalent to US\$228,389 in 2019 (2018: US\$240,239).
- (c) The activity during the years ended December 31 for estimated doubtful accounts loss is as follows:

	<u>2019</u>	<u>2018</u>
Balance at beginning of year	(38,860,321)	(37,606,785)
Amounts credited to the allowance	<u>(2,294,304)</u>	<u>(1,253,536)</u>
Balance at year end	<u>(41,154,625)</u>	<u>(38,860,321)</u>

The composition of accounts receivables from affiliates as of December 31 is as follows:

	<u>Past due but not impaired</u>			<u>Impaired</u>		<u>Total</u>
	<u>Not past due</u>	<u>Between 30 to 60 days</u>	<u>61 to 90 days</u>	<u>Over 90 days</u>	<u>Over 91 days</u>	
2019	<u>6,525,013</u>	<u>6,363,116</u>	<u>1,447,783</u>	<u>2,955,766</u>	<u>41,154,625</u>	<u>58,446,303</u>
2018	<u>12,059,981</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>38,860,321</u>	<u>50,920,302</u>

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8. Balances, transactions with affiliates and directors (continued)

The breakdown of accounts payable to affiliates and directors as of December 31, 2019 and 2018 is as follows:

	<u>2019</u>	<u>2018</u>
Fédération Internationale de Volleyball (FIVB) (d)	(2,231,389)	(1,899,473)
USA Volleyball (e)	(544,870)	(502,000)
Federación Puertorriqueña de Voleibol (f)	-	(85,861)
Netherlands Antillianse Volleyball Bond (g)	-	(181,401)
Eastern Caribbean Volleyball Association, ECVA (h)	(7,671)	(107,679)
Canadá Volleyball Association (i)	(42,320)	(40,160)
Ligue Guadeloupenne de Volleyball (j)	(174,570)	(150,600)
Barbados Volleyball Federation (k)	(23,805)	(22,590)
Cristóbal Marte Hoffiz - President of Norceca (l)	(7,394,627)	(3,012,010)
Federación Mexicana de Voleibol (m)	(238,050)	(85,340)
Federación Nicaragüense de Voleibol (n)	-	(2,259,000)
Federación Salvadoreña de Voleibol (o)	-	(70,280)
Federación Dominicana de Voleibol (p)	(189,304)	(850,988)
Belize Volleyball Association(q)	(780,563)	-
St. Kitts Amateur Volleyball Association (r)	(148,120)	-
Cayman Island Volleyball Federation (s)	(317,400)	-
Federación Cubana de Voleibol (t)	(136,128)	-
Aruba Volleyball Association (u)	(31,210)	-
Bonaire Volleyball Association (v)	(10,580)	-
	<u>(12,270,607)</u>	<u>(9,267,382)</u>

(d) As of December 31, 2019 and 2018, it includes membership fees to the FIVB, corresponding to the years 2019 and 2018, in the amount of US\$4,343, in addition to a 40% fee for International Athletes Transfer (ITC) for US\$28,455 value, 10% fee for International Transfer of Female Athletes FIVB ITC for US\$3,855, 10% fee for International Transfer of Male Athletes of US\$946, 10% fee for International Transfer of Female Athletes for value of US\$3,991 and 10% fee for International Transfer of Male Athletes of US\$591, respectively.

(e) As of December 31, 2019, includes payment to the registration fee for the team participating in the 6th. 2019 beach volleyball circuit stage, US \$ 300 and a prize for being the winner of the Norceca Tour in the female and male branch of 2018, for an amount of US\$10,000 (2018: US\$10,000).

(f) As of December 31, 2019 and 2018, this relates to 10% of the fees for International Athletes Transfer (ITC), 2013-2012 season for US\$1,120.

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8. Balances, transactions with affiliates and directors (continued)

- (g) As of December 31, 2018, corresponds to assistance for participation in the 3rd, 4th, and 5th. Norceca Beach Tour 2018 stop for US\$3,613.
- (h) As of December 31, 2019, corresponds to a balance of US\$145 in favor of Eastern Caribbean Voleibol Association. As of December 31, 2019, these correspond to travel expenses for instructor Francisco Cruz Jiménez for technical assistance in the visit to St. Vicent & Grenadines for US\$2,000, and US\$145 for credit balance for the Eastern Caribbean Association.
- (i) As of December 31, 2019 and 2018, it corresponds to the 33% of registration in the seventh stage of the Norceca Tour 2017 for US\$800.
- (j) As of December 31, 2019, corresponds to a duplicate payment for the affiliation to Norceca, corresponding to the year 2019 of US\$300, and the registration of the teams participating in the 2nd. Round of the Men's World Championship Qualification Tournament Group N 2013 for US\$3,000. As of December 31, 2018, it corresponds to the registration of the teams participating in the 2nd. Round of the Men's World Championship Qualification Tournament Group N 2013 for US\$3,000.
- (k) As of December 31, 2019 and 2018, these correspond to the balance pending payment for return of 50% of the referee payment in the Under-21 Norceca Volleyball Championship held in El Salvador for US\$450.
- (l) As of December 31, 2019 corresponds to refunds of air tickets granted to the different national federations, to participate in various events of the Norceca volleyball confederation for the amount of US\$139,785. As of December 31, 2018 correspond to pending stipends from the President of Norceca for US\$60,000.
- (m) As of December 31, 2019, corresponds to the percentage of registrations collected during the 1st. stage of the beach volleyball circuit in Aguas Calientes, Mexico, US\$2,800 and the payment of 50% corresponding to the registration in 1st. Beach Stage of the 2018 Norceca Tour, held in La Paz Baja California Sur, Mexico, for an amount of US\$1,700 (2018: US\$1,700).
- (n) As of December 31, 2018, it corresponds to the venue fee paid to hold the Under-21 Continental Championship for \$45,000.

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8. Balances, transactions with affiliates and directors (continued)

- (o) As of December 31, 2018, it corresponds to tickets purchase for the participation in the sixth stage of the Continental Volleyball Tour in Norceca Beach 2019 for US\$1,400.
- (p) As of December 31, 2019 and 2018, it corresponds to the sponsorship in Trilogy Dominicana for the Pan-American Volleyball Cup.
- (q) Economic Assistance Organization of the Central American Championship for Seniors Women AFECAVOL for US\$8,500 and Air Tickets participating in the 1st., 3rd., 4th., 5th. and 9th. Stage of the 2019 Norceca Beach Volleyball Circuit for US\$6,255 for a total of US\$14,755.
- (r) Financial assistance for air tickets for participants in the 7th. and 8th. stage of the Norceca beach volleyball circuit 2019, in Bonaire and Boca Chica, Dominican Republic equivalent to US\$2,800.
- (s) Financial assistance to replace expenses incurred in its FIVB Norceca development program, period June - September 2019, in the amount of US\$6,000.
- (t) Corresponds to a higher payment of the total owed to Norceca as of December 31, 2019, equivalent to US\$2,573.
- (u) Assistance for the air tickets of the participants in the 7th stage of the Norceca 2019 beach volleyball circuit, in Bonaire for an amount of US\$590.
- (v) Balance corresponds to percentage of registration of participants in the 7th stage of the Norceca 2019 beach volleyball circuit, in Bonaire for an amount of US\$200.

These accounts do not accrue interest and are not subject to a discount for early payment.

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8. Balances, transactions with affiliates and directors (continued)

Transactions:

During the years ended December 31, 2019 and 2018, transactions with affiliates and directors were as follows:

	<u>2019</u>	<u>2018</u>
Revenues:		
Economic contributions received	2,037,780	21,233,700
Events and activities	66,135,151	42,855,384
Membership fees	840,845	778,868
Other	15,590,709	4,393,089
	<u>84,604,485</u>	<u>69,261,041</u>
Expenses:		
Sports equipment donated to federations	<u>27,688,562</u>	<u>24,435,581</u>
Economic contributions granted:		
Asociación de Federaciones Centroamericanas de Voleibol (AFECAVOL)	16,383,423	12,978,126
Caribbean Zonal Volleyball Association (CAZOVA)	17,170,215	6,967,289
Eastern Caribbean Volleyball Association (ECVA)	7,880,127	5,772,204
Asociación Voleibol Norte y Centroamérica (CENTRAL ZONE)	9,496,795	4,148,186
Others economic contributions	351,351	-
	<u>51,281,911</u>	<u>29,865,805</u>
Other expenses:		
Rentals	979,182	979,182
Accommodation, travel expenses and meals	461,053	545,113
Representation expenses	1,599,171	1,087,508
Airplane tickets	132,141	237,505
Coordination meetings - Executive Committee and Management Committee	282,191	503,003
	<u>3,453,738</u>	<u>3,352,311</u>
	<u>82,424,211</u>	<u>57,653,697</u>

The administrative facilities used by the Confederation to carry out its activities were facilitated by the Government of the Dominican Republic through the Dominican Volleyball Federation (FEDOVOLI), free of cost to Norceca.

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8. Balances and transactions with affiliates and directors (continued)

Terms and Conditions with Affiliates and Directors

Activities with affiliates and directors are performed under the terms agreed between the parties. Balances pending at year end are unsecured, and do not generate interest. No guarantees have been received on accounts receivable or payable to affiliates and directors, except as of December 31, 2019, when loans payable had joint guarantee of the President of Norceca, Mr. Cristóbal Marte Hoffiz.

The Confederation's President receives an annual assignment of US\$50,000 equivalent to RD\$2,645,000 (2018: US\$50,000 equivalent to RD\$2,510,000) as compensation for his functions. In addition, he receives the payment of expenses incurred in performing said duties. During the year ended December 31, 2019, the pending balance at December 31, 2018 relate to stipend was paid in full. As of December 31, 2019, the Confederation has an account payable with the President of Norceca for an amount of US\$139,785 equivalent to RD\$7,394,646, corresponding to air tickets supplied to National Federations for their participation in different events.

9. Other accounts receivable

The breakdown of other accounts receivable is as follows:

	<u>2019</u>	<u>2018</u>
Employees (a)	339,243	537,795
Loans for commissions members (b)	-	82,242
Others (c)	<u>2,213,865</u>	<u>73,892</u>
	<u>2,553,108</u>	<u>693,929</u>

(a) These correspond to cash advances granted to Confederation employees. These accounts receivable do not generate interest and are recoverable in the Confederation's functional currency.

(b) As of December 31, 2018, these correspond to loans for commission members for the purchase of plane tickets to participate in the Commission of Press Meetings for US\$1,638, equivalent to RD\$82,242.

(c) As of December 31, 2019, includes accounts receivable from Molten Corporation, for utilities not received under contract for US\$280,000 and received US\$277,750, for a difference receivable of US\$2,250 equivalent to RD\$119,025, and the transmission rights for the Pan American Cups for Seniors, Men and Women, the Pan-American Cup for Men U-21 and the Norceca Continental Championships for men and women in 2019, US\$39,500 to FLOSPORS, INC., equivalent to RD\$2,089,550. As of December 31, 2018, includes accounts receivable from Marketing Sport Event for the venue fee in the 4th. stage of the beach volleyball circuit in Punta Cana for an amount of US\$1,200 equivalent to RD\$60,240 and accounts receivable from Mireya Luis to cover accommodation for athletes in the 5th. stage of beach volleyball in Boca Chica for US\$272 equivalent to RD\$13,652.

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10. Inventory of sports equipment

The Confederation's sporting goods were received in exchange for advertising and purchases from the company Molten Corporation (see note 12). MIKASA and Jinling Sports sporting goods were received from Fédération Internationale de Volleyball (FIVB). A breakdown of inventories is as follows:

	<u>2019</u>	<u>2018</u>
<i>Molten supplies:</i>		
Balls	5,691,813	3,367,167
Nets	276,143	1,388,350
Ball carts	490,441	139,487
Antennas	-	8,067
Flags	193,056	89,351
Pressure gauges	-	16,449
Coaching portfolios	411,937	313,959
Whistle for referees	128,553	-
Marking tape	382,074	91,903
Tabletop scoreboard	14,568	245,230
Air pumps	79,587	134,303
	<u>7,668,172</u>	<u>5,794,266</u>
<i>Mikasa supplies:</i>		
Balls	2,766,049	1,967,150
Nets	127,691	127,691
Antennas	138,082	138,082
Game lines	67,625	67,625
Ball carts	12,920	12,920
	<u>3,112,367</u>	<u>2,313,468</u>
<i>Jinling supplies</i>		
Referee stands	1,140,032	1,140,032
Net system	340,070	340,070
Nets	257,155	257,155
Padding and vertical padding	155,688	155,688
Antennas	140,313	140,313
Cutting line system	146,322	146,322
Anchoring system	99,629	99,629
Floor plates	48,885	48,885
	<u>2,328,094</u>	<u>2,328,094</u>
<i>Senoh supplies:</i>		
Nets	314,371	-
Antennas	17,064	-
Game lines	62,203	-
	<u>393,638</u>	<u>-</u>

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10. Inventory of sports equipment (continued)

<i>Other</i>		
Doping kit:	54,846	118,221
Mizuno Uniforms	7,126,400	7,503,689
Beach volleyball game lines	181,542	384,956
Referee uniforms	41,933	41,933
Gerflor floors	10,228,672	10,228,672
Tandem Antennae	-	155,037
	<u>17,633,393</u>	<u>18,432,508</u>
Subtotal	31,135,664	28,868,336
Allowance for inventory obsolescence (a)	<u>(8,120,236)</u>	<u>(6,177,858)</u>
Total inventory of sports equipment	<u>23,015,428</u>	<u>22,690,478</u>

(a) For the years ended December 31, 2019 and 2018, the Confederation made adjustment related to the net realizable value were conducted for RD\$1,942,378 and RD\$690,058, respectively.

11. Furniture and equipment

The activity of furniture and equipment for the years ended December 31 is as follows:

	Furniture Office, Equipment and Others	Computer Equipment	Emergency Generator	Total
Acquisition costs:				
Balance as of January 1, 2018	4,002,897	1,048,342	1,344,881	6,396,120
Additions	<u>167,700</u>	<u>101,660</u>	-	<u>269,360</u>
Balances as of December 31, 2018	4,170,597	1,150,002	1,344,881	6,665,480
Additions	-	131,548	-	131,548
Disposals	<u>(47,587)</u>	<u>(257,527)</u>	-	<u>(305,114)</u>
Balances as of December 31, 2019	<u>4,123,010</u>	<u>1,024,023</u>	<u>1,344,881</u>	<u>6,491,914</u>
Accumulated depreciation:				
Balances as of January 1, 2018	(3,025,151)	(926,640)	(521,141)	(4,472,932)
Depreciation expenses for the year	<u>(265,407)</u>	<u>(76,288)</u>	<u>(201,732)</u>	<u>(543,427)</u>
Balances as of December 31, 2018	(3,290,558)	(1,002,928)	(722,873)	(5,016,359)
Depreciation expenses for the year	<u>(267,819)</u>	<u>(85,237)</u>	<u>(201,732)</u>	<u>(554,788)</u>
Disposal	40,012	257,526	-	297,538
Balances as of December 31, 2019	<u>(3,518,365)</u>	<u>(830,639)</u>	<u>(924,605)</u>	<u>(5,273,609)</u>
Net value in book:				
As of December 31, 2019	<u>604,645</u>	<u>193,384</u>	<u>420,276</u>	<u>1,218,305</u>
As of December 31, 2018	<u>880,039</u>	<u>147,074</u>	<u>622,008</u>	<u>1,649,121</u>

As of December 31, 2019, the Confederation maintains in use fully depreciated assets for approximately RD\$2,378,000 (2018: RD\$3,740,000).

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12. Sports equipment received in exchange for advertising

On January 1, 2019, the Confederation renewed the contract with Molten Corporation for a period of four years, maturing on December 31, 2022. By means of this agreement the Confederation grants Molten the right to advertise its sporting goods in all competitions and tournaments held by the Confederation. As consideration, Molten Corporation will provide sporting goods to the Confederation for approximately US\$280,000 in 2019 (2018: US\$270,000).

The allocation for sports supplies from Molten in 2019 was US\$277,750 equivalent to RD\$14,692,975 (2018: US\$270,000 equivalent to RD\$13,277,520). In addition, Sport Court floors were received for a total of US\$118,173 equivalent to RD\$6,251,352 (2018: US\$183,381 equivalent to RD\$9,205,749).

13. Loans payable

Loans payable correspond to short-term credit lines as follows:

	<u>2019</u>	<u>2018</u>
Correspond to a secured line of credit with joint guarantee of the President of Norceca, Mr. Cristóbal Marte Hoffiz. This line was approved in 2013 by Banco BDI for an original amount of US\$500,000 and the amount renewed on December 31, 2018 for US\$1,000,000. At December 31, 2019 the amount used was US\$200,000 (2018: US\$1) and bear an annual interest of 9%. Interests are payable monthly until the maturity date of the line of credit.	<u>10,580,053</u>	<u>50</u>

Interest expenses generated in 2019 for the line of credit amount to US\$1,126 (2018: US\$6,052), equivalent to RD\$57,166 (2018: RD\$289,631).

14. Accounts payable to suppliers and others

These accounts payable to suppliers and others do not bear interest, are not subject to discounts for early payment and are usually payable within 30 to 60 days from the corresponding documents' or invoices' issue dates. As of December 31, 2019, US\$62,158 (2018: US\$12,643) are included, which are payable in US dollars.

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15. Personnel expenses

The breakdown of personnel expenses for the years ended December 31 is as follows:

	2019	2018
Wages	6,922,104	6,723,337
Christmas bonus	687,820	700,464
Vacation	493,429	389,863
Severance indemnity	753,044	4,297,525
Services to personnel	981,906	514,857
Social Security	1,230,785	1,102,587
	<u>11,069,088</u>	<u>13,728,633</u>

16. Commission meeting expenses

The breakdown of coordination meeting expenses for the years ended December 31 is as follows:

	<u>2019</u>	<u>2018</u>
Meeting of the Executive Committee and Board of Directors (a)	282,191	503,003
FIVB Work Meetings (b)	623,052	328,994
Norceca Work Commissions (c)	299,994	253,413
AFECAVOL Assembly (d)	249,455	104,804
ECVA Assembly (d)	1,269,736	193,000
CAZOVA Assembly (d)	726,121	97,306
Other meetings	212,542	1,156,959
	<u>3,663,091</u>	<u>2,637,479</u>

- (a) As of December 31, 2019, correspond mainly to expenses incurred for lodging, meals and purchases of materials of all participants in the Meeting of the Executive Committee and Board of Directors in Santo Domingo. As of December 31, 2018, correspond mainly to expenses incurred for the purchase of plane tickets, accommodation and meals of all participants in the Meeting of the Executive Committee and Board of Directors, as well as the payments of the organization of the event, which were made in San José, Costa Rica and in the city of Tijuana, Mexico.
- (b) Correspond to expenses incurred for the purchase of plane tickets, accommodation and per diem for members of the press commission, beach commission and Confederation directors in FIVB annual meetings held in Switzerland.
- (c) Correspond to expenses incurred for the purchase of plane tickets, accommodation, and transportation services for members of the commissions participating in the Confederation's Work Meeting.

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16. Commission meeting expenses (continued)

(d) Correspond to expenses incurred for the purchase of plane tickets, accommodation, per diem and transportation services for the Confederation's directors participating in AFECVOL, ECVA and CAZOVA Assemblies.

17. Events and championships expenses

The breakdown of expenses for events and championships related to plane tickets, transport, accommodation and per diem expenses incurred by the Control Committees and representatives of the Confederation in the different events, tournaments and competitions held during the years ended December 31 is as follows:

	<u>2019</u>	<u>2018</u>
Women's Pan-American Volleyball Cup	220,259	468,108
Men's Pan- American Volleyball Cup	760,500	-
Central American and Caribbean Games in Barranquilla Colombia	-	388,552
Norceca Senior Women's Continental Championship	280,631	-
Norceca Senior Men's Continental Championship	155,431	-
U-19 Norceca Men's Continental Championship	-	44,352
XIII (XII) Continental Circuit Norceca of Beach Volleyball Qualifying Tournament for the Women's Champions Cup	105,800	1,804,852
Qualifying Tournament for the Men's Champions Cup	87,928	39,448
U-21 Men's Pan-American Cup	87,531	19,907
U-20 Women's Pan-American Cup	72,719	-
U-18 Women's Pan-American Cup	65,057	-
U-19 Men's Pan-American Cup	7,605	-
National teams Training Camp	81,365	-
Prize money and incentives	847,438	-
Norceca U-20 Continental Championship	529,000	502,000
U-23 Women's Pan-American Cup	-	257,418
U-18 Norceca Women's Championship	-	81,761
Women's World Championship	-	104,407
Pan-American Games Final Four Qualifying Tournament in Lima, Peru	-	916,660
Pan-American Games	50,206	-
	<u>775,803</u>	<u>-</u>
	<u>4,127,273</u>	<u>4,627,465</u>

18. Regional volleyball development center

As of December 31, 2019 and 2018, this corresponds to expenses incurred in the organization and presentation of courses and seminars given by the FIVB Regional Volleyball Development Center (Centro Regional de Desarrollo de Voleibol FIVB, Tijuana, Mexico), as well as the expenses incurred in the purchase of airplane tickets, accommodation, per diem and other travel expenses of coaches and speakers; these expenses amount to RD\$2,888,866 (2018: RD\$3,675,761).

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19. Other expenses

The breakdown of other expenses for the years ended December 31 is as follows:

	<u>2019</u>	<u>2018</u>
Building maintenance	218,970	1,234,253
Doping control	1,836,280	1,985,377
Rentals (a)	979,182	979,182
Transportation, fuels and lubricants	537,929	611,113
Bank charges	585,293	508,700
Other	3,781,593	5,188,914
	<u>7,939,247</u>	<u>10,507,539</u>

(a) During the years ended December 31, 2019 and 2018, these correspond to the lease of three spaces where sports equipment and supplies of the Confederation are stored. In addition, it includes the rental of the apartment of the Norceca coaches.

20. Objectives and policies for financial risk management

Financial Risk Management

In the normal course of business, the Confederation is exposed to liquidity risk, exchange rate risk, credit risk and interest risk. The Confederation's policies for managing the risks mentioned are described below.

Liquidity Risk

The maturity of financial liabilities based on non-discounted cash flow payments is as follows:

	<u>2019</u>			
	<u>On demand</u>	<u>Less than 3 months</u>	<u>3 to 12 months</u>	<u>Total</u>
Accounts payable to suppliers and others	3,642,476	-	-	3,642,476
Accounts payable to affiliates and directors	-	-	12,270,607	12,270,607
Loans payable	-	10,580,053	-	10,580,053
	<u>3,642,476</u>	<u>10,580,053</u>	<u>12,270,607</u>	<u>26,493,136</u>
	<u>2018</u>			
	<u>On demand</u>	<u>Less than 3 months</u>	<u>3 to 12 months</u>	<u>Total</u>
Accounts payable to suppliers and others	355,965	-	-	355,965
Accounts payables to affiliates and directors	-	-	9,267,382	9,267,382
Loans payable	-	50	-	50
	<u>355,965</u>	<u>50</u>	<u>9,267,382</u>	<u>9,623,397</u>

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20. Objectives and policies for financial risk management (continued)

Exchange risk management

The Confederation is exposed to the effects of fluctuations in foreign currency exchange rates on its financial position and cash flows. Management establishes limits on the levels of exposure by currency and the total daily operations, which are duly monitored. The foreign currency position is presented in Note 6.

The following table presents a sensitivity analysis of the effect of exchange rates for foreign currencies in relation to the Dominican peso on the Confederation's activities (due to changes in the fair value of monetary assets and liabilities), considering that other variables remain constant:

	<u>Increase (decrease) in the US\$ rate</u>	<u>Effect of change on Net Assets</u>
2019	+5%	71,730
	-5%	<u>(71,730)</u>
2018	+5%	685,225
	-5%	<u>(685,225)</u>

Credit risk

Accounts receivable by the Confederation arise from fees and participation fees in events of affiliated federations. The maximum exposure to credit risk is represented by the balances of each financial asset.

Management considers there is no additional credit risk from accounts receivable since an allowance for doubtful accounts is created when the collection of the total invoiced amount is not probable, or payments are delinquent. The Confederation conducts important transactions with related parties. Management has assessed that balances with related entities are completely recoverable, except those balances included as part of the allowance for doubtful accounts. Additionally, balances receivable are permanently monitored, resulting in a non-significant exposure to bad debt.

Regarding credit risks of other financial assets, which comprise cash in banks, the maximum exposure of the Confederation, as a result of breach by the counterparty, would be the carrying amount of these assets. To mitigate this risk, the Confederation only conducts transactions with entities of renowned solvency.

Interest rate risk:

The Confederation's income and operating cash flows are substantially independent of market interest rate changes. As of December 31, 2019 and 2018, the Confederation has contracted interest-bearing liabilities at market interest rate.

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21. Fair values

A comparison between the carrying value and the fair value of the Confederation's financial instruments, except those whose carrying value is approximately similar to the fair value, is as follows:

	December 31, 2019		December 31, 2018	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial liabilities				
Loans payable	<u>10,580,053</u>	<u>10,580,053</u>	<u>50</u>	<u>50</u>

The Confederation's Management considers that the fair value of the cash on hand and at banks, the accounts payable to affiliates and others accounts receivable, the accounts payable to affiliates, accounts payable to suppliers and others and loans payable is close to the accounting value due to their short-term nature.

22. Changes in liabilities from financing activities

	2019				
	January 1, 2019	Cash flow			December 31, 2019
		From new financial liabilities	Payments made	Interests Paid and Others	
Loans payable	<u>50</u>	<u>15,628,003</u>	<u>(5,048,000)</u>	<u>(57,166)</u>	<u>10,522,887</u>

	2018				
	January 1, 2018	Cash flow			December 31, 2018
		From new financial liabilities	Payments made	Interests Paid and Others	
Loans payable	<u>48</u>	<u>-</u>	<u>-</u>	<u>2</u>	<u>50</u>

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23. Subsequent events

On March 11, 2020, the World Health Organization raised the situation of public health emergency caused by the outbreak of the coronavirus (COVID-19) to a pandemic international. The rapid evolution of events, at the national and international levels, represents an unprecedented health crisis that will impact the macroeconomic environment and evolution of business. In March 2020, outbreaks were identified in the Dominican Republic, which could lead to a decrease in the country's economic activity. The extent to which the coronavirus will affect the results of the entities in the Republic will depend on future developments, which are highly uncertain and cannot be predict. On March 19, 2020, through Decree No. 134-20, the government of the Dominican Republic declared a state of emergency for 25 days. After several decrees, the state of emergency was extended until October 18, 2020.

The Management of the Confederation considers that these events do not imply changes or adjustments to the financial statements as of December 31, 2019 and for the year ended in that date.

Given the complexity of the situation and its rapid evolution, is not practicable at the date of approval of the issuance of financial statements reliably perform a quantified estimate of potential impact on the Confederation. The Administration is taking the necessary steps with the objective of coping with the situation and minimizing its impact.

With the exception of the aforementioned, the Administration is not aware of other subsequent event occurred between the date of the financial statements and the date of its issuance, which requires the modification of the figures presented in the financial statements authorized or disclosure in notes thereto.